北辰实业
BEIJING NORTH STAR

HKEx Stock Code：0588　SSE Stock Code：601588

2010 Annual Report

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The view of Binjiang Plant at Beichen Delta


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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, Shunyi Mapo Project, Fragrant Hill Qingqin, Beichen Changhe Yushu Garden Villas, Beichen Bihai Fangzhou Garden Villas, Beichen · Xianglu, Beichen · Fudi and Beichen Delta Project in Changsha.

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 Convention Centre and the integrated properties under its ancillary projects with a total gross floor area of up to 530,000 m^2 and large scale commercial facilities in the residential area of Beichen Green Garden.

The integrated properties in Asian Games Village

Investment properties (including hotels) involve convention, hotel, office and apartment business. Taping on convention business to bring into full play, the Company adopts a business mode of "co-sale of convention and exhibition". Its operating items mainly include the National Convention Centre, Beijing International Convention Centre, InterContinental Beijing Beichen, Crowne Plaza Hotel 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 Shopping Centre (Beiyuan Store (北苑店)) 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.

Financial Highlights

RESULTS

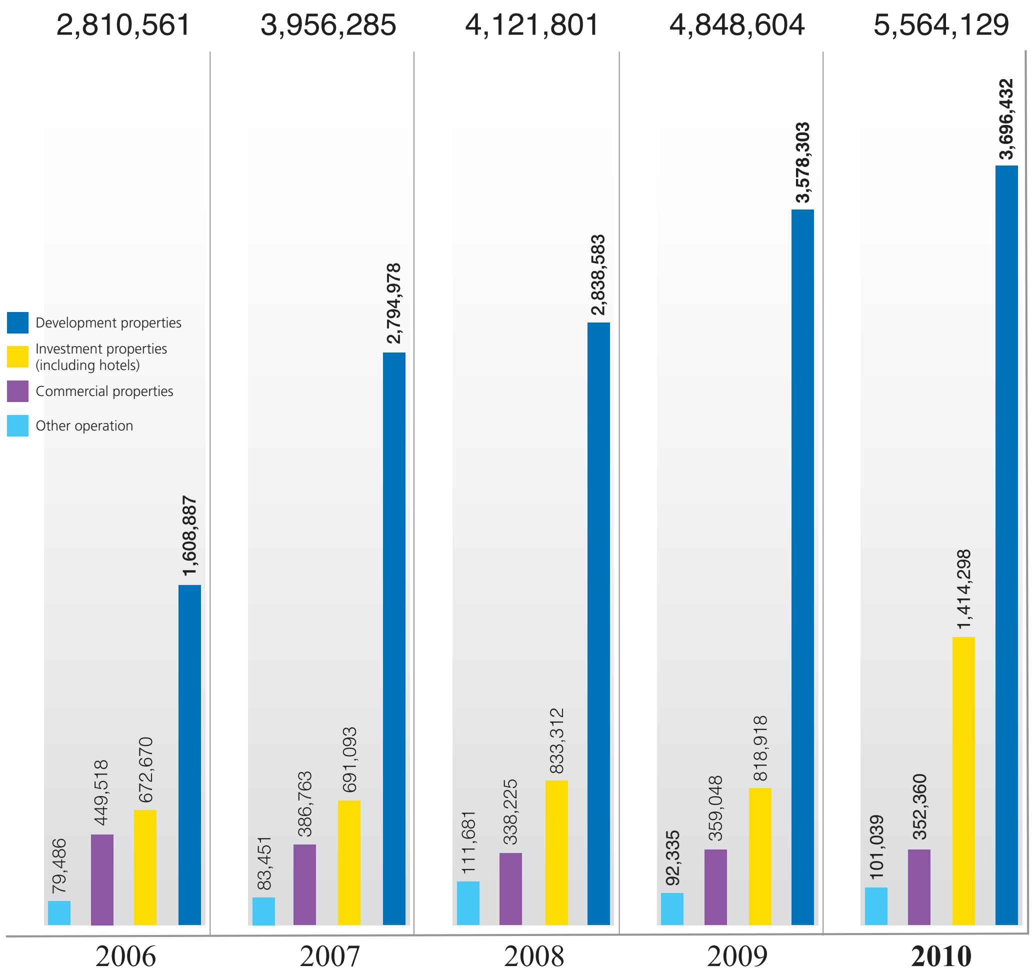
Year ended 31st December	2010 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*	2007 *RMB'000*	2006 *RMB'000*
Continuing operations					
Revenue	**5,564,129**	4,848,604	4,121,801	3,956,285	2,810,561
Profit before income tax	**1,789,913**	2,464,345	1,920,603	977,480	708,690
Income tax expenses	**(588,668)**	(816,486)	(601,546)	(321,207)	(248,001)
Profit for the year from continuing operations	**1,201,245**	1,647,859	1,319,057	656,273	460,689
Discontinued operations					
(Loss)/profit for the year from discontinued operations	**—**	(2,143)	(721)	124	—
Profit for the year	**1,201,245**	1,645,716	1,318,336	656,397	460,689
Attributable to:					
Equity holders of the Company	**1,099,787**	1,508,356	1,164,781	517,110	412,700
Minority interests	**101,458**	137,360	153,555	139,287	47,989

ASSETS AND LIABILITIES

As at 31st December	2010 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*	2007 *RMB'000*	2006 *RMB'000*
Total assets	**30,574,653**	30,115,149	28,136,798	21,973,159	16,141,794
Total liabilities	**(17,599,501)**	(18,047,815)	(17,525,410)	(12,397,944)	(7,028,158)
Total equity	**12,975,152**	12,067,334	10,611,388	9,575,215	9,113,636

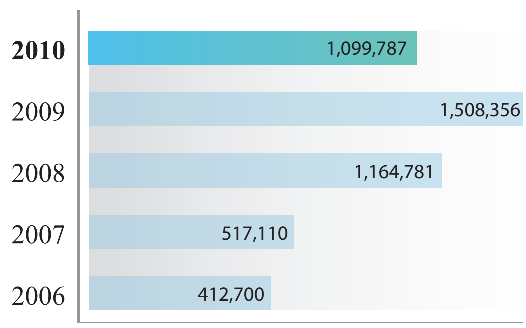
REVENUE BY BUSINESS

RMB'000



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

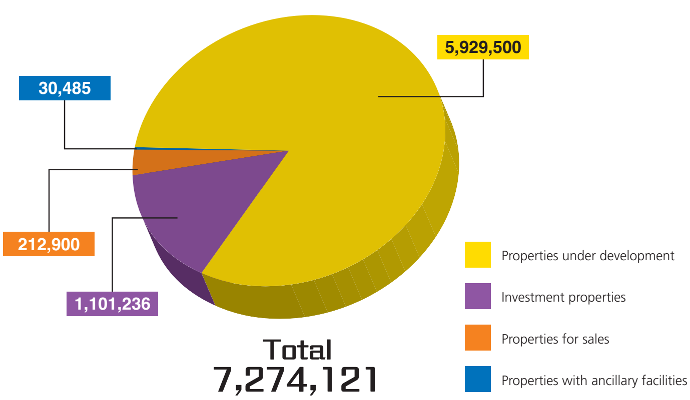
RMB'000



GROSS AREA OF PROPERTY PORTFOLIO

m^2

For the year ended 31 December 2010



Chairman's Report

Dear Shareholders,

On behalf of the board of directors, I am pleased to present to you the operating results of the Company for the year ended 31 December 2010.

In 2010, the international financial crisis was far more severe and the global economic recovery was far more complex than expected. In spite of the sluggish demand worldwide, China still managed to sustain a rapid and steady national economic growth through economic restructuring and stimulus of domestic demand. Subsequent to a year of tight macro-control, the property market still witnessed a modest growth in transaction volume, indicating a still-buoyant underlying demand. Imbalanced supply and demand in the land market and market consensus of a bullish property market had driven land prices higher and even to record highs, with signs of overheating in certain regions. On investment properties and commercial properties, market demand has gradually picked up under the fast-growing macro economy and improving external market conditions. However, certain industries still faced imbalance between supply and demand and ever-increasing competitions given the rapid increase in supply products.

