北京北辰實業股份有限公司

Beijing North Star Company Limited

2009 Annual Report

(HKEx Stock Code : 0588) (SSE Stock Code : 601588)

Contents

Corporate Profile

Beijing North Star Company Limited was established by its sole promoter, Beijing North Star Industrial Group Company, on 2 April 1997. The shares of the Company were listed on the Hong Kong Stock Exchange in May in the same year. In October 2006, the Company's A shares were issued and listed on the Shanghai Stock Exchange.

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 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, Beichen Changhe Yushu Garden Villas, Beichen Bihai Fangzhou Garden Villas, Beichen · Xianglu, Beichen · Fudi and Beichen Changsha Xinhe Delta Project.

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 Centre and the integrated properties under its ancillary projects 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 involve convention, hotel, office and apartment business. Taping on convention business to bring into full play, the Company adopts a marketing tactic of "co-sale of convention and exhibition" and "joint venture". Its operating items mainly 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 chainstore commercial projects like Beichen Shopping Centre, Beichen Green Garden Shopping Centre and Legend 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 and on a historic mission to "create property value, build a century's foundation", the Company is committed to building up an integrated and unique business model featuring development properties, investment properties and commercial properties, that the basic operating strategy of which drives profit through development properties and maintains steady income by investment properties and commercial properties, creating a consolidated operation of top national large-scale properties.

Asian-Olympic core district

Financial Highlights

RESULTS

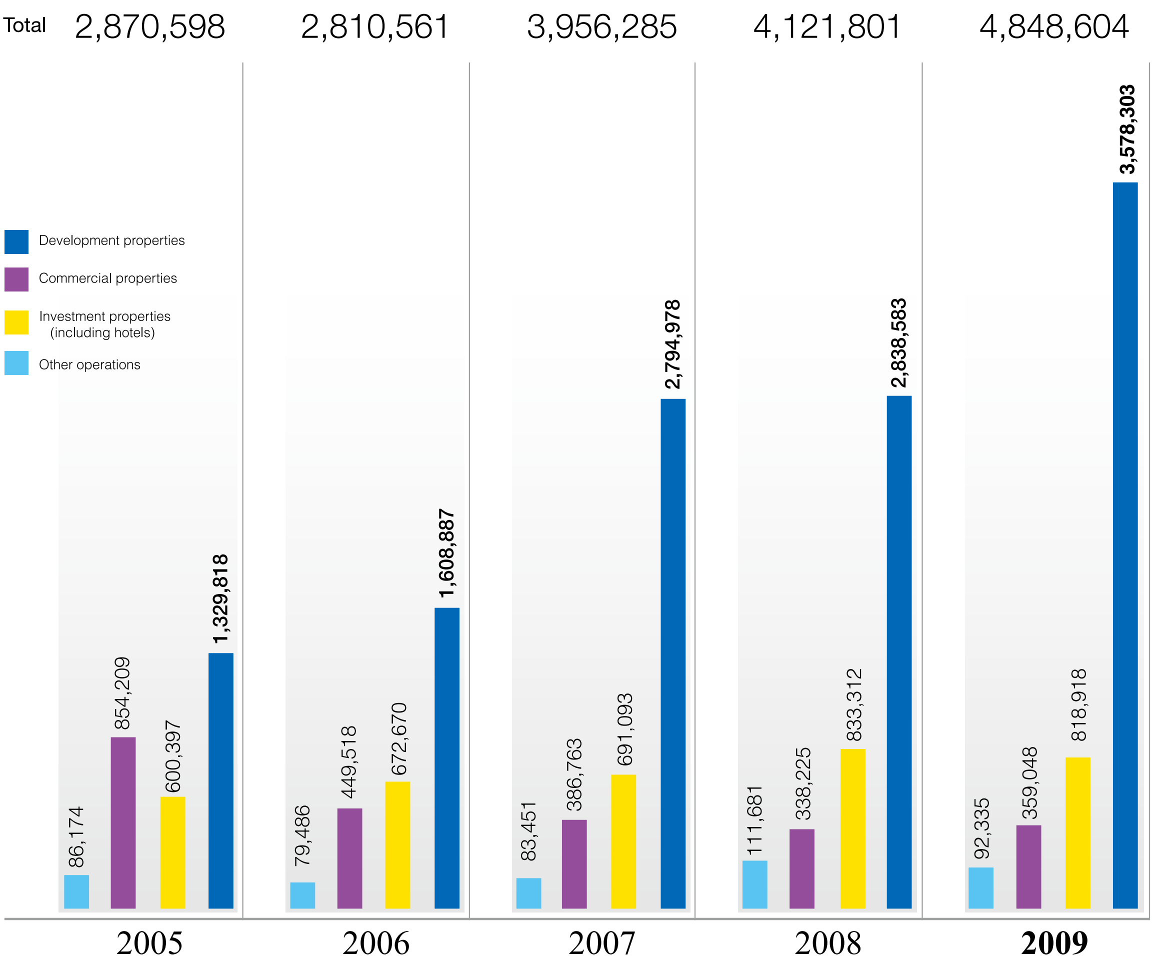
Year ended 31st December	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
Continuing operations					
Revenue	**4,848,604**	4,121,801	3,956,285	2,810,561	2,870,598
Profit before income tax	**2,464,345**	1,920,603	977,480	708,690	388,230
Income tax expenses	**(816,486)**	(601,546)	(321,207)	(248,001)	(124,968)
Profit for the year from continuing operations	**1,647,859**	1,319,057	656,273	460,689	263,262
Discontinued operations					
(Loss)/profit for the year from discontinued operations	**(2,143)**	(721)	124	—	—
Profit for the year	**1,645,716**	1,318,336	656,397	460,689	263,262
Attributable to:					
Equity holders of the Company	**1,508,356**	1,164,781	517,110	412,700	253,604
Minority interests	**137,360**	153,555	139,287	47,989	9,658

ASSETS AND LIABILITIES

As at 31st December	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
Total assets	**30,115,149**	28,136,798	21,973,159	16,141,794	9,176,647
Total liabilities	**(18,047,815)**	(17,525,410)	(12,397,944)	(7,028,158)	(4,019,085)
Total equity	**12,067,334**	10,611,388	9,575,215	9,113,636	5,157,562

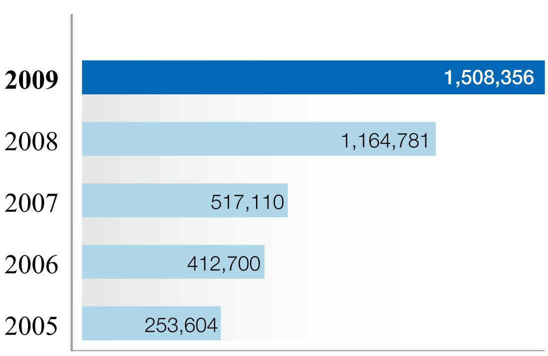
Revenue by Business

RMB'000



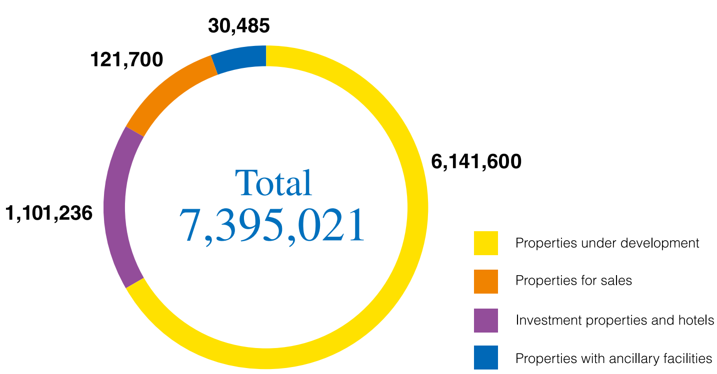
Profit Attributable to Equity Holders of the Company

RMB'000



Gross Area of Property Portfolio

Sq.m. Year ended 31st December 2009



Chairman's Report

Dear Shareholders,

I am pleased to present to you the operating results of the Company for the year ended 31st December 2009.

2009 is the year where the Company innovated its operations, tapped opportunities amid crises, held properties to maintain a steady level of stock assets and successfully commenced the operations of additional assets. Besides, it is also the year in which the Company actively embraced challenges and grasped opportunities to sustain the accelerated growth of the development properties operation and finally achieved fruitful results. Thanks to the concerted efforts of the management and all staff members, the Company's operating results maintained its rapid growth momentum for the fifth consecutive year. We recorded the most remarkable results since the founding of the Company in 1997.

For the year ended 31st December 2009, the Company recorded turnover of RMB4,848,604,000 in accordance with the Hong Kong Financial Reporting Standards, up 17.6% from the previous year. During the reporting period, with wider profit margin of settled property products and increased gain on changes in fair value of investment properties, profit attributable to equity holders amounted to RMB1,508,356,000, representing an increase of 29.5% over 2008. Among them, the core operating results of the Company's core operations amounted to RMB647,573,000, representing a year-on-year increase of 27.3%. The gain on changes in fair value was RMB860,783,000, up 31.2% over the last year. Earnings per share was RMB0.45, representing a 29.5% increase over 2008.


Virtual skyline perspective of Beichen Changsha Xinhe Delta Project

Looking into 2009, the international financial crisis swept across the globe. To address the downturn, the Chinese central government encouraged investment and boosted domestic demand by means of implementing active fiscal policies and moderately easy monetary policies, and therefore successfully eliminated the adverse impacts brought by the sluggish external demand and swiftly stabilised and revitalised the domestic economy. As regards the property market, the launch of a string of policies in favor of the healthy development of the industry, coupled with the stimulus provided by the low interest rate and ample liquidity, helped the market to weather the meltdown in 2008 and to show a scene of "booming supply and demand along with rocketing volume and price". With the strong recovery in sales and the bullish views on the future development of the property sector, competition in public land auctions heated up quickly, with hammer prices continuously hitting new highs, and certain regions showing signs of overheating once again. As for investment properties and commercial properties, the market was undergoing the transformation from the Olympic economy to the post-Olympic economy, during which the market witnessed rapid increase in the supply of products, in particular high-end products. However, market demand was dampened by the financial crisis and the spread of the Influenza A epidemic, thus driving the supply and demand imbalance in some businesses to become increasingly prominent, and resulting in the continuous slump in both rental rates and occupancy percentages. As such, the business environment turned much harsher and market competition continued to escalate.

Facing such a complicated and tough macro environment as well as intensifying market competition, in 2009, the Company continued to focus on its operations and development. Bearing in mind the mission of maximizing corporate value and optimizing returns for shareholders, the Company took a flexible approach in addressing the changes in business environment and precisely grasped market opportunities to effectively minimise the impacts of all sorts of unfavorable factors. Our operating results once again hit another historical high. Regarding the development properties operations, the Company adhered to the market-oriented and customer-foremost approach and took into consideration market changes and the distinctive features of each project. We also adopted tailored marketing strategies to continuously enhance the comprehensive operations of its projects. With all these efforts, the Company's projects witnessed impressive sales continuously and drove operating results to surge significantly. The construction of the Changsha Xinhe Delta Project is proceeding on a full scale and in an orderly manner. The construction of the initial block residence already reached the platform stage as scheduled. The planning and international bidding for riverside facilities were successfully completed, and all relevant parties were actively coordinated to proceed with the line adjustment and stop setting of the Subway No.1 of Changsha, bringing the comprehensive competitiveness of the project to rise further. Our investment properties operation continued to adopt the "co-sale of convention and exhibition" marketing strategy. Through innovative operations and market shifts, the Company minimised the impacts of adverse factors to ensure the steady operations of stock properties. In addition, the Company's additional properties, the National Convention Centre, and the integrated properties under its ancillary projects commenced operations as planned, thereby swiftly expanding the scale of the Company's investment properties operation and uplifting the Company's

Night view of National Convention Centre

products to higher classes owing to their significantly enhanced quality. As regards its commercial properties operation, the Company further perfected the market positioning of its stock projects by continuously stepping up the efforts in promotion, optimizing product mix and launching featured marketing. Such an adjustment in operations started to function. The Company managed to make timely adjustment to project positioning and operating strategy for its new projects in light of the intensifying market competition and the harsher business environment. By the end of the year, the food court in Legend Shopping Centre (時代名門百貨) and Beichen Shopping Centre successively commenced operations.

Looking forward in 2010, from the perspective of external environment, the sole reliance on liquidity injection may not provide a firm foundation for the stabilization and recovery of the world's economy. The successive eruption of sovereign debt crises in some countries suggests that the aftermath of the international financial crisis is not over yet. From the perspective of internal environment, China's economy has stabilised and recovered, but its structural conflicts are still apparent, hinting that internal driver of economic growth is inadequate, and the macro environment is still tough. Against this backdrop, China's core target will turn to "adjusting its structure, expanding domestic demand and boosting growth". In other words, the government will continue to implement a moderately easy monetary policy and curb inflation in a flexible and targeted manner, whilst boosting domestic demand through various means, in the hope of facilitating the changes in the ways of economic development and adjustment in economic structure, and in turn ensuring the steady and relatively rapid growth of domestic economy.