In face of an ever changing external environment and growing market competitions, the Company was also subject to tightened macro control over the property market, with additional properties undergoing an initial struggling period during the period. As part of the Company's commitment to social undertakings, Beichen • Fudi (Dual Restriction Project) delivered a narrow profit margin. In addition, as projects such as National Convention Centre and office of North Star Century Center commenced operation, interest expenses were no longer capitalized. Under a mix of factors, the Company recorded a year-on-year increase in operating revenue yet a substantial decline in profit, thus facing unprecedented pressure in operation in 2010 after listing.

Visualised picture of the night view of Beichen Delta (A1D1 area)

Notwithstanding such difficulties and fluctuations in operating results, the Company responded actively and operated its business with prudence. Thanks to our diligent management and staff, the Company succeeded in expanding its assets and scale, taking advantage of business fluctuations to gather momentum in the course of volatility and inflationary spiral, thus making 2010 a critical year for the Company to lay solid foundation for future development. During the reporting period, the Company made solid progress of its existing property projects and sought chances to snap up land reserve. Its key project Beichen Delta in Changsha was basically sold out on debut. Its stock assets for a large quantity of properties held gradually picked up while additional assets quickly ramped up. In particular, National Convention Centre is also the first Olympic site to make a profit after one year of post-Olympic Game operation. Apart from highlighting our operations in various areas, we have significantly enhanced our sustainability.

As at 31 December 2010, due to considerable increase in the operating area of investment properties, the Company recorded a turnover of RMB5,564,129,000 in accordance with the Hong Kong Financial Reporting Standards, up 14.76% from the previous year. However, under the influence of abovementioned conditions, the profit before taxation and the profit attributable to equity holders of the Company decreased by 27.37% and 27.09% year-on-year to RMB1,789,913,000 and RMB1,099,787,000, respectively. Among others, the core operating results of the Company's principal business was RMB333,261,000, 48.54% down from the previous year, and the gain on changes in fair value of investment properties was RMB766,526,000, representing a year-on-year decrease of 10.95%. Earnings per share was RMB0.33, 27.09% down from the same period in 2009.

Chairman's Report (Continued)

Looking into 2011 from a global perspective, though a recovery is expected to be underway, the world's economy remains prone to instability and uncertainty as the long-standing sovereign debt crisis that troubled the European countries and the aftermath of the international financial crisis linger. On domestic front, though China's aggregate economic output ranked the second in the world, the economy is reluctant to climb up as structural conflicts remain outstanding. To tackle down such challenges, the state will endeavor to carry out macro-control in a more focused, flexible and effective manner by adhering to the core principle - "to promote development, to stabilize the prices and to adjust the structures", proactive fiscal policies and prudent monetary policies, with a view to ensuring the solid and healthy growth of the national economy.

Visualised picture of Bihai Fangzhou Garden Villas

At the beginning of 2011, the successive promulgations of the "Eight National Regulations" (國八條) and a trial property tax implied more stringent and in-depth macro control over the real estate market, while the aggressive interest rate hike after Chinese Lunar New Year denoted an inevitable phase of liquidity crunch against steady economic growth. Notwithstanding a strong underlying demand, the real estate market might experience fluctuations in development under a new round of rate hike, de-leverage and de-bubbling. However, owing to the constant improvement of the social security housing system and the ever changing expectations of property buyers, the real estate market will be dynamically stabilized. Confronted with the widening gap between supply and demand of investment properties and commercial properties as a whole and the fierce competitions within the sector, the real estate market still sees huge development potential as economic shift accelerates and consumption structure upgrade expedites. Furthermore, given efforts to turn Beijing into a "capital of international events and headquarters of the world's leading enterprises" and speed up its development as an "international commercial and trading center" during the "Twelfth Five-year Plan", Beijing is developing itself into an international metropolis representing China. Against such backdrop, we shall see a brighter prospect for the development of investment properties and commercial properties in Beijing.

In 2011, the Company will strengthen its prediction of new market dynamics and tap market opportunities by looking closely into the macro-economic trend and relevant policies, in a bid to improve its operating capability. Besides, it will strive to strengthen the positive impacts of its convention business on other business segments, so as to increase its profitability, enhance brand competitiveness, expand land reserve when opportunities present themselves and further prop up the Company's competitive edge and sustainable development capability. Concerning its operation of development properties, the Company will endeavor to improve its project turnover rate and risk management in light of the market changes and press ahead with the sales of products as well as the development and construction of high-quality projects in full swing to safeguard growth in profitability. With the preparation for sales and project construction under progress as scheduled, the Company will also improve the cost-performance ratio and competitive edge of its projects by improving their planning and designs in different phases, attracting investment for the commercial and infrastructure facilities along the riverside and creating an environment with business and commercial elements. On investment properties, the Company will continue to advocate and foster the operation mode of ''co-sale of convention and exhibition'' to carve a niche for Beichen's brand (北辰品牌). It will also boost profitability of its investment properties by making the best of the potential business growth of its stock assets and bringing the ramp-up stage of its additional assets such as the National Convention Centre and the office of North Star Century Center closer to an end. On commercial properties, the Company will continue to improve its multi-store operation mode and management structure and step up joint efforts in marketing and promotion to enhance Beichen's business profile. In addition, it will steadily increase the profitability of its inventory projects and shorten the struggling period of its newly commenced projects to improve the business performance of its commercial properties.

Dear shareholders, we had passed our most difficult time as the year 2011 unfolds. The Company will resume its upward development trend. The substantial investment we made in the past few years shall also bring a new round of rapid growth to the Company.

The integrated properties of National Convention Centre

As a state-owned real estate enterprise principally engaged in property investment and development, we are honored to be the first property developer to complete H-share listing in China and the first and the only domestic property developer which returned to the A share market after achieving simultaneous A-share and H-share listing to date. We not only face high level of expectation from the capital market but enormous trust from our investors. As a public company, these are challenges we must confront. For all the expectation and trust on us, all our staffs are determined and confident to fulfill our mission and maximise shareholders' value. Meanwhile, we will spare no efforts in achieving our historical mission of "creating property value, building a century's foundation" and our strategic goal of "building the Company into a top national large-scale property conglomerate".

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

HE Jiang-Chuan
Chairman

Beijing, the PRC, 23 March 2011

Management Discussion and Analysis

I. OPERATING ENVIRONMENT

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

1. Development Properties

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

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

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

2. Investment Properties (including hotels)

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

3. Commercial Properties

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

II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD

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

1. Development Properties

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

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

Apart from the smooth operation of projects in Beijing, the Company expedited the construction of municipal road network and projects of "Beichen Delta" in Changsha. The commissioned construction of a road network comprising "Four Verticals, Seven Horizontals and One Cycle" in the region had been carried out in full swing. As phase I of the initial block residence (D3 Area) topped out ahead of schedule, completed construction of the main structure of phase II of the initial block residence (E5 Area) was 10 storeys above the ground in average. While the proposed design of commercial and infrastructural facilities along the riverside (A1 and D1) with an area of 800,000m^2 was still under optimisation, full-scale underground construction had been launched correspondingly. In order to reinforce the comprehensive strength and competitive edge of such projects, the Company, bearing in mind its development concept featuring "culture and leisure, business and commerce and eco-living", continuously optimized the residential, commercial, transportation and scenery planning in joint cooperation with the world's top seven planning and design organisations. Furthermore, the Company vigorously pressed ahead with business promotion and investment in education, including the appointment of InterContinental Hotel Group as the operating party of Riverside Hotel (濱江酒店), the construction of a flagship IMAX theatre in central-southern China in collaboration with Huayi Brothers (華誼兄弟) and the settlement of prestigious schools such as Yali High Secondary School (雅禮中學) and Qingshuitang Primary School (清水塘小學), which boded well for the Company's development in commercial and education properties. In October 2010, phase I of initial block residence (D3 Area) of "Beichen Delta" project in Changsha was promoted to the market after 3 years' industrious preparation. As an urban complex with the best location, the best view and the best ancillary facilities in Changsha and even in the metropolitan area comprising Changsha, Zhuzhou and Xiangtan, the project became a huge success as soon as it hit the market with a sales rate of up to 90% on debut. The contracted area sold reached 142,000m^2 with contracted sales of RMB1,049,260,000. With an average sales price of RMB7,400 per m^2, the project soon became the brightest spot in Changsha's real estate market.

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

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

Project name	Total saleable area	Accumulated		Outstanding saleable area	For 2010				Interest of the Company
		Area sold	Settled area		Area sold	Contracted Sales	Settled area	Revenue	
	('000m²)	*('000m²)*	*('000m²)*	*('000 m²)*	*('000m²)*	*(RMB million)*	*('000m²)*	*(RMB million)*	*(%)*
Green Garden residential units	950.3	925.1	920.2	25.2	4.1	50.95	17.9	213.07	100%
Green Garden (綠色家園) commercial and office buildings	139.1	90.2	80.4	48.9	30.3	364.89	70.4	880.78	100%
Phase I of Beichen • Xiang Lu (B Area)	60.9	38.1	25.3	22.8	15.8	217.21	25.3	331.41	100%
Phase II of Beichen • Xiang Lu (D Area)	68.6	37.4	–	31.2	37.4	606.51	–	–	100%
Beichen • Fudi (Dual Restriction Project)	287.7	255.5	252.3	32.2	8.8	51.96	252.3	1,486.66	100%
Fragrant Hill Qingqin Villas	143.7	143.7	133.3	0	8.2	116.65	15.1	784.52	50.2%
Beichen Delta (D3 Area)	217.9	141.8	–	76.1	141.8	1,049.26	–	–	100%

Note: ① during the reporting period, Phase II of the two low-density projects of the Company, namely Changhe Yushu Garden Villas and Bihai Fangzhou Garden Villas had not yet commenced operation due to policy regulations. They had two pieces of land of 166,200m² and 24,000m² which were available for development in which the Company was interested as to 98.5% and 50.2%, respectively. At present, the abovementioned projects had made substantial progress in obtaining project approvals. Changhe Yushu Garden Villas had completed the public announcement on its planning proposals while Bihai Fangzhou Garden Villas had obtained the approval regarding project proposal from the competent authority. The preliminary preparation for construction of the above two projects have been in smooth progress. The construction of the projects may commence immediately once relevant approvals are obtained, which will contribute to the Company's sales results; ② the table above does not take into account the statistics of parking places available for sale of each project.

Booming opening sales of the initial block residence of Beichen Delta

2. Investment Properties (including hotels)

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

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

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

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

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

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

North Star Times Tower and Legend Shopping Centre

3. Commercial Properties

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

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

Beiyuan branch of Beichen Shopping Centre

4. Overall Strength

The Company further boosted its industry presence and brand equity through strengthened efforts in bringing the Brand Planning Guideline into effect and overall deployment of media publication and brand promotion strategies. During the year, the Company vigorously promoted its projects and brand by making the best of the launch and hot selling of Beichen Delta Project in Changsha, the deliveries of Beichen Fudi (Dual Restriction Project) and the full-scale launch of additional projects of investment properties and commercial properties, which not only bolstered the Company's reputation and influence but also created a favorable media environment for the Company's daily operation. In addition, according to the research results published by China Property Top 10 Research Group comprising Development Research Centre of the State Council, Tsinghua University and China Index Research Institute, the Company was once again acclaimed as one of the Top 100 China Property Enterprises and was honoured as Leading Professional Brand of Integrated Business Mode in China Property Industry (全國房地產複合運營模式和企業領先品牌) in a row. This demonstrates that the Company's corporate image as a composite property developer integrating property development and property investment was acknowledged by the consumers and the society.

5. Investor Relations

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

6. Environmental Protection Efforts

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

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

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

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

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

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

Visualised picture of Grand Castle at Changhe Yushu Garden Villas

IV. MANAGEMENT'S MEASURES FOR 2011

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

Visualised picture of the interior view at Beichen Delta

1. Development properties

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

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

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

Visualised picture of the daytime view at Beichen Delta

2. Investment Properties (including hotels)

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

Visualised picture of the integrated properties of National Convention Centre

3. Commercial properties

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

An inside view of Beiyuan branch of Beichen Shopping Centre

4. Financing and Capital Expenditure

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

In 2011, the Company's investment in fixed assets is estimated to be RMB270,000,000, subject to payment in accordance with the progress of its construction. The funding of the Company is derived from its self-owned capital and bank loans. The cost of capital is the interest of bank loans for the corresponding period.

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

1. Brief Analysis on the Company's Development Advantages

The Company's advantages mainly lie on its capability to accurately capitalise on opportunities, its risk resistant capability due to its unique business structure, and its comprehensive operation capability. Firstly, with a strong foresight and ability of mastering market changes and trends, the Company effectively reduces the impact of adverse factors. Secondly, with its unique business mode of "property development + property investment", not only can the Company enjoy rapid profit growth from property development, but also obtain long term and stable profits from property leasing and operation, thus providing stronger risk resistance than property developers with a single operation. Lastly, the Company's operation capability integrating the operations of development properties, investment properties and commercial properties facilitates mutual development and integration of strengths of the three major businesses, and allows itself to enjoy an apparent advantage in property development involving large and comprehensive projects.

2. Brief Analysis on the Company's Development Shortcomings

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

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

The Company's development problems and risks are mainly derived from market risks and operating risks.

(1) Market risks. The trial property tax, new "Eight National Regulations"("國八條") and various local regulations promulgated in the beginning of 2011 indicated that the State would maintain its macro control over the real estate industry in a more stringent and in-depth manner. As transaction volumes in certain cities take a nosedive and consumers incline to wait and see, demand long unsatisfied may expose the property market to potential volatility. With the impacts of all these factors, the property market's mid- to short-term trends are subject to more uncertainties. Worse still, since a property project involves a longer operation cycle, in case material fluctuations take place in the market, there might be greater risks brought to the Company's operation stability and its sales of real estate.

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

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

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

4. Analysis on the Company's Sustainable Development Capability

The Company's operation principle of "emphasizing both progress and stability, while expediting development and controlling risks simultaneously" serves as the theory basis for its sustainable development. An appropriate size of 6,160,000m^2 of land reserve which matches the current development capability of our development properties is a necessary condition for the Company's sustainable development. Meanwhile, the stable cash flows generated from the ongoing operation of a 1,200,000m^2 property held strongly underpinned the Company's sustainable development. The "three-in-one" integrated operation mode facilitates mutual development and integration of strengths of the three major businesses, enhances the Company's risk resistant capability during market fluctuations and provides the foundation for the Company's sustainable development. With the three major business operations making solid progress and the Company's scale of operation continuously expanding, the Company's sustainable development capability will be enhanced continuously.

赵惠芝

ZHAO Hui-Zhi
General Manager

Beijing, the PRC, 23 March 2011

Report on Corporate Governance

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

Throughout the course of 2010, 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, general manager, 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 Company has received written confirmation from each independent non-executive directors of his independence and considered all independent non-executive directors are independent to the Company. There is no financial, business, family or other material/related relationship existing among the directors.

The Board should meet regularly and Board meetings should be held at least four times a year. The Board had met 15 times in total during 2010.

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	15/15
Ms. ZHAO Hui-Zhi	15/15
Mr. LIU Jian-Ping	15/15
Mr. CHEN Ji	15/15
Independent non-executive directors	
Mr. LONG Tao	15/15
Mr. GAN Pei-Zhong	14/15
Mr. WONG Yik Chung	15/15

Subsequent to the appointments, all directors must offer 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 shareholders' general meeting for approval, with a view to appointing 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 2010, none of the directors of the Company had dealt in securities.

THE CHAIRMAN AND GENERAL MANAGER

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 been clearly defined with 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 which 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 people possessing leadership, 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 2008 annual general meeting, while another 3 independent non-executive directors were elected as independent non-executive directors of the new term of the Board at the 2008 annual general meeting. The term of office for directors of this term shall not expire till 2011 annual general meeting.