Chairman's Report

Meeting at the National Convention Centre

In 2010, the property market is affected by the quick acceleration in property prices. The imbalance between property prices and actual purchasing power has been exacerbating in some regions, thus giving rise to the need for a market correction. Meanwhile, with the continuous enhancement in the central bank's open market operations and the two hikes in deposit reserve ratio within a short period, liquidity is bound to be tightened when compared to 2009. This, along with the successive introduction of new macro control policies designed for the industry, will expose the property market to volatility in future development. The Company's investment properties and commercial properties operations are in general facing a worsening supply and demand imbalance and intense market competition. Fortunately, under the macro environment where efforts have been put on accelerating the economic structural adjustment and boosting domestic demand, along with a continuously expanding tertiary industry, the constantly improving social security system, the expedited reform in the income allocation system and the active promotion of urbanization, the service market and the consumer market still boast huge growth potential, and there is still ample room for investment properties and commercial properties to develop further.

In 2010, the Company will focus on strengthening its ability to prejudge macro control measures and tap market opportunities under the new landscape. It will strive to enhance its comprehensive operations, increase land reserve when opportunities arise, and strengthen the positive impacts of its convention business on other business segments, so as to prop up the Company's competitiveness and its ability to sustain development, and in turn minimise the impacts of unfavorable factors on the Company's core operating results (excluding changes in fair value of investment properties). These factors include the impacts of the development and settlement cycle of projects and the fact that most of the Company's new properties are still undergoing the initial struggling period. Concerning its development properties operation, the Company will continue to strengthen the research and cost control over its products in light of market changes. By adopting a customised marketing strategy, the Company will strive to promote the sales of products and the development and construction of different projects. The Changsha Xinhe Delta Project will be carried out with a market-oriented and customer-

Virtual perspective of the night view of the riverside of A1D1 district under the Beichen Changsha Xinhe Delta Project

foremost strategy. The Company seeks to perfect the market positioning and product planning and design of the project, press ahead with the construction and sales preparations in an orderly manner, and commence the sales of initial block residence in due course. As for investment properties, the Company will capitalise on its advantageous geographical location and diversified business portfolio and continue to promote its "integrated operation" comprising the "co-sale of convention and exhibition" and the "joint venture" approach, further explore operating potential of stock assets, and exert the economy of scale of assets and the spillover effect of the convention sector, in a bid to shorten the initial struggling period of its new properties operation. On commercial properties front, the Company will actively perfect its internal operation mechanism and establish a chain operation management system, optimise its product mix in a timely manner, step up its sales and marketing efforts, steadily increase its stocks and enhance the operating results of new projects, and put great efforts to press ahead with the preparations for opening of new projects.

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, 7 April 2010

Management Discussion and Analysis

I. OPERATING ENVIRONMENT

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

1. Development Properties

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

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

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

2. Investment Properties (including hotels)

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

3. Commercial Properties

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

Integrated properties in Asian Games Village

National Convention Centre and its ancillary integrated properties

II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD

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

Site of Beichen Changsha Xinhe Delta Project

1. Development Properties

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

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

Management Discussion and Analysis

Virtual perspective of Beichen Changsha Xinhe Delta Project

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

Settled sales performance of real estate projects during the reporting period

Project name	2009				Accumulated			Interest of the Company
	Area sold *('000 m²)*	Contracted sales *(RMB million)*	Settled area *('000 m²)*	Revenue *(RMB million)*	Area sold *('000 m²)*	Sales ratio *(%)*	Settled area *('000 m²)*	*(%)*
Olympic Media Village (residential units)	54.5	657	236.1	2,855	382.4	94%	369.3	100%
Beichen Green Garden commercial and infrastructure facilities	38.7	488	—	—	59.9	41%	9.9	100%
Beichen • Xiang Lu (Phase I)	21.7	273	—	—	22.3	37%	—	100%
Beichen • Fudi (Dual Restriction Project)	119.1	701	—	—	246.6	86%	—	100%
Fragrant Hill Qingqin Villas	13.9	587	24.8	716	135.6	94%	108.8	49.50%

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

2. Investment Properties (including hotels)

With the smooth opening of the China National Convention Centre in November 2009 went according to schedule after a large scale interior renovation and modification and a thorough preparation for commencement during the post-Olympic Games period, the integrated properties in the Company's China National Convention Centre and its ancillary projects① enter the stage of market operation and investment promotion. As at the end of 2009, the total area of investment properties of the Company reached 1,040,000 m^2. The property portfolio included 2 convention centres (total gross floor area of 326,000 m^2), 4 high-end hotels (5-star hotel with 809 rooms and 4-star hotel with 958 rooms), 5 A-class office buildings (total gross floor area of 321,000 m^2) and 13 hotel apartments (a total of 1,444 rooms).

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

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

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

Interior of Asian Games Village

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

Exterior of Legend Shopping Centre

3. Commercial properties

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

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

4. Financing

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

5. Overall Prowess

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

6. Investor Relations

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

7. Environmental Protection Efforts

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

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

Virtual perspective of the riverside of A1D1 district under the Beichen Changsha Xinhe Delta Project

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

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

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

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

Virtual perspective of Office of North Star Century Center

Virtual perspective of Green Garden of Beichen Shopping Centre

Virtual vertical perspective of the coastal area of D3 district under the Beichen Changsha Xinhe Delta Project

IV. MANAGEMENT'S MEASURES FOR 2010

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

1. Development Properties

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

Fragrant Hill Qingqin

Northern district of Bihai Fangzhou Garden Villas

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

Virtual perspective of Beichen · Xianglu

Birdview of Beichen Changhe Yushu Garden Villas

Interior of hotel guestroom

Hotel lobby

2. Investment Properties

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

Interior of apartment guestroom

3. Commercial Properties

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

North Star Times Tower

An overall perspective of apartment buildings

Beijing International Convention Centre

4. Financing and Capital Expenditure

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

In 2010, the Company's investment in investment property and property, plant and equipment is estimated to be RMB520 million, subject to payment in accordance with the progress of its construction. The funding of the Company is derived from its self-owned capital and bank loans. The cost of capital is the interest rate of bank loans for the corresponding period.

Night view of Legend Shopping Centre

Virtual perspective of the night view of food court of Beichen Shopping Centre

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

1. Brief Analysis on the Company's Development Advantages

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

2. Brief Analysis on the Company's Development Shortcomings

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

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

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

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

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

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

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

4. Analysis on the Company's Sustainable Development Capability

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

ZHAO Hui-Zhi
General Manager

Beijing, the PRC, 7 April 2010

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 2009, the Company complied with the requirements of the "Code on Corporate Governance Practices" of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter called Listing Rules). The following is an outline of the corporate governance practices adopted by the Company.

THE BOARD

Under the stewardship of the chairman, the Board is charged with the responsibility of approving and monitoring 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.

A total of seven directors serve on the Board, including the chairman, managing director, two executive directors and three independent non-executive directors. In accordance with the requirements of the Listing Rules, directors must be vetted by the Board to have no direct or indirect material relationships with the Company before they are regarded as independent.

The Board should meet regularly and Board meetings should be held at least four times a year. The Board had met 14 times in total during 2009.

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

Directors		**No. of meeting attended/ No. of meetings held**
Executive directors		
Mr. HE Jiang-Chuan		14/14
Mr. ZHAO Hui-Zhi		14/14
Mr. LIU Jian-Ping		14/14
Mr. CHEN Ji		14/14
Independent non-executive directors		
Mr. MENG Yan	(retired on 19/5/2009)	4/4
Mr. YU Jing-Song	(retired on 19/5/2009)	4/4
Mr. FU Yiu-Man, Peter	(retired on 19/5/2009)	4/4
Mr. LONG Tao	(appointed on 19/5/2009)	10/10
Mr. GAN Pei-Zhong	(appointed on 19/5/2009)	10/10
Mr. WONG Yik Chung	(appointed on 19/5/2009)	10/10

Subsequent to the appointments, all directors must avail themselves for election in the annual general meeting in order to be able to continue to serve their terms, and should resign by rotation once every three years. In the event of vacancy in the Board, recommended candidates should be referred to the Board for approval, with a view to appointing the people possessing leadership abilities, in order to maintain and enhance the Company's competitiveness.

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 the relevant directors of the Company. During the year of 2009, none of the directors of the Company had dealt in securities.

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, effective planning of Board meetings, ensuring the Board is acting in the best interests of the Company. The chairman shall proactively encourage directors to fully participate in the business of the Board and to make contributions to the functioning of the Board. To this end, the Board 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, the Board of the Company 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 the formulation and implementation of company policies, and answerable to the Board in relation to the Company's overall operation. The general manager of the Company 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 is made fully aware of the funding needs of the business operation of the Company and submitting an annual budget to the Board for approval. Assisted by the financial controller of the Company, 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 takes remedial measures as the circumstance requires, and offers opinions to the Board on substantive development and matters. The general manager of the Company is required to keep in close liaison with the chairman and all directors, ensuring that the latter are well briefed on all substantive business development and matters of the Company, 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.

All the executive directors of the Company were re-elected in the annual general meeting for the year of 2009 and three original independent non-executive directors retired, while another 3 candidates for election as directors were elected as independent non-executive directors of the new term of the Board at the annual general meeting for the year of 2009. The term of office for directors of this term shall not expire till the annual general meeting for the year of 2012.

Due to the reason that the term of office of independent non-executive director shall not exceed six years pursuant to the requirements of China Securities Regulatory Committee, Mr. MENG Yan, Mr. YU Jing-Song and Mr. FU Yiu-Man, Peter did not seek for re-election in 2009. The Board had nominated Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung as candidates for election as the new independent non-executive directors of the new term to fill the casual vacancies.

ACCOUNTABILITY OF DIRECTORS ON COMPANY'S FINANCIAL STATEMENTS

Directors are charged with the responsibility to compile the 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 currently chaired by Mr. LONG Tao and the other members are Mr. GAN Pei-Zhong and Mr. WONG Yik Chung.

The terms of reference of the audit committee is to recommend appointment or replacement of independent external auditors, oversee internal auditing systems of and implementation by the Company, 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.

The audit committee held three meetings in 2009. Of which, Mr. MENG Yan, Mr. YU Jing-Song and Mr. FU Yiu-Man, Peter, members of the audit committee who had resigned, communicated with accountants before the commencement of annual auditing for year 2008 and reviewed the Company's annual report of 2008. The members of the current audit committee reviewed the interim report of 2009.

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

Members		**No. of meetings attended/ No. of meetings held**
Mr. MENG Yan	(retired on 19/5/2009)	2/2
Mr. YU Jing-Song	(retired on 19/5/2009)	2/2
Mr. FU Yiu-Man, Peter	(retired on 19/5/2009)	2/2
Mr. LONG Tao	(appointed on 19/5/2009)	1/1
Mr. GAN Pei-Zhong	(appointed on 19/5/2009)	1/1
Mr. WONG Yik Chung	(appointed on 19/5/2009)	1/1

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 two members are Mr. CHEN Yuan-Chao and Mr. LIU Yao-Zhong.

During 2009, the Supervisory Committee of the Company exercised its monitoring authority according to the law and protected 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 five meetings in 2009.

Attendance of each of the supervisors is set out below:

Supervisors	No. of meetings attended/ No. of meetings held
Mr. HE Wen-Yu	5/5
Mr. CHEN Yuan-Chao	5/5
Mr. LIU Yao-Zhong	5/5

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 currently chaired by Mr. LONG Tao, with the other two members being Mr. GAN Pei-Zhong and Mr. WONG Yik Chung.

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.

The remuneration committee held one meeting in 2009. The members of the current remuneration committee had listened to reports of the Company's human resources department on the Company's budgets of the total salary for the year 2009 and made reasonable advice in this respect.

Attendance of each of the members is set out below:

Members		No. of meetings attended/ No. of meetings held
Mr. MENG Yan	(retired on 19/5/2009)	0/0
Mr. YU Jing-Song	(retired on 19/5/2009)	0/0
Mr. FU Yiu-Man, Peter	(retired on 19/5/2009)	0/0
Mr. LONG Tao	(appointed on 19/5/2009)	1/1
Mr. GAN Pei-Zhong	(appointed on 19/5/2009)	1/1
Mr. WONG Yik Chung	(appointed on 19/5/2009)	1/1

STRATEGIC COMMITTEE

The strategic committee comprises five members, and is currently chaired by Mr. HE Jiang-Chuan, with the other four members being Ms. ZHAO Hui-Zhi, Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung.

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

The strategic committee held one meeting in 2009. The members of the current strategic committee discussed, revised and improved plans for the Company's development in the next 5 years.

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

Directors		**No. of meetings attended/ No. of meetings held**
Mr. HE Jiang-Chuan		1/1
Mr. ZHAO Hui-Zhi		1/1
Mr. MENG Yan	(retired on 19/5/2009)	0/0
Mr. YU Jing-Song	(retired on 19/5/2009)	0/0
Mr. FU Yiu-Man, Peter	(retired on 19/5/2009)	0/0
Mr. LONG Tao	(appointed on 19/5/2009)	1/1
Mr. GAN Pei-Zhong	(appointed on 19/5/2009)	1/1
Mr. WONG Yik Chung	(appointed on 19/5/2009)	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 the Company, 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 Board of the Company.

The Board has the ultimate responsibility in overseeing the operation of all business units under the Company's management. The Board shall appoint suitably qualified personnel to serve on the board of directors of all subsidiaries and associates operating in key business areas, attending their 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 of the Company 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 relevant executives. 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 of the Company before the projects can be initiated.