The Board did not nominate any candidates for directorships as no casual vacancy arose in the office of directors in 2010.

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 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 2010 and had reviewed the Company's annual report of 2009 as well as the interim report of 2010.

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

Members	No. of meetings attended/ No. of meetings held
Mr. LONG Tao	3/3
Mr. GAN Pei-Zhong	3/3
Mr. WONG Yik Chung	3/3

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 2010, 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 four meetings in 2010.

Attendance of each of the supervisors is set out below:

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

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

REMUNERATION COMMITTEE

The remuneration committee comprises three independent non-executive directors, and is chaired by Mr. 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 to study the remuneration policy and schemes for directors and senior management personnel.

The remuneration committee held two meetings in 2010. The members of the remuneration committee had listened to reports of the Company's human resources department on the Company's proposal on remuneration of senior management and proposal on the proportional adjustment to the payment of annual corporate pension for the year 2010 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. LONG Tao	2/2
Mr. GAN Pei-Zhong	2/2
Mr. WONG Yik Chung	2/2

STRATEGIC COMMITTEE

The strategic committee comprises five members, and is chaired by Mr. HE Jiang-Chuan, with the other four members being Ms. ZHAO Hui-Zhi, Mr. 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 two meetings in 2010, and had listened to the proposed arrangement of additional credit facilities from bank for the Company for 2010 and discussed the amendments to the Company's "Twelfth Five-Year Development Plan".

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

Members	No. of meetings attended/ No. of meetings held
Mr. HE Jiang-Chuan	2/2
Ms. ZHAO Hui-Zhi	2/2
Mr. LONG Tao	2/2
Mr. GAN Pei-Zhong	2/2
Mr. WONG Yik Chung	2/2

APPOINTMENT OF EXTERNAL AUDITOR

The external auditor currently appointed by the Company is PricewaterhouseCoopers. 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 or independent standing of its audit function. The auditor's remuneration is disclosed in note 25 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 2010, 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 underwent certain improvement, 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 2010 and considered the adequacy of resources, qualifications and experience of staff in respect 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 information of the Company, which the shareholders can browse and look through at anytime.

In 2011, the Company will continue to dedicate itself 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, 23 March 2011

Profile of Directors, Supervisors and Senior Management

CHAIRMAN

Mr. HE Jiang-Chuan, aged 47, 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 23 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 57, is a director and general manager of the Company. She graduated from the Beijing Administration College and has received 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 re-elected as a director of the Company in May 2009. She has 20 years of extensive experience in property management such as hotels, convention centres, apartments and office buildings.

Mr. LIU Jian-Ping, aged 57, is a director of the Company. Mr. Liu graduated from the Beijing Administration College and has received 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 59, is a director of the Company. Mr. Chen graduated from the Beijing Administrative College and has received 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 re-elected 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 59, the independent non-executive director of the Company. He is also the Chairman of the Company's audit committee, the Chairman of the Company's remuneration committee and the member of the Company's strategic committee. Mr. Long graduated from Research Institute for Fiscal Science, Ministry of Finance, majoring in Western 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 also serves as the independent non-executive director of Qingling Motors Co. Ltd. (listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), stock code: 1122) and China Asset Management Co., Ltd. (華夏基金管理有限公司). Mr. Long retired as the independent non-executive director of Beijing Capital International Airport Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 694) in 2008 and resigned as the independent non-executive director of AsiaInfo Holdings Inc. (listed on NASDAQ, NASDAQ: ASIA) in 2010. Mr. Long was elected as the independent non-executive director of the Company in May 2009.

Mr. GAN Pei-Zhong, aged 55, the independent non-executive director of the Company. He is also the member of the Company's audit committee, the member of the Company's remuneration committee and the member of the Company's strategic committee. Mr. Gan 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 concurrently serves as the independent non-executie director of Henan Chuying Agro-Pastoral co., Ltd.（河南雛鷹農牧股份有限公司）(listed on the Shenzhen Stock Exchange, securities code: 002477) and Beijing Odyssey Chemical Co., Ltd. Mr. Gan was elected as the independent non-executive director of the Company in May 2009.

Mr. WONG Yik Chung, aged 43, the independent non-executive director of the Company. He is also the member of the Company's audit committee, the member of the Company's remuneration committee and the member of the Company's strategic committee. Mr. Wong 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 is concurrently an independent non-executive director of Golden Resources Development International Limited (listed on the Hong Kong Stock Exchange, stock code: 0677), EcoGreen Fine Chemicals Group Limited (listed on the Hong Kong Stock Exchange, stock code: 2341) and the independent director of Yangguang Co., Ltd. (listed on the Shenzhen Stock Exchange, securities code: 000608). 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 57, is the chairman of the Supervisory Committee. He is a graduate of the Party School of Heilongjiang Provincial Party Committee of the Company 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 as Chairman of the Supervisory Committee of the Company in July 2007, and re-elected as the supervisor and chairman of the Supervisory Committee of the Company in May 2009.

SUPERVISORS

Mr. CHEN Yuan-Chao, aged 58, 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 appointed as supervisor of the Company since 2006. He was re-elected as a supervisor of the Company in May 2009.

Mr. LIU Yao-Zhong, aged 56, 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 19 years of working 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 53, is the deputy general manager of the Company. Mr. Liu is a postgraduate of the Party School of Central Committee. 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 48, 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 appointed as the deputy general manager of the Company in 2002.

Mr. SI Hai-Qun, aged 56, is the deputy general manager of the Company. Mr. Si is a postgraduate of the Chinese Academy of Social Science. 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 41, 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 42, 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 consecutively deputy director and director of the Secretariat of the Board of the Company. 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 50, 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 the 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 reports of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010.

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 and Changsha City of Hunan Province in the PRC.

RESULTS AND PROFIT DISTRIBUTION

The results of the Group for the year ended 31 December 2010 and the financial positions of the Group and the Company as at 31 December 2010 prepared in accordance with HKFRS are set out on pages 54 to 62 of this annual report.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.02 per share for the year ended 31 December 2010, totalling RMB67,340,000.

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% interest of the Company's share capital) had any 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 profile owned by the Group is set out on pages 140 to 141 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 20 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 as at 31 December 2010 amounted to RMB866,930,951 (2009: RMB851,328,991).

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

LONG Tao	*Director*
GAN Pei-Zhong	*Director*
WONG Yik Chung	*Director*

Supervisors

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

Senior Management

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

The biographical details of directors, supervisors and senior management are set out on pages 34 to 37 of this annual report.

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 of 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 current directors and supervisors of the Company were elected at the 2008 annual general meeting.

In accordance with the Articles of Association of the Company, directors and supervisors shall serve a term of three years, and are entitled to re-election upon expiration of the term of office.

The Company has been notified of Mr. Chen Yuan-Chao's proposed resignation as the supervisor representing shareholders and a shareholder has nominated Mr. Li Jishu as a candidate for election as a supervisor representing the shareholders in place of Mr. Chen Yuan-Chao. The proposals regarding such resignation and appointment will be put forward for approval at the 2010 annual general meeting of the Company.

A circular containing, among other things, the details of the proposed change of the supervisor representing shareholders will be dispatched to the shareholders as soon as possible.

QUALIFIED ACCOUNTANT

Since 1 January 2009, the requirements of Rule 3.24 of the Listing Rules had been repealed, pursuant to which the Company is no longer required to appoint a qualified accountant. However, the Company will continue to seek 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 27 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 or 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 2010, none of the directors, supervisors and chief executives of the Company had any interest or short positions in the shares, underlying shares and 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 or 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 were 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 old) to hold any interests or short positions in the shares in or debentures of, the Company, and 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 and 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 2010 was 3,367,020,000, comprising:

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 19 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 2010, 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 shareholder	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 2010.