In 2009, pursuant to the requirements of the domestic regulatory authorities, the Company continuously improved and optimized the internal control system and 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 improved considerably, with its internal control work further enhanced.

Besides, the Board has conducted review of the effectiveness of the internal control system of the Company and its subsidiaries for 2009 and considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget in accordance with Code Provisions C.2.1 and C.2.2 of the Code on Corporate Governance Practices of the Listing Rules.

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 annual general meetings, 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 at anytime.

In 2010, 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, 7 April 2010

CHAIRMAN

Mr. HE Jiang-Chuan, aged 46, is the chairman of the Board 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") (北辰集團) in November 1994 as the deputy general manager, and became a director, deputy general manager and company secretary of the Company in 1997. He has been the general manager of the Company since February 2004. He was appointed as chairman of the Company in April 2007. Mr. He was re-elected as director and chairman of the Company in May 2009. Mr. He has 22 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 56, 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 the chairman of the Company. In April 2007, she became a director and the general manager of the Company. She was reelected as a director of the Company in May 2009. She has 19 years of extensive experience in property management such as hotels, convention centres, apartments and office buildings.

Mr. LIU Jian-Ping, aged 56, 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. Mr. Liu was re-elected as a director of the Company in May 2009. 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 58, 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 30 March 2005. He was reelected as a director of the Company in May 2009. 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. LONG Tao, aged 58, the independent non-executive director of the Company. Mr. Long was graduated from Research Institute for Fiscal Science, Ministry of Finance, majoring in accounting. Mr. Long holds a master's degree in economics. Mr. Long had served at Accountancy Division of Central University of Finance and Economics, and New York office of KPMG Peat Marwick. Mr. Long had acted as a member of Securities Issue and Approval Committee of China Securities Regulatory Commission and member of Chinese accounting expert panel for China-Hong Kong Securities Team. Mr. Long is currently an associate professor of the Accountancy Division of Central University of Finance and Economics and the Chairman of Beijing Investment Consultants Inc. Mr. Long has extensive knowledge and experience in corporate finance, accounting, audit, assets appraisal, restructuring of enterprises and listing. Mr. Long was elected as the independent non-executive director of the Company in May 2009.

Mr. GAN Pei-Zhong, aged 54, the independent non-executive director of the Company. Mr. Gan was graduated from Beijing University majoring in law. He holds a doctor's degree in laws. Mr. Gan is currently a professor of Beijing University Law School, a tutor of Ph.D. students and standing vice-chairman of China Securities Law Association. Mr. Gan has extensive experience in economic law, enterprise law, company law and bankruptcy law. He has published many works in laws and dozens of academic papers. In addition, Mr. Gan had participated in the revisions to the Company Law and Law of Partnership Enterprises. Mr. Gan was elected as the independent non-executive director of the Company in May 2009.

Mr. WONG Yik Chung, aged 42, the independent non-executive director of the Company. Mr. Wong was graduated from University of Melbourne with a bachelor's degree in business, majoring in accounting, economics and securities laws. Mr. Wong had consecutively served at PricewaterhouseCoopers, Ernst & Young and Deloitte & Touche Corporate Finance Limited. Mr. Wong is currently the founder, executive director and senior consultant of TMF Group/Vantage consulting company. He has extensive experience in financial management and capital investment. Mr. Wong was elected as an independent non-executive director of the Company in May 2009.

CHAIRMAN OF SUPERVISORY COMMITTEE

Mr. HE Wen-Yu, aged 56, 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's auditing operations. He was appointed Chairman of the Supervisory Committee of the Company in July 2007. He was re-elected as the supervisor and chairman of the Supervisory Committee of the Company in May 2009.

SUPERVISORS

Mr. CHEN Yuan-Chao, aged 57, 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. He was re-elected as a supervisor of the Company in May 2009.

Mr. LIU Yao-Zhong, aged 55, 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 18 years of experience in trade union. He has been a supervisor of the Company since May 2002 and was re-elected as a supervisor of the Company in May 2009.

DEPUTY GENERAL MANAGER

Mr. LIU Huan-bo, aged 52, 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 of Hui Yuan Apartment, Beijing Recreation Centre (北京康樂宮) and Beijing International Convention Centre and the chairman of Beijing North Star Xin Cheng Property (北辰信誠物業) and Beijing North Star Internet (北辰網路). He has been appointed as the deputy general manager of the Company in 2002.

Mr. LIU Tie-Lin, aged 47, is the deputy general manager of the Company. Mr. Liu is a postgraduate of the Tsinghua University. Mr. Liu joined BNSIGC since 1990 and served as the general manager of Beichen Shopping Centre. He is currently the general manager of the business development subsidiary of the Company and chairman of 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). Mr. Liu was been appointed as the deputy general manager of the Company in 2002.

Mr. SI Hai-Qun, aged 55, 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. He was the deputy general manager and general manager of BNSRE and the general manager of CNSRE. He is currently the general manager of Beijing North Star Property (北辰置地) and the chairman of BNSRE. Mr. Si was appointed as the deputy general manager of the Company in 2004.

Mr. ZENG Jing, aged 40, 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 of BNSRE, deputy general manager and general manager of Beijing North Star Property and is currently the general manager of CNSRE. Mr. Zeng was appointed as the deputy general manager of the Company in 2009.

COMPANY SECRETARY

Mr. GUO Chuan, aged 41, is company secretary and the chief legal advisor 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, Mr. Guo was appointed as secretary to the Board of the Company. Mr. Guo was appointed as the chief legal advisor of the Company in July 2008.

Mr. LEE Ka-Sze, Carmelo, aged 49, is company secretary of the Company. Mr. Lee is responsible for ensuring the Company has been in compliance with the regulations of Hong Kong. Mr. Lee graduated from the University of Hong Kong with a bachelor's degree in law. He is a practicing 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 a company secretary of the Company in 1997.

Report of the Directors

The Board of the Company is pleased to present to the shareholders its report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is principally engaged in development properties, investment properties and commercial properties. The subsidiaries are mainly engaged in property development and property investment in Beijing Municipality and Changsha Municipality of Hunan Province in the PRC.

RESULTS AND PROFIT DISTRIBUTION

The results of the Group for the year ended 31 December 2009 and the financial positions of the Group and the Company as at 31 December 2009 prepared in accordance with HKFRS are set out on pages 56 to 64 of the annual report.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.03 per share for the year ended 31 December 2009, totalling RMB101,010,600.

FIVE YEAR FINANCIAL SUMMARY

The Group's consolidated results and summaries of assets and liabilities for the last five financial 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 136 to 137 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

In accordance with the articles of association of the Company, the profit available for appropriation by the Company for the purpose of dividend payments is based on the lesser of the net profit of the Company determined in accordance with China Accounting Standards for Business Enterprises; and the net profit determined in accordance with HKFRSs.

Distributable reserves of the Company at 31 December 2009 amounted to RMB851,328,991 (2008: RMB551,542,662).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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*	(retired on 19/5/2009)
YU Jing-Song	*Director*	(retired on 19/5/2009)
FU Yiu-Man, Peter	*Director*	(retired on 19/5/2009)
LONG Tao	*Director*	(appointed on 19/5/2009)
GAN Pei-Zhong	*Director*	(appointed on 19/5/2009)
WONG Yik Chung	*Director*	(appointed on 19/5/2009)

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 39 to 41 of this annual report.

ELECTION OF DIRECTORS AND SUPERVISORS UPON COMPLETION OF A TERM:

The current directors and supervisors of the Company were elected at the annual general meeting held on 19 May 2009. The directors from the last term, namely Mr. HE Jiang-Chuan, Ms. ZHAO Hui-Zhi, Mr. LIU Jian-Ping and Mr. CHEN Ji, were re-elected as directors of the Company, among which Mr. HE Jiang-Chuan was re-elected as Chairman of the Company. Mr. MENG Yan, Mr. YU Jing-Song and Mr. FU Yiu-Man, Peter retired from office as independent non-executive directors. Meanwhile, Mr. MENG Yan, Mr. YU Jing-Song and Mr. FU Yiu-Man, Peter ceased to be members of the audit committee, the remuneration committee and the strategic committee. Mr. MENG Yan also ceased to be the chairman of the audit committee and the remuneration committee. Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung are currently the independent non-executive directors of the Company. Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. Wong Yik Chung were appointed as the members of the audit committee, the remuneration committee and the strategic committee. Mr. LONG Tao is elected as the chairman of the audit committe and the remuneration committee. The supervisors from the last term, namely Mr. HE Wen-Yu, Mr. CHEN Yuan-Chao and Mr. LIU Yao-Zhong, were re-elected as supervisors of the Company, among which Mr. HE Wen-Yu was re-elected as Chairman of the Supervisory Committee.

QUALIFIED ACCOUNTANT

Since 1 January 2009, the requirements of Rule 3.24 of the Listing Rules had been removed, pursuant to which the Company is no longer required to appoint a qualified accountant. However, the Company will continue to identify and employ accountants with adequate qualifications and experience to assist the Company and the Board in fulfilling their continuing financial and accounting related obligations.

DIRECTORS' EMOLUMENTS

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

INDIVIDUALS WITH THE HIGHEST PAY

During the year, one of the five individuals with the highest emolument in the Group is a director 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 31 December 2009, 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 Part XV of 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 Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies. 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 or 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 spouses 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 corporations.

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	14 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	16 October 2006
Number of issued shares	1,500,000,000 shares

SHARE CAPITAL

The Company's total number of issued shares as at 31 December 2009 was 3,367,020,000, comprising of:

Domestic listed A shares	2,660,000,000	Representing 79.002%
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 31 December 2009, 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	No. of relevant shares	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 31 December 2009.

TOP 10 SHAREHOLDERS OF LIQUID SHARES IN THE A-SHARE AND H-SHARE MARKETS

As at 31 December 2009, the shareholders as recorded in the registers of holders of A shares and H shares kept by the Company are as follows:

As at the end of the reporting period, the total number of shareholders are:	399,636 holders of A shares and 2,563 holders of H shares

Shareholdings of top ten shareholders of the Company as at 31 December 2009

Name of shareholders	Class of shares	Percentage of shares (%)	Total number of shares held
BNSIGC	A shares	34.482	1,161,000,031
HKSCC NOMINEES LIMITED	H shares	20.397	686,776,498
Beijing Wangfujing Department Store (Group) Co., Ltd.	A shares	4.069	137,000,000
Zhong Hang Xin Gang Guarantee Co., Ltd.	A shares	2.185	73,573,353
Zhejiang Haiyue Co., Ltd.	A shares	0.802	27,000,000
Bank of China — Harvest SHSE-SZSE 300 Indexed Fund	A shares	0.308	10,386,053
Sinopec Finance Co., Ltd.	A shares	0.297	10,000,000
Zhejiang AMP Incorporation	A shares	0.255	8,600,000
Industrial & Commercial Bank of China Limited — Hua Xia SHSE-SZSE 300 Indexed Fund	A shares	0.223	7,499,902
China Construction Bank — Bo Shi Yu Fu Securities Investment Fund	A shares	0.121	4,077,077

Pursuant to the document titled "Implementation measure for the transfer of part of the state-owned shares to the National Council for Social Security Fund in domestic securities market" (Cai Qi [2009] No. 94)（《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》（財企[2009]94號））and announcement no. 63 of 2009 jointly issued by the Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund, the 150,000,000 shares held by BNSIGC, the Company's controlling shareholder, are frozen at present.

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 14 May 1997, raising approximately RMB1,730,440,000 of 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 6 May 1997. The proceeds from the previous fund raising activity of the Group 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 RMB3,353,750,000 already used, with un-utilised proceeds amounted to RMB163,320,000. 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 16 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 of proceeds. After deducting RMB82,930,000 of relevant issuing fees, net proceeds amounted to RMB3,517,070,000. As at 31 December 2009, the remaining balance of the proceeds amounting to RMB163,320,000 will be gradually invested in the committed projects in line with their development progress; or in case the proceeds exceeds the fund needed for running 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 31 December 2009, the Group had no designated deposits placed with financial institutions in the PRC. All of the Group's cash deposits are placed with commercial banks in the PRC and are in compliance with relevant laws and regulations. The Group has not experienced any incident of not being able to withdraw bank deposits when due.

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 31 December 2009, the Company had 4,742 employees. The staff remuneration policy of the Company is that the total salary is paid with reference to its economic efficiency. Save from the remuneration policy disclosed above, the Company did not maintain any share option scheme for its employees. The Company regularly provides to its administrative personnel training on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. The training is provided in different forms, such as seminars, site visits, study tours and survey tours.

STAFF HOUSING QUARTERS

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

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 37 to the consolidated financial statements also constituted continuing 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 11 April 1997 entered into between the Company and BNSIGC, BNSIGC leased to the Company a piece of land on which the Company's investment properties and their ancillary facilities are located 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 2009 was RMB14,259,099, representing 87.11% of the total fees for the lease of land, office and trademark use right of the Company. Such transaction was settled by cash. The rentals under the transaction for future years will be adjusted with reference to the percentage increase of the previous year's consumer price index as announced by the National Bureau of Statistics.

(2) Renting Properties from Others

In 2009, 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 as office properties. The term of the lease is one year, starting from 1 January 2009 and ending at 31 December 2009. The annual rental of 2009 was RMB900,000, representing 5.50% of the total fees for the lease of land, office and trademark use right of the Company. Such transaction was settled by cash.

(3) Use of Authorised Logo and Signage Usage

Pursuant to the "Contract of Authorised Logo and Signage Usage" dated 18 April 1997 entered into with BNSIGC, the Company paid RMB10,000 of authorised logo and signage usage fee to BNSIGC in 2009, representing 0.06% of the total fees for the lease of land, office and trademark use right of the Company. Such transaction was settled by cash.

(4) Provision of Electricity and Telephone Services

Pursuant to a comprehensive service agreement dated 11 April 1997 entered into between the Company and BNSIGC, the aggregate amount received and paid by the Company and BNSIGC in 2009 amounted to RMB163,686, representing 0.02% of the income generated from investment properties (including hotels) of the Company. Such transaction was settled by cash. Save as provided otherwise in the agreement, the various services provided by the Company or BNSIGC were charged in accordance with the prevailing 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 market rates are available, the prices shall be determined on the basis of the reasonable costs incurred by the Company or BNSIGC (as the case may be) in providing the services.

CONNECTED TRANSACTIONS *(CONTINUED)*

(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 25 January 2009 and ended on 24 January 2010. Priced on the basis of market leases, the annual rental for year 2009 was RMB1,663,842, representing 0.20% of the income generated from investment properties (including hotels) of the Company. Such transaction was settled by cash.

According to a lease agreement between the Company's Apartment Management Branch Company and BNSIGC, BNSIGC leased properties from the Apartment Management Branch Company as office premises. The term of the lease started from 1 February 2009 and ended on 31 January 2010. Priced on the basis of market leases, the annual rental for year 2009 was RMB1,440,000, representing 0.18% of the income generated from investment properties (including hotels) of the Company. Such transaction was settled by cash.

The independent non-executive directors have reviewed the transactions as referred to in paragraphs 1 to 5 above and confirmed that the transactions had 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 the continuing connected transactions as referred to in paragraphs 1 to 5 above for the year ended 31 December 2009 ("Transactions") and reported in its letter to the Company that the Transactions (i) have been approved by the Board 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 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.

The Company's jointly controlled entity-Beijing North Star Kingpower Company Limited leased properties from the commercial development branch of the Company as commercial properties. Priced on the basis of market leases, the annual rental for year 2009 was RMB2,676,760, representing 0.75% of the income generated from commercial properties of the Company. Such transaction was settled by cash. The transaction is only a connected transaction under the listing rules of the Shanghai Stock Exchange and does not constitute a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2009, 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 principal 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.

POLICIES ON INCOME TAX

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

FINANCIAL RESOURCES AND LIQUIDITY

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

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

Current assets of the Group, which mainly comprised cash at bank and on hand, completed properties held for sale and properties under development, amounted to RMB18,736,386,000, whereas current liabilities amounted to RMB8,523,712,000. As at 31 December 2009, balances of cash at bank and on hand amounted to RMB4,567,456,000 (excluding restricted bank deposits), none of the debenture in issue were exposed to redemption and payment risks. During the year, the Company did not engage in any transaction on financial products or derivative instruments.

As at 31 December 2009, the Group had bank borrowings of RMB4,970,000,000 secured by certain investment properties, hotels, properties under development and completed properties held for sale. The total liabilities to total assets ratio for the Group was 59.9% (calculated by dividing total liabilities by total assets) as at the end of the reporting period.

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

The Company did not have any contingent liabilities for the year.

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 current audit committee comprises three independent non-executive directors, namely Mr. LONG Tao as Chairman, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung. Their duties include reviewing and supervising the Company's financial reporting process and internal control systems. The audit committee and the management have reviewed the accounting principles and major policies adopted by the Group and have discussed matters on auditing, internal control and financial reporting, as well as reviewing the unaudited interim financial report and the audited annual financial statements of the Group. The audit committee has also reviewed the draft financial statements of the Group for the year ended 31 December 2009.

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. During the reporting period, the Company successfully completed the RMB400 million capital increase in Changsha North Star Real Estate Development Company Limited, increasing its registered capital to RMB500 million, and the Company's shareholding percentage has been increased from 80% to 96%.

2. On 4 November 2009, the Company was informed by BNSIGC, its controlling shareholder, that the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (the Commission) decided to transform BNSIGC into Beijing State-owned Capital Operation and Management Centre. At present, the above transformation has been completed. The number of shares of the Company held by BNSIGC, its controlling shareholder, remains unchanged. The Company's de facto controller remains to be the Commission.

AUDITOR

The financial statements of the Company have been audited by PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. who retire and being eligible, offer themselves for reappointment as auditors of the Company. 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 Annual General Meeting.

By Order of the Board

HE Jiang-Chuan
Chairman

Beijing, the PRC, 7 April 2010

Report of the Supervisory Committee

The Supervisory Committee of the Company (hereinafter as the "Supervisory Committee"), in compliance with the provisions of the Company Law of the People's Republic of China, 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 2009, the Supervisory Committee met 5 times in total and attended the Board meetings and annual general meetings. It also strictly and effectively monitored and supervised the Board of the Company 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.

The Supervisory Committee has 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 annual general meeting. It is 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 shareholders. 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 2009 and has great confidence in the future of the Company.

In 2010, the Supervisory Committee of the Company 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 of the Supervisory Committee

Beijing, the PRC, 7 April 2010

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 56 to 134, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, 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 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 2009 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, 7 April 2010

Consolidated Balance Sheet

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Land use rights	6	**1,139**	1,171
Investment properties	7	**9,259,500**	4,382,600
Property, plant and equipment	8	**2,057,769**	4,393,911
Interest in a jointly controlled entity	10	**26,106**	21,066
Deferred income tax assets	25	**34,249**	20,329
		11,378,763	8,819,077
Current assets			
Properties under development	13	**12,347,453**	10,881,626
Completed properties held for sale	14	**1,218,728**	2,797,453
Inventories	15	**91,445**	111,495
Trade and other receivables	16	**438,383**	489,719
Restricted bank deposits	17	**72,921**	83,085
Cash and cash equivalents	18	**4,567,456**	4,898,455
		18,736,386	19,261,833
Assets of disposal group classified as held for sale	19	**—**	55,888
		18,736,386	19,317,721
Total assets		**30,115,149**	28,136,798
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	**3,367,020**	3,367,020
Other reserves	21	**4,043,168**	4,001,217
Retained earnings			
– Proposed final dividend	33	**101,011**	101,011
– Others	21	**4,277,848**	2,915,036
		11,789,047	10,384,284
Minority interest in equity		**278,287**	227,104
Total equity		**12,067,334**	10,611,388

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Long term borrowings	24	**8,486,510**	7,592,812
Long term payables		**11,710**	—
Deferred income tax liabilities	25	**1,023,333**	712,915
Deferred income		**2,550**	2,550
		9,524,103	8,308,277
Current liabilities			
Trade and other payables	22	**6,347,465**	6,898,506
Current income tax liabilities	23	**332,247**	417,984
Current portion of long term borrowings	24	**1,144,000**	1,200,000
Short term borrowings	24	**700,000**	650,000
		8,523,712	9,166,490
Liabilities of disposal group classified as held for sale	19	**—**	50,643
		8,523,712	9,217,133
Total liabilities		**18,047,815**	17,525,410
Total equity and liabilities		**30,115,149**	28,136,798
Net current assets		**10,212,674**	10,100,588
Total assets less current liabilities		**21,591,437**	18,919,665

The financial statements on pages 56 to 64 were approved by the Board of Directors on 7 April 2010 and were signed on its behalf.

HE Jiang-Chuan
Director

ZHAO Hui-Zhi
Director

The notes on pages 65 to 134 are an integral part of these financial statements.

Balance Sheet

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Investment properties	7	**4,473,500**	4,382,600
Property, plant and equipment	8	**1,437,242**	1,467,722
Investments in and loans to subsidiaries	9	**12,991,628**	12,304,351
Interest in a jointly controlled entity	10	**26,106**	21,066
Deferred income tax assets	25	**16,741**	7,894
		18,945,217	18,183,633
Current assets			
Properties under development	13	**4,398,818**	3,445,319
Completed properties held for sale	14	**905,560**	2,547,675
Inventories	15	**77,516**	107,182
Trade and other receivables	16	**278,342**	330,345
Restricted bank deposits	17	**10,724**	9,422
Cash and cash equivalents	18	**3,699,470**	4,159,643
		9,370,430	10,599,586
Total assets		**28,315,647**	28,783,219
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	**3,367,020**	3,367,020
Other reserves	21	**4,110,541**	4,066,007
Retained earnings			
– Proposed final dividend	33	**101,011**	101,011
– Others	21	**2,848,409**	2,412,851
Total equity		**10,426,981**	9,946,889

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Long term borrowings	24	**8,486,510**	7,592,812
Long term payables		**11,710**	—
Deferred income tax liabilities	25	**757,941**	712,915
		9,256,161	8,305,727
Current liabilities			
Trade and other payables	22	**6,488,743**	8,447,662
Current income tax liabilities	23	**299,762**	232,941
Current portion of long term borrowings	24	**1,144,000**	1,200,000
Short term borrowings	24	**700,000**	650,000
		8,632,505	10,530,603
Total liabilities		**17,888,666**	18,836,330
Total equity and liabilities		**28,315,647**	28,783,219
Net current assets		**737,925**	68,983
Total assets less current liabilities		**19,683,142**	18,252,616

The financial statements on pages 56 to 64 were approved by the Board of Directors on 7 April 2010 and were signed on its behalf.

贺江川　　赵惠芝

HE Jiang-Chuan
Director

ZHAO Hui-Zhi
Director

The notes on pages 65 to 134 are an integral part of these financial statements.

Consolidated Income Statement

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Continuing operations:			
Revenue	5	**4,848,604**	4,121,801
Cost of sales	26	**(2,844,643)**	(2,459,896)
Gross profit		**2,003,961**	1,661,905
Selling and marketing expenses	26	**(123,818)**	(141,431)
Administrative expenses	26	**(379,334)**	(423,706)
Fair value gains on investment properties	2.1(a), 7	**1,147,711**	874,816
Other losses – net	27	**(4,615)**	(9,010)
Operating profit		**2,643,905**	1,962,574
Finance income	29	**43,451**	23,343
Finance costs	29	**(214,442)**	(54,587)
Finance costs – net	29	**(170,991)**	(31,244)
Share of loss of a jointly controlled entity	10	**(8,569)**	(10,727)
Profit before income tax	5	**2,464,345**	1,920,603
Income tax expenses	30	**(816,486)**	(601,546)
Profit for the year from continuing operations		**1,647,859**	1,319,057
Discontinued operations			
Loss for the year from discontinued operations	19	**(2,143)**	(721)
Profit for the year		**1,645,716**	1,318,336
Attributable to:			
Equity holders of the Company	32	**1,508,356**	1,164,781
Minority interest		**137,360**	153,555
		1,645,716	1,318,336
Earnings per share attributable to the equity holders of the Company during the year (basic and diluted) (expressed in RMB cents per share)			
From continuing operations	32	**44.86**	34.61
From discontinued operations	32	**(0.06)**	(0.02)
	32	**44.80**	34.59
Dividends	33	**101,011**	101,011

The notes on pages 65 to 134 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

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

The notes on pages 65 to 134 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Company				Minority interest	Total equity
		Share capital	Other reserves	Retained earnings	Total		
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2009		3,367,020	4,001,217	3,016,047	10,384,284	227,104	10,611,388
Comprehensive income							
Profit		—	—	1,508,356	1,508,356	137,360	1,645,716
Other comprehensive income		—	—	—	—	—	—
Total comprehensive income		—	—	1,508,356	1,508,356	137,360	1,645,716
Transactions with owners							
2008 final dividends		—	—	(101,011)	(101,011)	(88,605)	(189,616)
Share of a jointly controlled entity exchange difference on its capital injection	10	—	1	—	1	—	1
Transfer from retained earnings	21	—	44,533	(44,533)	—	—	—
Acquisition of additional interests in a subsidiary through additional capital injection	9(d)		(2,583)	—	(2,583)	2,583	—
Disposal of a subsidiary		—	—	—	—	(155)	(155)
Total transactions with owners		—	41,951	(145,544)	(103,593)	(86,177)	(189,770)
Balance at 31 December 2009		3,367,020	4,043,168	4,378,859	11,789,047	278,287	12,067,334

Representing:	
Proposed final dividends at 31 December 2009	101,011
Retained earnings – others	4,277,848
	4,378,859

		Attributable to equity holders of the Company					
		Share capital	Other reserves	Retained earnings	Total	Minority interest	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008		3,367,020	3,964,510	1,982,217	9,313,747	261,468	9,575,215
Comprehensive income							
Profit		—	—	1,164,781	1,164,781	153,555	1,318,336
Other comprehensive income		—	—	—	—	—	—
Total comprehensive income		—	—	1,164,781	1,164,781	153,555	1,318,336
Transactions with owners							
2007 final dividends		—	—	(101,011)	(101,011)	(130,066)	(231,077)
Acquisition of additional interests in a subsidiary from minority shareholders		—	6,726	—	6,726	(57,853)	(51,127)
Share of a jointly controlled entity exchange difference on its capital injection		—	41	—	41	—	41
Transfer from retained earnings	21	—	29,940	(29,940)	—	—	—
Total transactions with owners		—	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 dividends at 31 December 2008	101,011
Retained earnings – others	2,915,036
	3,016,047