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

As at 31 December 2010, 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:	337,157 holders

THE COMPANY'S TOP 10 SHAREHOLDERS OF LIQUID SHARES IN THE A-SHARE AND H-SHARE MARKETS *(CONTINUED)*

Shareholdings of top ten shareholders of the Company as at 31 December 2010

Name of shareholders	Class of shares	Percentage of shares *(%)*	Total number of shares held *(shares)*
BNSIGC	A shares	34.482	1,161,000,031
HKSCC NOMINEES LIMITED	H shares	20.365	685,704,498
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
China Everbright Bank-UBS SDIC Industrial Securities Investment Fund (中國光大銀行股份有限公司 — 國投瑞銀景氣行業證券投資基金)	A shares	0.681	22,939,294
China Life Insurance Company Limited-Dividends-Personal Dividends-005L-FH002 Shanghai	A shares	0.383	12,899,917
Zhejiang AMP Incorporation	A shares	0.255	8,600,000
China Resources SZITIC Trust Co., Ltd.-Fuxiang Trust No. 3 for New Share for Subscription (華潤深國投信託有限公司-福祥新股申購3號信託)	A shares	0.196	6,600,000
Zhang Xiaoxia (張小霞)	A shares	0.158	5,329,511

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 RMB3,402,870,000 already used, with un-utilised proceeds amounted to RMB114,200,000. 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 2010, the remaining balance of the proceeds amounting to RMB114,200,000 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 2010, the Group had no designated deposits placed with financial institutions in the PRC. All of the Group's cash deposits are placed with commercial banks in the PRC and are in compliance with relevant laws and regulations. The Group has not experienced any incident of not being able to withdraw bank deposits when due.

STAFF RETIREMENT SCHEME

Details of the Group's staff retirement scheme are set out in note 27 to the consolidated financial statements.

EMPLOYEES

As at 31 December 2010, the Company had 4,894 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. Such transactions between certain connected persons (as defined in the Listing Rules) and the Group which have been entered into and/or are ongoing during the year are shown below for which relevant disclosure, 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 167,000 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 2010 was RMB14,259,000, representing 51.81% 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 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 2010, 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 2010 and ending at 31 December 2010. The annual rental of 2010 was RMB900,000, representing 3.27% 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 2010, representing 0.04% 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 2010 amounted to RMB217,000, representing 0.02% of the income generated from investment properties 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 2010 and ended on 24 January 2011. Priced on the basis of market leases, the annual rental for year 2010 was RMB1,572,000, representing 0.11% of the income generated from investment properties 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 2010 and ended on 31 January 2011. Priced on the basis of market leases, the annual rental for year 2010 was RMB1,330,000, representing 0.09% of the income generated from investment properties of the Company. Such transaction was settled by cash.

The independent non-executive directors of the Company 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 2010 ("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.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2010, the bank loans and other borrowings of the Group are set out in note 23 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 2010, the equity attributable to equity holders of the Company increased by 8.59% compared to 31 December 2009. The increase was mainly attributable to a new profit attributable to equity holders of the Company during the period of RMB1,099,787,000.

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

FINANCIAL RESOURCES AND LIQUIDITY *(CONTINUED)*

Current assets of the Group, which mainly comprised cash at bank and on hand, completed properties held for sale and properties under development, amounted to RMB18,183,806,000, whereas the Group's current liabilities amounted to RMB8,975,952,000. As at 31 December 2010, balances of cash at bank and on hand amounted to RMB2,520,146,000 (excluding restricted bank deposits), none of the debenture in issue were exposed to redemption and payment risks. During the year, the Company did not engage in any transaction on financial products or derivative instruments.

As at 31 December 2010, the Group had bank borrowings of RMB4,603,159,000 secured by certain investment properties, hotels, properties under development and completed properties held for sale. The total liabilities to total assets ratio for the Group was 57.56% (calculated by dividing total liabilities by total assets) as at the end of the reporting period.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

AUDIT COMMITTEE

The Company has established an audit committee since September 2004. The audit committee comprises three independent non-executive directors, namely Mr. 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 results and the financial statements of the Group for the year ended 31 December 2010.

PUBLIC FLOAT

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

OTHER MAJOR EVENTS

1. On 12 June 2010, the Company acquired 4% equity interest in Changsha North Star Real Estate Development Company Limited held by Beijing City Development Co., Ltd. at a price of RMB26.40 million through China Beijing Equity Exchange. On 10 August 2010, the related matters of the equity acquisition including change of business registration for the transfer of equity interest were completed. Accordingly, interest held by the Company in Changsha Beichen increased to 100%. The transaction does not constitute a connected transaction and the transaction price is determined on basis of the open tender price determined in the asset appraisal report prepared by Beijing Northern Yashi Assets Appraisal Co., Ltd. at cost approach.

2. On 25 June 2010, the Company acquired the land use right of a state-owned land for construction No. Jin Tu Zheng Chu Zhao (Shun) [2010] 064 of a residential project (land parcel No. 2) at the east of Mapo, Shunyi, Beijing by way of tender at an aggregate price of RMB1,256 million and entered into the Contract for the Grant of Land Use Right of State-owned Land for Construction.

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 2010 annual general meeting.

By Order of the Board

HE Jiang-Chuan
Chairman

Beijing, the PRC, 23 March 2011

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 2010, the Supervisory Committee met four times in total and attended the Board meetings and annual general meetings held during the reporting peirod. 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 members of the Board, 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 2010 and has great confidence in the future of the Company.

In 2011, 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, 23 March 2011

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

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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 54 to 138, which comprise the consolidated and company balance sheets as at 31 December 2010, 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 CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

PRICEWATERHOUSECOOPERS

AUDITOR'S RESPONSIBILITY *(CONTINUED)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 2010 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, 23 March 2011

Consolidated balance sheet

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Land use rights	6	**1,107**	1,139
Investment properties	7	**10,375,600**	9,259,500
Property, plant and equipment	8	**1,959,067**	2,057,769
Interest in a jointly controlled entity	10	**6,592**	26,106
Deferred income tax assets	24	**48,481**	34,249
		12,390,847	11,378,763
Current assets			
Properties under development	13	**10,865,895**	12,347,453
Completed properties held for sale	14	**4,163,588**	1,218,728
Inventories	15	**119,302**	91,445
Trade and other receivables	16	**475,887**	438,383
Restricted bank deposits	17	**38,988**	72,921
Cash and cash equivalents	18	**2,520,146**	4,567,456
		18,183,806	18,736,386
Total assets		**30,574,653**	30,115,149
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	19	**3,367,020**	3,367,020
Other reserves	20	**4,069,943**	4,043,168
Retained earnings			
— Proposed final dividend	20, 32	**67,340**	101,011
— Others	20	**5,297,338**	4,277,848
		12,801,641	11,789,047
Non-controlling interests in equity		**173,511**	278,287
Total equity		**12,975,152**	12,067,334

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
LIABILITIES			
Non-current liabilities			
Long term borrowings	23	**7,402,702**	8,486,510
Long term payables		**9,636**	11,710
Deferred income tax liabilities	24	**1,208,661**	1,023,333
Deferred income		**2,550**	2,550
		8,623,549	9,524,103
Current liabilities			
Trade and other payables	21	**5,763,010**	6,347,465
Current income tax liabilities	22	**363,796**	332,247
Current portion of long term borrowings	23	**1,969,146**	1,144,000
Short term borrowings	23	**880,000**	700,000
		8,975,952	8,523,712
Total liabilities		**17,599,501**	18,047,815
Total equity and liabilities		**30,574,653**	30,115,149
Net current assets		**9,207,854**	10,212,674
Total assets less current liabilities		**21,598,701**	21,591,437

The financial statements on pages 54 to 62 were approved by the Board of Directors on 23 March 2011 and were signed on its behalf.

HE Jiang-Chuan
Director

ZHAO Hui-Zhi
Director

The notes on pages 63 to 138 are an integral part of these financial statements.