The notes on pages 65 to 134 are an integral part of these financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Cash generated from operations	34	**1,032,292**	2,678,254
Interest received		**43,451**	23,343
Interest paid		**(663,578)**	(523,398)
PRC income tax paid		**(637,288)**	(236,956)
Net cash (used in)/generated from operating activities		**(225,123)**	1,941,243
Cash flows from investing activities			
Purchase of property, plant and equipment		**(66,055)**	(1,248,151)
Increase of investment properties		**(726,020)**	—
Proceeds from sale of property, plant and equipment	34(b)	**4,252**	2,063
Establishment of a jointly controlled entity		**—**	(31,752)
Increase of investment in a jointly controlled entity	10	**(13,608)**	—
Prepayment made to invest in subsidiaries		**—**	(5,942)
Acquisition of additional interest in a subsidiary from minority shareholders		**—**	(51,127)
Decrease/(increase) of short-term liquid investments with original maturity of more than three months		**10,000**	(10,000)
Net proceeds from disposal of a subsidiary	34(c)	**(4,829)**	—
Net cash used in investing activities		**(796,260)**	(1,344,909)
Cash flows from financing activities			
Proceeds from issuance of bonds		**—**	1,667,510
Proceeds from bank borrowings		**3,830,000**	4,884,405
Repayments of bank borrowings		**(2,950,000)**	(4,244,405)
Dividends paid to the equity holders of the Company	33	**(101,011)**	(101,011)
Dividends paid to minority shareholders		**(88,605)**	(130,076)
Net cash generated from financing activities		**690,384**	2,076,423
Net (decrease)/increase in cash and cash equivalents		**(330,999)**	2,672,757
Cash and cash equivalents at beginning of year		**4,898,455**	2,255,546
Cash and cash equivalents at end of year		**4,567,456**	4,928,303
Included in cash and cash equivalents per the consolidated balance sheet	18	**4,567,456**	4,898,455
Included in assets of disposal group		**—**	29,848
		4,567,456	4,928,303

The notes on page 65 to 134 are an integral part of these financial statements.

1. GENERAL INFORMATION

Beijing North Star Company Limited (the "Company") is a joint stock limited liability company established in the People's Republic of China (the "PRC") 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 RMB 2.4 per share and these 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 7 April 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 the revaluation of investment properties, financial assets and financial liabilities which are carried at fair value through profit or loss.

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.

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

2.1 Basis of preparation *(Continued)*

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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

HKAS 1 (Revised), 'Presentation of financial statements' - effective from 1 January 2009. The revised standard prohibits 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 in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

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 does not have any material impact on the Group's or Company's financial statement.

HKFRS 7 (Amendment) 'Financial Instruments - Disclosures' - effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

HKFRS 8, 'Operating segments' effective 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. This has resulted in an decrease in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The previously reported segments of investment properties and hotel operations have been combined into one segment. Comparatives for 2008 in note 5 have been restated. However, such restatement in note disclosure does not have any impact on the consolidated financial statements.

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

2.1 Basis of preparation *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

HK(IFRIC) - Int 15, "Agreements for construction of real estates" (superseded HK Int-3, "Revenue - Pre-completion contracts for the sale of development properties".) HK(IFRIC) - Int 15 clarifies whether HKAS 18, "Revenue" or IAS 11, "Construction contracts" should be applied to particular transactions. It is likely to result in HKAS 18 being applied to a wider range of transactions. HK(IFRIC) - Int 15 is not relevant to the Group's operations as all revenue transactions are accounted for under HKAS 18 and not HKAS 11.

HKAS 40 (Amendment), 'Investment property' - effective from 1 January 2009. As a result of the 2008 Improvements to HKFRSs, HKAS 40, 'Investment property', has been amended to include within its scope property that is being constructed or developed for future use as investment property. Prior to the amendment such property under construction or development was within the scope of HKAS 16 'Property, plant and equipment until the construction or development was complete.

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

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

The table below details the effect on the current period.

Group	*Note*	**31 December 2009** *RMB'000*	Increase/ (Decrease) *RMB'000*	**31 December 2009** *RMB'000*
Balance sheet (extract)				
Property, plant and equipment (property under construction)	8	3,249,656	(1,191,887)	2,057,769
Investment property	7	7,053,500	2,206,000	9,259,500
Deferred income tax liabilities	25	769,805	253,528	1,023,333
Net assets		11,306,749	760,585	12,067,334
Retained earnings	21	3,618,274	760,585	4,378,859
Total equity		11,306,749	760,585	12,067,334

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

2.1 Basis of preparation *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

HKAS 40 (Amendment), 'Investment property' *(Continued)*

Profit for the year ended 31 December 2009 changed as follows:

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

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

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

HKAS 24 (amendment), "Related party disclosure" - effective from 1 January 2011. The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose:

— the name of the government and the nature of their relationship; and

— the nature and amount of any individually-significant transactions; and

— the extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party. The Group has decided to early adopt the amendment relevant to the government-related entity exemption in 2009.

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

2.1 Basis of preparation *(Continued)*

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

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

HK(IFRIC) 17 "Distribution of non-cash assets to owners" - effective on or after 1 July 2009. The interpretation is part of the HKICPA's annual improvements project published in May 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The group and company will apply HK(IFRIC) 17 from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

HKAS 27 (Revised), "Consolidated and separate financial statements" - effective from 1 July 2009. The revised standard requires the effects of all transactions with minority interest 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 company applies a policy of treating transactions with minority interests as transactions with equity owners of the Group, such revised standard is not expected to have a material impact on the Group's or Company's financial statements.

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 the business combination from 1 January 2010.

HKAS 38 (Amendment), "Intangible Assets" - effective from 1 July 2009. The amendment is part of the HKICPA's annual improvements project published in May 2009 and the group and company will apply HKAS 38 (amendment) from the date HKFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's or Company's financial statements.

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

2.1 Basis of preparation *(Continued)*

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

HKFRS 5 (Amendment), "Measurement of non-current assets (or disposal groups) classified as held for sale". The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment provides clarification that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. The Group and Company will apply HKFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

HKAS 1 (Amendment), 'Presentation of financial statements'. The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply HKAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

HKFRS 2 (Amendments), 'Group cash-settled share-based payment transactions' - effective from 1 January 2010. In addition to incorporating HK(IFRIC)-Int 8, 'Scope of HKFRS 2', and HK(IFRIC)-Int 11, 'HKFRS 2 - group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the group's financial statements.

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

2.2 Consolidation

(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.

Accounting policies of subsidiaries have been changed where necessary 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 (Note 2.7). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(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.

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

2.2 Consolidation *(Continued)*

(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 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. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

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 (Note 2.7). The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

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

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 income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income' or 'finance cost'. All other foreign exchange gains and losses are presented in the 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	20-40 years
Hotel properties	20-40 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 the end of each reporting period.

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

2.5 Property, plant and equipment *(Continued)*

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 (Note 2.7).

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 (Note 2.7). When the assets concerned get ready for their intended 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.

(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 at cost 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 fair value gains on investment properties.

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

2.6 Properties *(Continued)*

(b) Investment properties *(Continued)*

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 purposes. Property that is being constructed or developed for future use as investment property is classified as investment property and measured at fair value if its fair value becomes reliably determinable or construction is completed (whichever is earlier).

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 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.

Impairment testing of the investments in subsidiaries or jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or jointly controlled entity in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets.

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

2.8 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.

2.9 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 end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents' and 'restricted bank deposits' in the balance sheet (Notes 2.11 and 2.12).

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

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

2.10 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.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

2.12 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 maturities of three months or less.

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 payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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 carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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 end of the reporting period.

2.16 Current and deferred income tax

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

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.

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

2.16 Current and deferred income tax *(Continued)*

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.

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 assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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.

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

2.17 Employee benefits *(Continued)*

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable 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 Financial guarantee liabilities

Financial guarantee liabilities are recognized in respect of the financial guarantee provided by the Group to the property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

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

2.20 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 value-added tax, 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 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.

(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) Interest income

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

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

2.21 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.

2.22 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.

(a) The Group as the lessee

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.

(b) The Group as the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised over the term of the lease on a straight-line basis.

2.23 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 income statement in the year in which they are incurred.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and company'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 transactions denominated in RMB. Therefore, the Group does not have significant exposure to foreign exchange risk. The conversion of RMB into foreign currencies is subjected to the rules and regulations of the foreign exchange control, as promulgated by the PRC government.

(ii) Cash flow and fair value interest rate risk

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 the 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 to hedge its exposure to interest rate risk, but will consider hedging interest rate risk should the need arise.

At 31 December 2009, if interest rates had increased/ decreased 100 basis points with all other variables held constant, the Group's post-tax profit for the year, after taking into account the impact of interest capitalisation, would have decreased/ increased by approximately RMB 10,594,000 (2008: RMB 6,188,000).

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(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.

Credit risk arises from restricted bank deposits is limited, as all counterparties are banks with appropriate credit rankings, which 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

Cash flow forecasting is performed in the operating entities of the group in and aggregated by group Finance. Group Finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

The table below analyses the Group's and the Company's non-derivative 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 2009					
Borrowings	**2,390,466**	**741,020**	**4,187,422**	**5,932,696**	**13,251,604**
Trade and other payables	**2,696,629**	**—**	**—**	**—**	**2,696,629**
Total	**5,087,095**	**741,020**	**4,187,422**	**5,932,696**	**15,948,233**
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
Company					
At 31 December 2009					
Borrowings	**2,390,466**	**741,020**	**4,187,422**	**5,932,696**	**13,251,604**
Trade and other payables	**3,709,618**	**—**	**—**	**—**	**3,709,618**
Total	**6,100,084**	**741,020**	**4,187,422**	**5,932,696**	**16,961,222**
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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

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

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 2009 and 2008 were as follows:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Total borrowings *(Note 24)*	**10,330,510**	9,442,812
Less: Cash and cash equivalents *(Note 18)*	**(4,567,456)**	(4,898,455)
Net debt	**5,763,054**	4,544,357
Total equity	**12,067,334**	10,611,388
Total capital	**17,830,388**	15,155,745
Gearing ratio	**32%**	30%

The increase in the gearing ratio during 2009 resulted primarily from the increase of long term borrowings (Note 24).

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation

As at 31 December 2009, the carrying values less impairment provision of trade receivables and payables approximate to their fair values. The fair value of financial liabilities 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.

(a) 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.

(b) 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 income tax expenses in the periods in which such taxes are finalised with local tax authorities.

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

(c) 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.

(d) 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.

(e) 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.

(f) 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.

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

(h) Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 2.20. 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

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

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

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

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

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

5. SEGMENT INFORMATION *(CONTINUED)*

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

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

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

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

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

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

5. SEGMENT INFORMATION *(CONTINUED)*

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

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

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

5. SEGMENT INFORMATION *(CONTINUED)*

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

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

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

5. SEGMENT INFORMATION *(CONTINUED)*

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

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Profit before income tax for reportable segments	**1,210,305**	905,988
Corporate overheads	**(71,157)**	(68,832)
Corporate finance costs	**(214,442)**	(54,587)
Corporate finance income	**40,765**	18,991
Fair value gains on investment properties *(Note 7)*	**1,147,711**	874,816
Reversal of depreciation of investment properties	**90,380**	76,072
Land appreciation tax	**257,203**	164,575
Others	**3,580**	3,580
Profit before income tax and discontinued operations	**2,464,345**	1,920,603

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

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Total segments' assets	**22,893,910**	21,844,027
Deferred income tax assets *(Note 25)*	**34,249**	20,329
Corporate cash	**3,427,812**	3,754,939
Aggregated fair value gains on investment properties	**3,019,040**	1,871,329
Reversal of accumulated depreciation of investment properties	**645,961**	555,581
Others	**94,177**	90,593
Total assets per balance sheet	**30,115,149**	28,136,798

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Total segments' liabilities	**15,124,427**	15,402,309
Deferred income tax liabilities *(Note 25)*	**1,023,333**	712,915
Corporate borrowings	**1,696,903**	1,185,524
Other corporate liabilities	**203,152**	224,662
Total liabilities per balance sheet	**18,047,815**	17,525,410

5. SEGMENT INFORMATION *(CONTINUED)*

The reconciliation of the Group's depreciation and amortisation for reportable segments and corresponding amount per disclosure for property, plant and equipment (Note 8) and land use rights are mainly reversal of depreciation of investment properties and other related adjustments amounting to RMB93,928,000 (2008: RMB72,256,000).

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

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

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

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	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
In the PRC held on:				
Leases of between 10 to 50 years	**1,139**	1,171	**—**	—
	1,139	1,171	**—**	—

7. INVESTMENT PROPERTIES

	Group As at 31 December		Company As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At fair value				
At beginning of year	**4,382,600**	2,145,000	**4,382,600**	2,145,000
Fair value gains	**1,147,711**	874,816	**90,900**	874,816
Transfer from property, plant and equipment *(Note 8)*	**2,432,208**	1,373,570	**—**	1,373,570
Transfer to property, plant and equipment *(Note 8)*	**—**	(10,786)	**—**	(10,786)
Additions	**1,296,981**	—	**—**	—
At end of year	**9,259,500**	4,382,600	**4,473,500**	4,382,600

7. INVESTMENT PROPERTIES *(CONTINUED)*

(a) Amounts recognised in profit and loss for investment properties

	Group and Company Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Rental income	**395,120**	318,664
Direct operating expenses arising from investment properties that generate rental income	**100,913**	107,926
Direct operating expenses that did not generate rental income	**43,974**	43,955

(b) Valuation basis

The investment properties were revalued at 31 December 2009 by an independent, professionally qualified valuer, Greater China Appraisal Limited. Valuations were based on either capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

(c) Non current assets pledged as security

As at 31 December 2009, certain investment properties with fair value of RMB 9,205,500,000 (2008: RMB 2,097,200,000) are pledged as securities for long term bank borrowings (Note 24).

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

	Group As at 31 December		Company As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
In Beijing, the PRC, held on:				
Leases of over 50 years	**1,411,000**	1,400,500	**1,411,000**	1,400,500
Leases between 10 years and 50 years	**7,848,500**	2,982,100	**3,062,500**	2,982,100
	9,259,500	4,382,600	**4,473,500**	4,382,600

As at 31 December 2009, property ownership certificate of certain completed investment property with fair value of RMB 2,580,000,000 have not yet been obtained. It's expected to be obtained in 2010.

8. PROPERTY, PLANT AND EQUIPMENT

	Group					
	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*
As at 1 January 2008						
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
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
As 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

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 2009						
Opening net book amount	248,129	919,749	140,296	168,971	2,916,766	4,393,911
Additions	7,561	12,243	35,073	16,842	122,377	194,096
Disposals *(Note 34)*	—	—	(4,220)	(581)	—	(4,801)
Transfer	—	583,610	19,397	—	(603,007)	—
Transfer to investment properties *(Note 7)*	—	—	—	—	(2,432,208)	(2,432,208)
Depreciation *(Note 26)*	(13,190)	(33,835)	(24,355)	(21,849)	—	(93,229)
Closing net book amount	242,500	1,481,767	166,191	163,383	3,928	2,057,769
As at 31 December 2009						
Cost	364,735	1,792,274	259,161	271,762	3,928	2,691,860
Accumulated depreciation and impairment	(122,235)	(310,507)	(92,970)	(108,379)	—	(634,091)
Net book amount	242,500	1,481,767	166,191	163,383	3,928	2,057,769

Depreciation expense of RMB 52,702,000 (2008: RMB 41,234,000) has been charged in cost of sales, RMB 6,151,000 (2008: RMB 2,663,000) in selling and marketing expenses and RMB 34,376,000 (2008: RMB 33,331,000) in administrative expenses in the consolidated income statement.

As at 31 December 2009, certain hotel properties with net book value of RMB 1,200,640,000 (2008: hotel properties and construction in progress of RMB 2,899,560,000) are pledged as securities for long term bank borrowings (Note 24).

As at 31 December 2009, property ownership certificates of certain hotel properties with net book value of RMB 1,068,091,000 have not yet been obtained. It's expected to be obtained within 2010.

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*
As at 1 January 2008						
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
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
As 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

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 2009						
Opening net book amount	237,616	919,749	132,321	161,935	16,101	1,467,722
Additions	—	12,243	33,712	14,904	11,603	72,462
Disposals	—	—	(10,070)	(6,470)	—	(16,540)
Transfer	—	14,748	9,939	—	(24,687)	—
Depreciation	(13,181)	(32,980)	(21,053)	(19,188)	—	(86,402)
Closing net book amount	224,435	913,760	144,849	151,181	3,017	1,437,242
As at 31 December 2009						
Cost	333,214	1,223,412	223,872	258,000	3,017	2,041,515
Accumulated depreciation and impairment	(108,779)	(309,652)	(79,023)	(106,819)	—	(604,273)
Net book amount	224,435	913,760	144,849	151,181	3,017	1,437,242

9. INVESTMENTS IN AND LOANS TO SUBSIDIARIES

	Company As at 31 December **2009** ***RMB'000***	 2008 *RMB'000*
Unlisted investments, at cost	**2,742,678**	2,346,678
Loans to subsidiaries	**10,248,950**	9,957,673
	12,991,628	12,304,351

Loans to subsidiaries are unsecured with no fixed terms of repayment and carry interest at prevailing market rates. The fair values of loans to subsidiaries approximate to their book values.

The following is a list of the principal subsidiaries at 31 December 2009. All subsidiaries are established and operate in the PRC.

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

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	RMB 500,180,000	97.06%	—
Beijing North Star Lu Zhou Commercial Trading Co., Limited *(Note c)*	Trading	RMB 1,000,000	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 Cheng Property Management Co., Limited *(Note c)*	Property management	RMB 5,000,000	80%	20%
Beijing North Star Convention Centre Development Co., Limited *(Note c)*	Property development	RMB 1,700,000,000	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	RMB 11,000,000	5%	95%
Beijing New Prosperity Co., Limited *(Note c)*	Property development	RMB 30,000,000	—	51%
Beijing North Star Xintong Internet Technology Service Co., Limited *(Note c)*	Multimedia information network development, system integration and software development	RMB 20,000,000	100%	—
Changsha North Star Real Estate Development Co., Limited ("CNSRE") *(Note c, d)*	Property development	RMB 500,000,000	96%	—
Beijing North Star Supermarket Chain Co., Limited *(Note c)*	Retail	RMB 10,000,000	100%	—

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

(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.

(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) In June 2009, the Company injected RMB 400,000,000 as capital to CNSRE. After the capital injection, the registered capital of CNSRE has been increased from RMB 100,000,000 to RMB 500,000,000, and the Company's ownership on CNSRE has been increased from 80% to 96%. An amount of RMB 2,583,000 was charged against equity (Note 21).

10. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
At beginning of year	**21,066**	—
Establishment of a new jointly controlled entity	**—**	31,752
Additional capital injection *(Note a)*	**13,608**	—
Share of loss of a jointly controlled entity		
— loss before taxation	**(8,569)**	(10,727)
Share of a jointly controlled entity exchange difference on its capital injection *(Note 21)*	**1**	41
At end of year	**26,106**	21,066

Note (a) In September 2009, the Company, together with other two jointly controlled shareholders of Beijing North Star Kingpower Company Limited ("Kingpower"), injected additional capital totaled RMB 37,800,000 into Kingpower. After the additional capital injection, the registered capital of Kingpower increased to RMB 126,000,000, while the Company remains to hold 36% of Kingpower.

10. INTEREST IN A JOINTLY CONTROLLED ENTITY *(CONTINUED)*

The following amounts represent the Group's 36% share of the aggregated assets and liabilities of Kingpower, and results of the jointly controlled entity in 2009 and 2008.

Year	Assets *RMB'000*	Liabilities *RMB'000*	Net assets *RMB'000*	Revenue *RMB'000*	Expenses *RMB'000*	Net loss *RMB'000*
2009	**56,751**	**30,645**	**26,106**	**287**	**(8,856)**	**(8,569)**
2008	36,543	15,477	21,066	488	(11,215)	(10,727)

There were no other contingent liabilities or capital commitments relating to the Group's interests in the jointly controlled entity.

11. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables Group *RMB '000*	Loans and receivables Company *RMB '000*
Assets		
As at 31 December 2009		
Trade and other receivables excluding prepayments *(Note 16)*	**102,429**	**67,269**
Loan to subsidiaries *(Note 9)*	**—**	**10,248,950**
Restricted bank deposits	**72,921**	**10,724**
Cash and cash equivalents *(Note 18)*	**4,567,456**	**3,699,470**
	4,742,806	**14,026,413**
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

11. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

	Other Financial liabilities at amortised cost Group *RMB '000*	Other Financial liabilities at amortised cost Company *RMB '000*
Liabilities		
As at 31 December 2009		
Trade and other payables excluding advance from customers and statutory liabilities	2,696,629	3,709,618
Borrowings *(Note 24)*	10,330,510	10,330,510
	13,027,139	14,040,128
As at 31 December 2008		
Trade and other payables excluding advance from customers and statutory liabilities	1,838,179	4,585,201
Borrowings *(Note 24)*	9,442,812	9,442,812
	11,280,991	14,028,013

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	
	2009 *RMB '000*	2008 *RMB '000*	**2009** *RMB '000*	2008 *RMB '000*
Trade receivables that are neither past due nor impaired				
Counterparties without external credit rating	**20,444**	29,500	**14,872**	28,750

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. Credit qualities of "Cash and cash equivalents" and "restricted cash deposits" of the Group are discussed in Note 3.1 (b).

None of the financial assets that are fully performing has been renegotiated in 2009 (2008: Nil).

13. PROPERTIES UNDER DEVELOPMENT

	Group		Company	
	As at 31 December		As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Land use rights	**7,873,630**	7,627,021	**1,295,986**	1,286,552
Development costs and capitalised expenditure	**3,695,785**	2,768,120	**2,909,089**	2,053,011
Finance costs capitalised	**778,038**	486,485	**193,743**	105,756
	12,347,453	10,881,626	**4,398,818**	3,445,319

As at 31 December 2009, certain properties under development with net book value of RMB 2,462,908,000 (2008: RMB 2,462,908,000) are pledged as securities for long term bank borrowings of RMB 1,350,000,000 (2008: RMB 1,040,000,000) (Note 24).

14. COMPLETED PROPERTIES HELD FOR SALE

	Group		Company	
	As at 31 December		As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Land use rights	**74,595**	139,726	**44,494**	120,197
Development costs and capitalised expenditure	**1,118,815**	2,598,549	**842,791**	2,374,035
Finance costs capitalised	**25,318**	59,178	**18,275**	53,443
	1,218,728	2,797,453	**905,560**	2,547,675

As at 31 December 2009, certain completed properties held for sale with net book value of RMB 163,151,000 (2008: RMB 163,151,000) are pledged as securities for long term bank borrowings of RMB 200,000,000 (2008: RMB 200,000,000) (Note 24).

15. INVENTORIES

	Group As at 31 December		Company As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Goods for resale	**50,829**	52,346	**37,025**	48,110
Consumables	**41,153**	59,697	**41,028**	59,620
Less: provision for inventories	**(537)**	(548)	**(537)**	(548)
	91,445	111,495	**77,516**	107,182

The cost of inventories recognised as expense and included in cost of sales amounted to RMB 408,627,000 (2008: RMB 314,173,000).

The Group wrote off provision for inventories sold out of RMB 11,000 during the year (2008: RMB 192,000).

16. TRADE AND OTHER RECEIVABLES

	Group As at 31 December		Company As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**37,668**	50,164	**31,958**	44,409
Less: provision for impairment of receivables	**(6,494)**	(9,653)	**(6,494)**	(9,653)
Trade receivables - net	**31,174**	40,511	**25,464**	34,756
Other receivables	**88,254**	191,475	**58,804**	139,527
Less: provision for impairment of receivables	**(16,999)**	(16,999)	**(16,999)**	(16,999)
Other receivables - net	**71,255**	174,476	**41,805**	122,528
Prepaid tax	**246,494**	225,762	**163,346**	153,774
Other prepayments	**89,460**	48,970	**47,727**	19,287
	438,383	489,719	**278,342**	330,345

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

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

16. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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 2009 and 2008, the ageing analysis of the trade receivables were as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0 - 30 days	**17,568**	14,787	**13,288**	14,037
31 - 120 days	**5,024**	17,719	**3,731**	17,719
Over 120 days	**15,076**	17,658	**14,939**	12,653
	37,668	50,164	**31,958**	44,409

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.

Trade receivables that are less than three months past due are not considered impaired. As at 31 December 2009 and 2008, 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		Company	
	As at 31 December		As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables past due but not impaired				
0 - 90 days	**1,242**	3,006	**1,242**	3,006
Over 90 days	**9,487**	8,005	**9,350**	3,000
	10,729	11,011	**10,592**	6,006

16. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

As at 31 December 2009 and 2008, 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	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables impaired				
Over 90 days	**6,494**	9,653	**6,494**	9,653
Less: provision of impairment of receivables	**(6,494)**	(9,653)	**(6,494)**	(9,653)
	—	—	**—**	—

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	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At beginning of year	**9,653**	10,096	**9,653**	9,587
Provision for impairment of receivables	**110**	222	**110**	222
Unused amounts reversed	**(3,269)**	(193)	**(3,269)**	(156)
Transfer to assets of disposal group classified as held for sale	**—**	(472)	**—**	—
At end of year	**6,494**	9,653	**6,494**	9,653

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	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At beginning of year	**16,999**	15,740	**16,999**	15,740
Provision for impairment of receivables	**—**	1,259	**—**	1,259
At end of year	**16,999**	16,999	**16,999**	16,999

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, property sale deposits under mutual management, 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	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and in hand	**2,645,456**	4,589,895	**1,817,470**	3,871,083
Short-term bank deposits	**1,922,000**	308,560	**1,882,000**	288,560
	4,567,456	4,898,455	**3,699,470**	4,159,643
Maximum exposure to credit risk	**4,566,764**	4,897,756	**3,698,890**	4,158,966

The effective interest rate on short-term bank deposits was 1.35% to 1.71% (2008: 1.35% to 1.71%) 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	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Renminbi	**4,562,835**	4,892,281	**3,694,849**	4,153,469
US dollar	**3,024**	4,575	**3,024**	4,575
HK dollar	**1,597**	1,599	**1,597**	1,599
	4,567,456	4,898,455	**3,699,470**	4,159,643

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 these 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 Beijing North Star Xin He Property Management Co., Limited ("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 transaction was completed in October 2009.