Balance sheet

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Investment properties	7	**4,714,600**	4,473,500
Property, plant and equipment	8	**1,347,843**	1,437,242
Investments in and loans to subsidiaries	9	**13,351,423**	12,991,628
Interest in a jointly controlled entity	10	**6,592**	26,106
Deferred income tax assets	24	**21,107**	16,741
		19,441,565	18,945,217
Current assets			
Properties under development	13	**1,851,862**	4,398,818
Completed properties held for sale	14	**4,006,562**	905,560
Inventories	15	**60,514**	77,516
Trade and other receivables	16	**270,412**	278,342
Restricted bank deposits	17	**12,481**	10,724
Cash and cash equivalents	18	**1,865,397**	3,699,470
		8,067,228	9,370,430
Total assets		**27,508,793**	28,315,647
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	19	**3,367,020**	3,367,020
Other reserves	20	**4,123,498**	4,110,541
Retained earnings			
— Proposed final dividend	20, 32	**67,340**	101,011
— Others	20	**3,196,307**	2,848,409
Total equity		**10,754,165**	10,426,981

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
LIABILITIES			
Non-current liabilities			
Long term borrowings	23	**7,402,702**	8,486,510
Long term payables		**9,636**	11,710
Deferred income tax liabilities	24	**763,981**	757,941
		8,176,319	9,256,161
Current liabilities			
Trade and other payables	21	**5,512,196**	6,488,743
Current income tax liabilities	22	**216,967**	299,762
Current portion of long term borrowings	23	**1,969,146**	1,144,000
Short term borrowings	23	**880,000**	700,000
		8,578,309	8,632,505
Total liabilities		**16,754,628**	17,888,666
Total equity and liabilities		**27,508,793**	28,315,647
Net current (liabilities)/assets		**(511,081)**	737,925
Total assets less current liabilities		**18,930,484**	19,683,142

The financial statements on pages 54 to 62 were approved by the Board of Directors on 23 March 2011 and were signed on its behalf.

HE Jiang-Chuan
Director

ZHAO Hui-Zhi
Director

The notes on pages 63 to 138 are an integral part of these financial statements.

Consolidated income statement

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Continuing operations:			
Revenue	5	**5,564,129**	4,848,604
Cost of sales	25	**(3,795,754)**	(2,844,643)
Gross profit		**1,768,375**	2,003,961
Selling and marketing expenses	25	**(158,579)**	(123,818)
Administrative expenses	25	**(494,306)**	(379,334)
Fair value gains on investment properties	7	**1,022,034**	1,147,711
Other losses - net	26	**(4,440)**	(4,615)
Operating profit		**2,133,084**	2,643,905
Finance income	28	**35,893**	43,451
Finance costs	28	**(359,550)**	(214,442)
Finance costs - net	28	**(323,657)**	(170,991)
Share of loss of a jointly controlled entity	10	**(19,514)**	(8,569)
Profit before income tax	5	**1,789,913**	2,464,345
Income tax expenses	29	**(588,668)**	(816,486)
Profit for the year from continuing operations		**1,201,245**	1,647,859
Discontinued operations			
Loss for the year from discontinued operations		**—**	(2,143)
Profit for the year		**1,201,245**	1,645,716
Profit attributable to:			
Equity holders of the Company	31	**1,099,787**	1,508,356
Non-controlling interests		**101,458**	137,360
		1,201,245	1,645,716
Earnings per share attributable to the equity holders of the Company during the year (basic and diluted) *(expressed in RMB cents per share)*			
From continuing operations	31	**32.66**	44.86
From discontinued operations	31	**—**	(0.06)
	31	**32.66**	44.80
Dividends	32	**67,340**	101,011

The notes on pages 63 to 138 are an integral part of these financial statements.

Consolidated statement of comprehensive income

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

The notes on pages 63 to 138 are an integral part of these financial statements.

Consolidated statement of changes in equity

	Note	Attributable to equity holders of the Company					
		Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2010		3,367,020	4,043,168	4,378,859	11,789,047	278,287	12,067,334
Comprehensive income							
Profit		—	—	1,099,787	1,099,787	101,458	1,201,245
Other comprehensive income		—	—	—	—	—	—
Total comprehensive income		—	—	1,099,787	1,099,787	101,458	1,201,245
Transactions with owners							
2009 final dividends		—	—	(101,011)	(101,011)	(163,633)	(264,644)
Transfer from retained earnings	20	—	12,957	(12,957)	—	—	—
Acquisition of additional interests in subsidiaries from non-controlling interests	20	—	(7,356)	—	(7,356)	(42,601)	(49,957)
Others	20	—	21,174	—	21,174	—	21,174
Total transactions with owners		—	26,775	(113,968)	(87,193)	(206,234)	(293,427)
Balance at 31 December 2010		3,367,020	4,069,943	5,364,678	12,801,641	173,511	12,975,152
Representing:							
Proposed final dividend at 31 December 2010				67,340			
Retained earnings - others				5,297,338			
				5,364,678			

Consolidated statement of changes in equity (Continued)

		Attributable to equity holders of the Company					
		Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	*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		—	1	—	1	—	1
Transfer from retained earnings	20	—	44,533	(44,533)	—	—	—
Acquisition of additional interests in a subsidiary from non-controlling interest		—	(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 dividend at 31 December 2009	101,011
Retained earnings - others	4,277,848
	4,378,859

The notes on pages 63 to 138 are an integral part of these financial statements.

Consolidated cash flow statement

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	33	**(428,231)**	1,032,292
Interest received		**35,893**	43,451
Interest paid		**(642,622)**	(663,578)
PRC income tax paid		**(269,564)**	(637,288)
Net cash used in operating activities		**(1,304,524)**	(225,123)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(151,088)**	(66,055)
Increase of investment properties		**(221,309)**	(726,020)
Proceeds from sale of property, plant and equipment	33 (b)	**714**	4,252
Increase of investment in a jointly controlled entity	10	**—**	(13,608)
Collection of amounts previously paid on behalf of non-controlling interests to invest in a subsidiary		**23,400**	—
Acquisition of additional interest in a subsidiary from non-controlling interests	36	**(43,374)**	—
Acquisition of subsidiary, net of cash acquired		**355**	—
Decrease of short-term liquid investments with original maturity of more than three months		**—**	10,000
Net proceeds from disposal of a subsidiary		**—**	(4,829)
Net cash used in investing activities		**(391,302)**	(796,260)
Cash flows from financing activities			
Proceeds from bank borrowings		**2,193,160**	3,830,000
Repayments of bank borrowings		**(2,280,000)**	(2,950,000)
Dividends paid to the equity holders of the Company	32	**(101,011)**	(101,011)
Dividends paid to non-controlling interests		**(163,633)**	(88,605)
Net cash (used in)/generated from financing activities		**(351,484)**	690,384
Net decrease in cash and cash equivalents		**(2,047,310)**	(330,999)
Cash and cash equivalents at beginning of year		**4,567,456**	4,898,455
Cash and cash equivalents at end of year	18	**2,520,146**	4,567,456

The notes on pages 63 to 138 are an integral part of these financial statements.

Notes to the Consolidated Financial Statement

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 RMB2.4 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 23 March 2011.

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)*

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28 'Investments in associates', and HKAS 31 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. 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 are expensed. The revised standard does not have material impact on the Group's or the Company's financial statements.

- HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and the Group has currently applies a policy to record the effects of all transactions with non-controlling interests in equity, and it does not have any material impact on the Group's or the Company's financial statements.

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

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures *(Continued)*

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

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

  The Group has reassessed the classification of unexpired land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and no land use rights is recognised as finance lease.

- In November 2010 the HKICPA issued Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. The Interpretation is effective immediately and is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause. The new accounting policy has been applied retrospectively and it does not have any impact on the Group's previous financial statements.

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

- HK(IFRIC) 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. 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.

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

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures *(Continued)*

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

- HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies 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.

- HKAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

- HKFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarificaties 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, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1.

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

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures *(Continued)*

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

Revised HKAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes HKAS 24, 'Related party disclosures', issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted.

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group has decided to early adopt the amendment relevant to the Government -related entity exemption from the year beginning 1 January 2009.

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

The Group's and the Company's assessment of the impact of these new standards and interpretations is set out below.

- HKFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace HKAS 39, 'Financial instruments: recognition and measurement'. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group will apply HKFRS 9 from 1 January 2013, and it is not expected to have a material impact on the Group's or the Company's financial statements.

- 'Classification of rights issues' (amendment to HKAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with HKAS 8 'Accounting policies, changes in accounting estimates and errors'. The Group will apply the amended standard from 1 January 2011, and it is not expected to have a material impact on the Group's or the Company's financial statements.

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

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures *(Continued)*

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

- HK (IFRIC) - Int 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011, and It is not expected to have any impact on the Group or the Company's financial statements.

- Prepayments of a minimum funding requirement' (amendments to HK (IFRIC) - Int 14). The amendments correct an unintended consequence of HK (IFRIC) - Int 14, 'HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when HK (IFRIC) - Int 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011, and it is not expected to have a material impact on the Group's or the Company's financial statements.

- HKAS 12 (amendment), 'Deferred tax - Recovery of underlying assets', (no transition provisions are specified). The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets depending on whether an entity expects to recover an asset by using it or by selling it when investment property is measured using the fair value model in HKAS 40 Investment Property. The Group will apply the amendment from 1 Janurary 2012, and is now assessing the impact on the Group's or the Company's financial statements.

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

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures *(Continued)*

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

- The minor amendments to HKRS 1 'First-time adoption of International Financing Reporting Standards', HKRS 3 'Business combinations', HKRS 7 'Financial instruments': Disclosure, HKAS 1 'Presentation of Financial Statements', HKAS 27 'Consolidated and Separate Financial Statements', HKAS 34 'Interim Financial Reporting', and HK(IFRIC) 13 'Customer Loyalty Programmes', which are part of the HKICP's annual improvements project published in May 2010. These amendments will not have a material impact on the Group's operations.

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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any 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.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

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

2.2 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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.

(b) Transactions with non-controlling interests

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

(c) Jointly controlled entities

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

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the 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.

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

2.2 Consolidation *(Continued)*

(c) Jointly controlled entities *(Continued)*

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.

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

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.

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

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

Investment property, principally comprising land ues rights and office buildings, is held for long-term rental yields and is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

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.

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 consolidated income statement.

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

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

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

2.8 Financial assets

The Group only holds loans and receivables as financial assets. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables'(Note 2.10), 'cash and cash equivalents'(Notes 2.11) and 'restricted bank deposits'(Note 17) in the consolidated balance sheet .

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.

(a) Impairment of financial assets

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.

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

2.8 Financial assets *(Continued)*

(a) Impairment of financial assets *(Continued)*

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the obligor will enter bankruptcy or other financial reorganisation;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For receivables category, 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 carrying amount of the asset is reduced and the amount of the loss is recognised in the combined income statement.

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)*

2.9 Inventories

(a) Properties under development

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

(b) Completed properties held for sale

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

(c) Other inventories

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

2.10 Trade and other receivables

Trade 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.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.12 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 are shown in equity as a deduction, net of tax, from the proceeds.

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

2.13 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.

2.14 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.

2.15 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, 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)*

2.15 Current and deferred income tax *(Continued)*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entity, except for deferred income tax liability 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.

2.16 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)*

2.16 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.

2.17 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.

2.18 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)*

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of 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 using the effective interest method.

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

2.20 Government grants

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

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

2.21 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor), are charged to the income statement on a straight-line basis over the period of the lease.

2.22 Borrowing costs

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

2.23 Dividend distribution

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

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 2010, if interest rates of borrowings issued at variable rates had increased/ decreased 10% 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 RMB13,811,000 (2009: RMB10,594,000).

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.

Substantially all of the Group's cash and cash equivalents, and restricted cash are held in major financial institutions located in the PRC, which management believes are of high credit quality. There was no recent history of default of cash and cash equivalents, and restricted cash from such financial institutions/authority.

The Group's trade receivable balances are due from third party customers as a result of sales of goods. The Group's other receivables are mainly due from third parties. The Group performs ongoing credit evaluations of the financial condition of its customers/debtors on an individual basis, taking into accounts their financial position, past experience and other factors, and generally does not require collateral from the customers/debtors' account on the outstanding balances. Based on the expected realisation and timing for collection of the outstanding balances, the Group maintains a provision for doubtful accounts and actual losses incurred have been within management's expectation, and management believes that there is no material credit risk inherent in the Group's outstanding receivable balances.

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.

Specifically, for bonds which contain a repayment on demand clause that the bond holders have the option right to re-sell all or part of the bond at its face value to the Company on July 18, 2011 at their's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the Company were to invoke their unconditional rights to call the bonds with immediate effect. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates.

	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 2010					
Borrowings (including interests)	**1,602,650**	**1,425,983**	**2,467,187**	**5,242,027**	**10,737,847**
Bonds subject to a repayment on demand clause	**1,839,400**	**—**	**—**	**—**	**1,839,400**
Trade and other payables *(Note 11)*	**3,523,168**	**—**	**—**	**—**	**3,523,168**
Total	**6,965,218**	**1,425,983**	**2,467,187**	**5,242,027**	**16,100,415**
At 31 December 2009					
Borrowings (including interests)	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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

	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*
Company					
At 31 December 2010					
Borrowings (including interests)	1,602,650	1,425,983	2,467,187	5,242,027	10,737,847
Term bonds subject to a repayment on demand clause	1,839,400	—	—	—	1,839,400
Trade and other payables *(Note 11)*	4,062,857	—	—	—	4,062,857
Total	7,504,907	1,425,983	2,467,187	5,242,027	16,640,104
At 31 December 2009					
Borrowings (including interests)	2,390,466	741,020	4,187,422	5,932,696	13,251,604
Trade and other payables *(Note 11)*	3,709,618	—	—	—	3,709,618
Total	6,100,084	741,020	4,187,422	5,932,696	16,961,222

The table that follows summarises the maturity analysis of bonds with a repayment on demand clause based on agreed scheduled repayments set out in the agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in above table. Taking into account the nature of the bonds, the directors do not consider that it is probable that the bonds holders will exercise their discretion to demand immediate repayment. The directors believe that such bonds will be repaid in accordance with the scheduled maturity dates set out in the agreements.

	Term bonds subject to a repayment on demand clause based on a scheduled repayment				
	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 and Company					
31 December 2010	139,400	139,400	1,839,400	—	2,118,200
31 December 2009	—	—	—	—	—

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital risk management

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

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

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

The gearing ratios at 31 December 2010 and 2009 were as follows:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Total borrowings *(Note 23)*	**10,251,848**	10,330,510
Less: Cash and cash equivalents *(Note 18)*	**(2,520,146)**	(4,567,456)
Net debt	**7,731,702**	5,763,054
Total equity	**12,975,152**	12,067,334
Total capital	**20,706,854**	17,830,388
Gearing ratio	**37%**	32%

The increase in the gearing ratio during 2010 resulted primarily from the decrease of cash and cash equivalents.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and financial liabilities approximated their fair values due to their short maturities.

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.

4.1 Critical accounting estimates and assumptions

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.

(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.

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

4.1 Critical accounting estimates and assumptions *(Continued)*

(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)*

4.2 Critical judgements in applying the entity's accounting policies

(a) Revenue recognition

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

As disclosed in note 34, 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.