	2009 *RMB'000*	2008 *RMB'000*
Operating cash flows	**(19,265)**	1,869
Investing cash flows	—	(543)
Financing cash flows	—	—
Total cash flows	**(19,265)**	1,326

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

	2009 *RMB'000*	2008 *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

	2009 *RMB'000*	2008 *RMB'000*
Trade and other payables	—	50,643

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

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

	2009	2008
	RMB'000	*RMB'000*
Foreign exchange translation adjustments	**—**	—

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

	2009	2008
	RMB'000	*RMB'000*
Revenue	**52,359**	131,344
Expenses	**(54,502)**	(132,065)
Loss before tax of discontinued operations	**(2,143)**	(721)
Tax	**—**	—
Loss after tax of discontinued operations	**(2,143)**	(721)
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	**(2,143)**	(721)

20. SHARE CAPITAL

	Company		
	As at 31 December 2008 *RMB'000*	Movement *RMB'000*	**As at 31 December 2009** ***RMB'000***
Registered, issued and fully paid:			
Liquid shares subject to sales restrictions 150,000,000 (2008: 1,161,000,031) shares of RMB1 each held by state owned legal person	1,161,000	(1,011,000)	**150,000**
Listed shares			
2,510,000,000 (2008: 1,498,999,969) shares of RMB1 each listed in the Mainland (A shares)	1,499,000	1,011,000	**2,510,000**
707,020,000 (2008: 707,020,000) foreign invested shares of RMB1 each listed in Hong Kong (H shares)	707,020	—	**707,020**
	2,206,020	1,011,000	**3,217,020**
Total	3,367,020	—	**3,367,020**

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

Before the public issuance of A shares, BNSIGC held the Company's 1,160,000,000 and it undertook that none of the 1,160 million shares directly or indirectly held would be transferred or put on trust or repurchased by the Company within 36 months commencing from the date (16 October 2006) on which the A shares were listed. In October 2008, BNSIGC increased its shareholdings by 1,000,031 shares in the Company via the trading system of the Shanghai Stock Exchange. BNSIGC undertook that it would not reduce its shareholdings in the Company whilst implementing the plan on increasing shareholdings and within the statutory period.

Pursuant to the document titled "Implementation Measure for Transfer of Part of the State-owned Shares in Domestic Securities Market to the National Social Security Fund (Cai Qi [2009] No.94)"(《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and announcement No.63 of 2009 jointly issued by the Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund ("NCSSF"), a total of 150,000,000 shares in the Company held by BNSIGC should be transferred to NCSSF. As at 31 December 2009, the transfer is still in progress and relevant shares are subjected to sales restriction. Except for this, the lock-up period for remaining shares hold by BNSIGC expired, and there shares were available for trading.

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 2009	**3,367,089**	**472,660**	**161,468**	**4,001,217**	**3,016,147**
Profit for the year					**1,508,356**
2008 final dividend	**—**	**—**	**—**	**—**	**(101,011)**
Acquisition of additional interests in a subsidiary through additional capital injection *(Note 9 (d))*	**(2,583)**	**—**	**—**	**(2,583)**	**—**
Share of a jointly controlled entity exchange difference on its capital injection *(Note 10)*	**1**	**—**	**—**	**1**	**—**
Transfer from retained earnings	**—**	**44,533**	**—**	**44,533**	**(44,533)**
Balance at 31 December 2009	**3,364,507**	**517,193**	**161,468**	**4,043,168**	**4,378,859**

		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	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	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

21. RESERVES *(CONTINUED)*

Company

		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 2009	**3,490,024**	**412,320**	**163,663**	**4,066,007**	**2,513,862**
Profit for the year	**—**	**—**	**—**	**—**	**581,102**
2008 final dividends	**—**	**—**	**—**	**—**	**(101,011)**
Share of a jointly controlled entity exchange difference on its capital injection *(Note 10)*	**1**	**—**	**—**	**1**	**—**
Transfer from retained earnings	**—**	**44,533**	**—**	**44,533**	**(44,533)**
Balance at 31 December 2009	**3,490,025**	**456,853**	**163,663**	**4,110,541**	**2,949,420**

		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	3,489,983	382,380	163,663	4,036,026	1,631,606
Profit for the year	—	—	—	—	1,013,207
2007 final dividends	—	—	—	—	(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

(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 2009 and 2008.

22. TRADE AND OTHER PAYABLES

	Group As at 31 December		Company As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**436,137**	451,159	**215,256**	298,536
Advance from customers	**3,626,621**	4,629,464	**2,764,958**	3,629,262
Dividends payable to minority shareholders of a subsidiary	**1,162**	1,162	**—**	—
Accrued long term assets construction costs	**814,890**	267,882	**165,535**	267,882
Accrued properties under development costs	**803,962**	986,613	**647,919**	877,923
Amount due to BNSIGC *(Note 37) (Note a)*	**33,102**	33,132	**—**	—
Accrued interest	**111,114**	98,231	**111,114**	98,231
Amount due to subsidiaries	**—**	—	**2,121,341**	3,042,629
Other payables	**520,477**	430,863	**462,620**	233,199
	6,347,465	6,898,506	**6,488,743**	8,447,662

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

At 31 December 2009 and 31 December 2008, 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	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0 - 180 days	**244,393**	302,669	**112,436**	168,079
181 - 365 days	**82,375**	140,295	**53,573**	124,089
Over 365 days	**109,369**	8,195	**49,247**	6,368
	436,137	451,159	**215,256**	298,536

23. CURRENT INCOME TAX LIABILITIES

	Group		Company	
	As at 31 December		As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Income tax payable	**6,915**	62,322	**—**	82,636
Land appreciation tax payable	**325,332**	355,662	**299,762**	150,305
	332,247	417,984	**299,762**	232,941

24. BORROWINGS

	Group and Company	
	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Non-current		
Long term borrowings		
— Secured borrowings *(Note a)*	**4,970,000**	2,640,000
— Unsecured borrowings	**1,500,000**	3,000,000
— 10 year bonds *(Note b)*	**1,485,534**	1,483,607
— 5 year bonds *(Note c)*	**1,674,976**	1,669,205
	9,630,510	8,792,812
Less: current portion of long term borrowings	**(1,144,000)**	(1,200,000)
	8,486,510	7,592,812
Current		
Short term bank borrowings		
— Unsecured short term borrowings	**700,000**	650,000
— Current portion of long term borrowings	**1,144,000**	1,200,000
	1,844,000	1,850,000
Total borrowings	**10,330,510**	9,442,812

(a) As at 31 December 2009, long term bank borrowings of RMB 4,970,000,000 (2008: RMB 2,640,000,000) were secured by certain investment properties (Note 7), hotel properties and construction in progress (Note 8), properties under development (Note 13) and completed properties held for sale (Note 14).

24. BORROWINGS *(CONTINUED)*

(b) On 29 May 2006, the Company issued bonds with an aggregate principal amount of RMB 1,500,000,000 and a maturity period of 10 years ("10 year bonds"). The net proceeds were RMB 1,478,980,000 (net of issuance costs of RMB 21,020,000) 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 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 RMB 1,700,000,000 and a maturity period of 5 years ("5 year bonds"). The net proceeds were RMB 1,667,510,000 (net of issuance costs of RMB 32,490,000) and were raised as repayment of bank loans for the amount of RMB 800,000,000 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 bond is unconditional and irrevocable joint liability guaranteed by BNSIGC for the period the bond issued and two years after maturity and the Company paid RMB 8,500,000 in 2008 to BNSIGC in return of the guarantee so provided. BNSIGC had been allocated RMB100,000,000 of the 5 year bonds.

(d) At 31 December 2009, the maturity of the borrowings is as follows:

	Group and Company			
	Bank borrowings As at 31 December		**Long term bonds As at 31 December**	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**1,844,000**	1,850,000	**—**	—
Between one and two years	**244,000**	1,340,000	**—**	—
Between two and five years	**1,307,000**	1,100,000	**1,674,976**	1,669,205
Wholly repayable within five years	**3,395,000**	4,290,000	**1,674,976**	1,669,205
Over five years	**3,775,000**	2,000,000	**1,485,534**	1,483,607
	7,170,000	6,290,000	**3,160,510**	3,152,812

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

	Group and Company As at 31 December	
	2009	2008
Bank borrowings	**5.69%**	6.70%
10 year bonds	**4.28%**	4.28%
5 year bonds	**8.69%**	8.69%

24. BORROWINGS *(CONTINUED)*

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

	Group and Company As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
At floating rates:		
— expiring within one year	**—**	—
— expiring between two and five years	**—**	710,000
	—	710,000

(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	
	2009	2008
	RMB'000	*RMB'000*
6 months or less	**5,130,000**	3,580,000
6-12 months	**2,040,000**	2,710,000
1-5 years	**1,674,976**	1,669,205
Over 5 years	**1,485,534**	1,483,607
Total	**10,330,510**	9,442,812

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

	Group and Company			
	Carrying amount As at 31 December		Fair value As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Long term bank borrowings	**5,326,000**	4,440,000	**5,326,000**	4,440,000
10 year bonds	**1,485,534**	1,483,607	**1,291,240**	1,306,014
5 year bonds	**1,674,976**	1,669,205	**1,853,274**	1,879,610
	8,486,510	7,592,812	**8,470,514**	7,625,624

The fair values of long term bonds are based on cash flows discounted using rates based on the borrowing rate of 7.19% (2008: 6.37%) for 10 year bonds and 6.69% (2008: 5.74%) 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	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deferred tax assets:				
— To be recovered after more than 12 months	**20,342**	9,048	**16,204**	6,815
— To be recovered within 12 months	**13,907**	11,281	**537**	1,079
	34,249	20,329	**16,741**	7,894
Deferred tax liabilities:				
— To be settled after more than 12 months	**(1,023,333)**	(712,915)	**(757,941)**	(712,915)
Deferred tax liabilities-net	**(989,084)**	(692,586)	**(741,200)**	(705,021)

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

	Group Year ended 31 December		Company Year ended 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At beginning of year	**(692,586)**	(463,688)	**(705,021)**	(470,237)
Recognised in the income statement *(Note 30)*	**(296,498)**	(228,898)	**(36,179)**	(234,784)
At end of year	**(989,084)**	(692,586)	**(741,200)**	(705,021)

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:

Group

Deferred tax liabilities:

	Investment properties revaluation *RMB'000*	Tax depreciation allowances *RMB'000*	Total *RMB'000*
As at 1 January 2008	(249,126)	(228,726)	(477,852)
Recognised in the income statement	(218,704)	(16,359)	(235,063)
As at 31 December 2008	(467,830)	(245,085)	(712,915)
Recognised in the income statement	(286,928)	(23,490)	(310,418)
As at 31 December 2009	(754,758)	(268,575)	(1,023,333)

Deferred tax assets:

	Provisions *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at 1 January 2008	6,831	7,333	14,164
Recognised in the income statement	145	6,020	6,165
As at 31 December 2008	6,976	13,353	20,329
Recognised in the income statement	(956)	14,876	13,920
As at 31 December 2009	6,020	28,229	34,249

25. DEFERRED INCOME TAX *(CONTINUED)*

Company

Deferred tax liabilities:

	Investment properties revaluation *RMB'000*	Tax depreciation allowances *RMB'000*	Total *RMB'000*
As at 1 January 2008	(249,126)	(228,726)	(477,852)
Recognised in the income statement	(218,704)	(16,359)	(235,063)
As at 31 December 2008	(467,830)	(245,085)	(712,915)
Recognised in the income statement	(22,725)	(22,301)	(45,026)
As at 31 December 2009	(490,555)	(267,386)	(757,941)

Deferred tax assets:

	Provisions *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at 1 January 2008	6,536	1,079	7,615
Recognised in the income statement	279	—	279
As at 31 December 2008	6,815	1,079	7,894
Recognised in the income statement	(795)	9,642	8,847
As at 31 December 2009	6,020	10,721	16,741

(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 RMB 2,708,000 (2008: RMB 3,251,000) 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	
	2009	2008
	RMB'000	*RMB'000*
Depreciation *(Note 8)*	**93,229**	77,228
Amortisation	**32**	32
(Reversal of)/ provision for receivables *(Note 16)*	**(3,159)**	1,288
Employee benefit expense *(Note 28)*	**366,196**	346,037
Advertising costs	**24,249**	40,344
Cost of properties sold		
— Land use rights	**99,421**	103,210
— Finance cost capitalised in cost of properties	**45,324**	39,456
— Development costs	**1,760,842**	1,448,585
Cost of goods for resale	**231,605**	206,808
Cost of consumables used	**138,433**	107,365
Business tax	**226,997**	192,553
Other taxation	**51,894**	35,479
Office and consumption expenses	**112,109**	128,470
Energy expenses	**71,941**	95,410
Consulting and service expenses	**53,142**	73,696
Repair and maintenance expenses	**40,678**	61,277
Donation	**—**	17,589
Operating leases	**18,168**	18,860
Auditor's remuneration	**6,390**	6,590
Others	**10,304**	24,756
Total cost of sales, selling and marketing expenses and administrative expenses	**3,347,795**	3,025,033

27. OTHER LOSSES - NET

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Gain on disposal of a subsidiary *(Note 34 (c))*	**401**	—
Loss on disposal of property, plant and equipment	**(549)**	(8,399)
Others	**(4,467)**	(611)
	(4,615)	(9,010)

28. EMPLOYEE BENEFIT EXPENSE

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

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Wages and salaries	**267,679**	281,959
Social security costs	**92,809**	68,054
Retirement benefit costs - defined contribution plans	**54,667**	38,466
Termination and other benefits	**12,539**	—
	427,694	388,479
Less: capitalised in investment property, property, plant and equipment and properties under development	**(61,498)**	(42,442)
	366,196	346,037

(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% (2008: 20%) of the employees' basic salary for the year ended 31 December 2009.

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 2009 (2008: Nil) to reduce future contributions.

Contribution totaling RMB 4,926,000 (2008: RMB 6,107,000) were payable at the year end.

28. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(b) Directors' emoluments

The remuneration of every director for the year ended 31 December 2009 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	—	240	12	252
Ms. Zhao Hui Zhi	—	565	30	595
Mr. Liu Jian-Ping	160	—	—	160
Mr. Chen Ji	160	—	—	160
Mr. Meng Yan (i)	29	—	—	29
Mr. Yu Jing Song (i)	29	—	—	29
Mr. Fu Yao Man (i)	—	—	—	—
Mr. Long Tao (ii)	57	—	—	57
Mr. Wong Yik Chung (ii)	57	—	—	57
Mr. Gan Pei Zhong (ii)	57	—	—	57
	549	805	42	1,396

(i) Retired on 19 May 2009.

(ii) Appointed on 19 May 2009.

The remuneration of every director for the year ended 31 December 2008 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	33	753
Ms. Zhao Hui Zhi	—	685	33	718
Mr. Liu Jian-Ping	480	—	—	480
Mr. Chen Ji	480	—	—	480
Mr. Meng Yan	86	—	—	86
Mr. Yu Jing Song	86	—	—	86
Mr. Fu Yao Man	—	—	—	—
	1,132	1,405	66	2,603

In addition to the directors' emoluments disclosed above, certain directors of the Company receive emoluments from BNSIGC, amounting to RMB 1,684,000 (2008: RMB 1,332,000), 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.

28. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2008: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2008: three) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Basic salaries and other allowances	**2,702**	2,736
Employer's contribution to retirement benefit scheme	**122**	101
	2,824	2,837

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2009	2008
Emolument bands		
RMB nil - RMB 881,000		
(equivalent to HK$ Nil - HK$1,000,000)	**3**	2
Over RMB 881,000		
(equivalent to over HK$1,000,000)	**1**	1

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

30. INCOME TAX EXPENSES

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

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

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Current income tax		
— PRC enterprise income tax	**262,785**	208,073
— PRC land appreciation tax *(Note 4 (b))*	**257,203**	164,575
Deferred income tax *(Note 25)*	**296,498**	228,898
	816,486	601,546

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	
	2009	2008
	RMB'000	*RMB'000*
Profit before income tax	**2,464,345**	1,920,603
Add: share of loss of a jointly controlled entity	**8,569**	10,727
	2,472,914	1,931,330
Tax calculated at a tax rate of 25% (2008: 25%)	**618,229**	482,833
Expenses not deductible for tax purposes	**1,854**	2,530
Tax losses not recognised	**21**	—
Utilisation of previous unrecognised tax losses	**(20)**	—
Effect of higher tax rate for the appreciation of land in the PRC	**192,902**	116,183
Others	**3,500**	—
Income tax expenses	**816,486**	601,546

31. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

In accordance with the articles of association of the Company, the profit available for appropriation by the Company for the purpose of dividend payments is based on the lesser of the net profit of the Company determined in accordance with the CAS; and the net profit determined in accordance with HKFRSs.

On this basis, the amount of profits available for appropriation for the year was RMB 445,329,921 (2008:RMB 299,402,971), being the amount of profit attributable to equity holders of the Company as disclosed in the financial statements prepared under the CAS.

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

Diluted earnings per share is equal to the basic earnings per share since the Company has no potential dilutive ordinary shares during the years ended 31 December 2009 and 2008.

33. DIVIDENDS

The dividends paid in 2009 and 2008 were RMB 101,011,000 and RMB 101,011,000 respectively.

At a meeting held on 7 April 2010, the directors proposed a final dividend of RMB 0.03 per share totaling RMB 101,011,000. 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 2010.

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
2009 proposed final dividends of RMB 0.03 per share (2008: RMB 0.03 per share)	**101,011**	101,011

34. CASH USED IN OPERATIONS

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Profit before income tax	**2,464,345**	1,920,603
Adjustments for:		
— (Reversal of)/ provision for receivables *(Note 26)*	**(3,159)**	1,288
— Depreciation *(Note 26)*	**93,229**	77,228
— Amortisation *(Note 26)*	**32**	32
— Fair value gain on investment properties *(Note 7)*	**(1,147,711)**	(874,816)
— loss on disposal of property, plant and equipment *(Note b)*	**549**	8,399
— Interest income *(Note 29)*	**(43,451)**	(23,343)
— Interest expense *(Note 29)*	**214,442**	54,587
— Share of loss of a jointly controlled entity *(Note 10)*	**8,569**	10,727
Operating profit before working capital changes	**1,586,845**	1,174,705
Changes in working capital:		
— Decrease in restricted bank deposits	**164**	11,388
— Decrease/(Increase) in inventories	**20,050**	(59,019)
— Decrease/(Increase)Increase in land use rights, properties under development and completed properties held for sale	**405,096**	(663,392)
— Decrease/(Increase) in trade and other receivables	**135,537**	(177,894)
— Increase in long term payables	**11,710**	—
— (Decrease)/Increase in trade and other payables	**(1,127,110)**	2,392,466
Cash generated from operations	**1,032,292**	2,678,254

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

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Net book amount *(Note 8)*	**4,801**	10,462
Loss on disposal of property, plant and equipment *(Note 27)*	**(549)**	(8,399)
Proceeds from disposal of property, plant and equipment	**4,252**	2,063

34. CASH USED IN OPERATIONS *(CONTINUED)*

(c) Disposal of a subsidiary

In October 2009, the Company disposed of all equity interests in Xinhe to an individual. An analysis of net inflow of cash in respect of the disposal of the subsidiary is set out as below:

	As at disposal date *RMB'000*
Net assets disposed of	
Current assets	51,121
Non-current assets	1,292
Current liabilities	(49,311)
Minority interests	(155)
	2,947
Gain on disposal of the subsidiary:	
Cash consideration	5,754
Less: net assets disposed	(2,947)
Payables raised due to the compensation of accumulated loss	(2,176)
Other related expenses	(230)
Gain on disposal of the subsidiary *(Note 27)*	401
Net outflow of cash in respect of the disposal of the subsidiary:	
Cash consideration	5,754
Less: Cash disposed of the subsidiary	(10,583)
Net outflow of cash in respect of disposal of the subsidiary	(4,829)

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 RMB 1,472,798,000 as at 31 December 2009 (2008: RMB 1,476,674,000).

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 investment property and property, plant and equipment:

	Group As at 31 December		Company As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Investment property and property, plant and equipment				
Contracted but not provided for	**—**	367,007	**—**	—
Authorised but not contracted for	**190,920**	1,009,517	**—**	—
	190,920	1,376,524	**—**	—

(b) Commitments in respect of development costs attributable to properties under development and land use rights:

	Group As at 31 December		Company As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Properties under development				
Contracted but not provided for	**752,485**	971,471	**280,626**	759,235
Authorised but not contracted for	**979,422**	3,190,766	**—**	1,503,993
Land use rights				
Contracted but not provided for	**3,167,080**	3,167,080	**—**	—
	4,898,987	7,329,317	**280,626**	2,263,228

36. COMMITMENTS *(CONTINUED)*

(c) At 31 December 2009 and 31 December 2008, 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	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Rental receivables in respect of investment properties				
Not later than one year	**142,592**	166,799	**142,592**	166,799
Later than one year and not later than five years	**292,017**	317,224	**292,017**	317,224
Later than five years	**767,331**	1,217,861	**767,331**	1,217,861
	1,201,940	1,701,884	**1,201,940**	1,701,884
Rental payables in respect of land use rights and buildings				
Not later than one year	**15,429**	13,465	**14,259**	13,465
Later than one year and not later than five years	**59,376**	53,860	**57,036**	53,860
Later than five years	**327,960**	323,151	**327,960**	323,151
	402,765	390,476	**399,255**	390,476

37. RELATED PARTY TRANSACTIONS

The Group is controlled by Beijing North Star Industrial Group Company ("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. For the year 2009 and 2008, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government, mainly include most of its bank borrowings and part of purchases of goods and services. The price and other terms of such transactions are settled in the fair value.

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.

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

In addition to the above-mentioned transactions with the government related entities and the related party information shown elsewhere in the consolidated 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) Principal services provided by the Group to BNSIGC and Kingpower:

	Group Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Electricity and telephone	**164**	49
Rental	**5,781**	3,076
	5,945	3,125

(ii) Purchases of goods, services and investment

	Group Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
BNSIGC (office lease acceptance)	**900**	4,267
BNSIGC (operating lease payment in respect of land)	**14,259**	13,465
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
	15,169	62,988

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

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	Group As at 31 December		Company As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and other receivables from related parties				
BNSIGC	**5,942**	5,942	**802**	802
Trade and other payables to related parties				
BNSIGC	**33,102**	33,132	**—**	—

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

At 31 December 2009, there were no provisions for impairment of receivables from related parties (2008: Nil) and there were no provisions for impairment of receivables from related parties charged to income statement for the year ended 31 December 2009 (2008: Nil).

(iv) Key management compensation

	Group Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**7,170**	8,173
Post-employment benefit	**434**	492
	7,604	8,665

(v) Accept financial guarantee

Pursuant to an agreement signed by Beijing North Star Industrial Group Company ("BNSIGC") and Bank of China (the "BOC"), BNSIGC provides a joint liability counter-guarantee in favor of 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 RMB 8,500,000, which is fully paid in 2008.

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2009 in accordance with China Accounting Standards for Business Enterprises ("CAS"), which was issued by the Ministry of Finance of the PRC in February 2006. The differences between the financial statements prepared under CAS and HKFRS are summarised as follows:

	Profit attributable to equity holders of the Company for the year ended 31 December		Capital attributable to equity holders of the Company as at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As stated in accordance with CAS	**577,102**	448,929	**9,059,789**	8,586,279
Impact of HKFRS adjustments:				
1. Reversal of depreciation of leasing properties under CAS	**67,785**	57,054	**484,471**	416,686
2. Impact of revaluated cost of leasing properties under HKFRS on profit and loss	**860,783**	656,112	**2,264,280**	1,403,497
3. Difference on revaluation of assets upon the restructuring of enterprise in 1997	**2,686**	2,686	**(19,493)**	(22,178)
As stated in accordance with HKFRS	**1,508,356**	1,164,781	**11,789,047**	10,384,284

Properties Profile

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 in Beichen Bei Yuan Residential Estate (including Olympic Media Village)	Wa Li Xiang, Chao Yang District, Beijing	121,700	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	Villa, apartment (under construction)	49.50%
2 Green Garden B5 in Beichen Bei Yuan Residential Estate	Wa Li Xiang, Chao Yang District, Beijing	135,000	Office, commercial (under construction)	100%
3 Fragrant Hill Qingqin	Lots A, B, C, E, Siji Qing Xiang Men Tou Village, Hai Dian District, Beijing	10,700	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)	Wen Quan Town, Hai Dian District, Beijing	291,600	Residential (under construction)	100%
6 Beichen Fudi (Chang Ying Project)	Chang Ying Xiang, Chao Yang District, Beijing	146,900	Residential, commercial (under construction)	100%
7 Changsha Xinhe Delta Project	Kaifu District, Changsha, Hunan Province	5,370,000	Residential, commercial office and hotel (under construction)	96%

INVESTMENT PROPERTIES AND HOTELS *(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	Hui Bin Offices	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	37,795	Office	100%
6	Hui Zhen Building Property	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	6,299	Office	100%
7	Hui Xin Offices	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	47,515	Office	100%
8	North Star Times Tower	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	131,229	Office, commercial premise for lease	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 office	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 and hotels items (1-6) 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 RMB14,259,099 for 2009 (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.

Directors' Proposal on the Appropriation of Profit for the Year of 2009

In accordance with the pertinent regulations and based on the actual situation of the Company, the Board of Beijing North Star Company Limited, at a meeting held on 7 April 2010, resolved that the proposed appropriation of profit of the Company for the year of 2009 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 on Wednesday, 9 June 2010. Subject to the approval of the shareholders at the annual general meeting, the final dividend is expected to be paid on or before Wednesday, 4 August 2010. 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 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders as appearing on the H share register of shareholders of the Company. Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other organizations and groups will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax.

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:	Room 707, Tower 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:	2 April 1997, Beijing, the PRC
Registration number with the Industry and Commerce Bureau:	63379193-0
Registration number with the Taxation Bureau:	110105633791930

AUDITORS

PRC auditor:	PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd.
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