5. SEGMENT INFORMATION *(CONTINUED)*

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

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

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

Turnover consists of sales from development properties, commercial properties and investment properties and hotels segments. Revenues recognised during the years ended 31 December 2010 and 31 December 2009 are as follows:

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

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

5. SEGMENT INFORMATION *(CONTINUED)*

The segment information provided to the board of directors for the reportable segments for the year ended 31 December 2010 is as follows:

Business segment	Development properties	Commercial properties	Investment properties and hotels	All other segments	Total continuing operations	Total discontinued operations	Total Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenues	3,696,432	352,360	1,435,069	159,555	5,643,416	—	5,643,416
Inter-segment revenues	—	—	(20,771)	(58,516)	(79,287)	—	(79,287)
Revenues (from external customers)	3,696,432	352,360	1,414,298	101,039	5,564,129	—	5,564,129
Profit before income tax	567,980	24,249	227,237	(478)	818,988	—	818,988
Depreciation and amortisation	3,135	22,432	271,836	7,905	305,308	—	305,308
Finance income	2,171	59	88	63	2,381	—	2,381
Finance costs	—	—	—	—	—	—	—
Share of loss from a jointly controlled entity	—	19,514	—	—	19,514	—	19,514
Income tax expenses	317,477	11,238	56,809	(103)	385,421	—	385,421

The segment information for the year ended 31 December 2009 is as follows:

Business segment	Development properties	Commercial properties	Investment properties and hotels	All other segments	Total continuing operations	Total discontinued operations	Total Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenues	3,578,303	359,048	823,661	126,568	4,887,580	52,359	4,939,939
Inter-segment revenues	—	—	(4,743)	(34,233)	(38,976)	—	(38,976)
Revenues (from external customers)	3,578,303	359,048	818,918	92,335	4,848,604	52,359	4,900,963
Profit before income tax	1,158,185	7,668	63,647	(19,195)	1,210,305	(2,143)	1,208,162
Depreciation and amortisation	2,418	21,885	156,512	6,374	187,189	448	187,637
Finance income	2,311	162	69	144	2,686	16	2,702
Finance costs	—	—	—	—	—	—	—
Share of loss of a jointly controlled entity	—	8,569	—	—	8,569	—	8,569
Income tax expenses	550,249	1,917	15,912	(801)	567,277	—	567,277

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

5. SEGMENT INFORMATION *(CONTINUED)*

The segment information as at 31 December 2010 and 31 December 2009 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 2010							
Total assets	**16,085,555**	**631,620**	**7,119,116**	**84,693**	**23,920,984**	**—**	**23,920,984**
Total assets include:							
Interest in a jointly controlled entity	**—**	**6,592**	**—**	**—**	**6,592**	**—**	**6,592**
Additions to non-current assets (other than deferred tax assets)	**1,948**	**15,908**	**105,366**	**5,879**	**129,101**	**—**	**129,101**
Total liabilities	**9,505,614**	**227,982**	**4,505,412**	**241,410**	**14,480,418**	**—**	**14,480,418**
As at 31 December 2009							
Total assets	14,882,322	609,650	7,255,024	146,914	22,893,910	—	22,893,910
Total assets include:							
Interest in a jointly controlled entity	—	26,106	—	—	26,106	—	26,106
Additions to non-current assets (other than deferred tax assets)	7,878	17,772	1,476,067	2,968	1,504,685	—	1,504,685
Total liabilities	10,223,996	165,196	4,595,272	139,963	15,124,427	—	15,124,427

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

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	
	2010	2009
	RMB'000	*RMB'000*
Profit before income tax for reportable segments	**818,988**	1,210,305
Corporate overheads	**(56,605)**	(71,157)
Corporate finance costs	**(359,550)**	(214,442)
Corporate finance income	**33,512**	40,765
Fair value gains on investment properties *(Note 7)*	**1,022,034**	1,147,711
Reversal of depreciation of investment properties	**170,023**	90,380
Land appreciation tax	**157,931**	257,203
Others	**3,580**	3,580
Profit before income tax and discontinued operations	**1,789,913**	2,464,345

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

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Total segments' assets	**23,920,984**	22,893,910
Deferred income tax assets *(Note 24)*	**48,481**	34,249
Corporate cash	**1,770,544**	3,427,812
Aggregated fair value gains on investment properties	**4,041,073**	3,019,040
Reversal of accumulated depreciation of investment properties	**815,984**	645,961
Others	**(22,413)**	94,177
Total assets per balance sheet	**30,574,653**	30,115,149
Total segments' liabilities	**14,480,418**	15,124,427
Deferred income tax liabilities *(Note 24)*	**1,208,661**	1,023,333
Corporate borrowings	**1,725,146**	1,696,903
Other corporate liabilities	**185,276**	203,152
Total liabilities per balance sheet	**17,599,501**	18,047,815

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 RMB172,896,000 (2009: RMB93,928,000).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 2010 and 2009.

The reconciliation of reportable segments' income tax expenses and total income tax expenses is mainly the income tax expenses amounting to RMB203,247,000 (2009: 249,209,000), impacted by aforementioned reconciliation items including corporate overheads, corporate financial costs, corporate financial income, fair value gains on investment properties, reversal of depreciation of investment properties and others.

At 31 December 2010 and 31 December 2009, all the Group's non-current assets other than deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the PRC.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the year ended 31 December 2010 and 2009.

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		Company	
	As at 31 December		As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
In the PRC held on:				
Leases of between 10 to 50 years	**1,107**	1,139	**—**	—

7. INVESTMENT PROPERTIES

	Group As at 31 December		Company As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At fair value				
At 1 January 2010	**9,259,500**	4,382,600	**4,473,500**	4,382,600
Fair value gains	**1,022,034**	1,147,711	**240,353**	90,900
Additions	**94,066**	1,296,981	**747**	—
Transfer from property, plant and equipment *(Note 8)*	**—**	2,432,208	**—**	—
At 31 December 2010	**10,375,600**	9,259,500	**4,714,600**	4,473,500

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

	Group and Company Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Rental income	**837,240**	395,120
Direct operating expenses arising from investment properties that generate rental income	**243,497**	100,913
Direct operating expenses that did not generate rental income	**174,678**	43,974

(b) Valuation basis

The investment properties were revalued at 31 December 2010 by an independent, professionally qualified valuer, Greater China Appraisal Limited. Valuations were based on either capitalization 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.

7. INVESTMENT PROPERTIES *(CONTINUED)*

(c) Non current assets pledged as security

As at 31 December 2010, certain investment properties with fair value of RMB10,320,000,000 (2009: RMB9,205,500,000) are pledged as securities for long term bank borrowings (Note 23).

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

	Group		Company	
	As at 31 December		As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
In Beijing, the PRC, held on:				
Leases of over 50 years	**1,481,600**	1,411,000	**1,481,600**	1,411,000
Leases between 10 years and 50 years	**8,894,000**	7,848,500	**3,233,000**	3,062,500
	10,375,600	9,259,500	**4,714,600**	4,473,500

As at 31 December 2010, property ownership certificate of certain completed investment property with fair value of RMB5,661,000,000 have not yet been obtained. It's expected to be obtained in 2011 to 2012.

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*
At 1 January 2009						
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
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	—	—	(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 25)*	(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
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

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

	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*
Year ended 31 December 2010						
Opening net book amount	242,500	1,481,767	166,191	163,383	3,928	2,057,769
Additions	937	—	—	—	34,098	35,035
Disposals	—	—	(592)	(765)	—	(1,357)
Transfer	—	—	—	32,813	(32,813)	—
Depreciation *(Note 25)*	(14,610)	(58,642)	(24,355)	(34,773)	—	(132,380)
Closing net book amount	228,827	1,423,125	141,244	160,658	5,213	1,959,067
At 31 December 2010						
Cost	365,672	1,792,274	243,069	302,390	5,213	2,708,618
Accumulated depreciation and impairment	(136,845)	(369,149)	(101,825)	(141,732)	—	(749,551)
Net book amount	228,827	1,423,125	141,244	160,658	5,213	1,959,067

Depreciation expense of RMB95,610,000 (2009: RMB56,969,000) has been charged in cost of sales, RMB2,504,000 (2009: RMB1,884,000) in selling and marketing expenses and RMB34,266,000 (2009: RMB34,376,000) in administrative expenses in the consolidated income statement.

As at 31 December 2010, certain hotel properties with net book value of RMB1,089,291,000 (2009: hotel properties and construction in progress of RMB1,200,640,000) are pledged as securities for long term bank borrowings (Note 23).

As at 31 December 2010, property ownership certificates of certain hotel properties with net book value of RMB1,035,389,000 have not yet been obtained. It's expected to be obtained in 2011 to 2012.

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
At 1 January 2009						
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
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
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
Year ended 31 December 2010						
Opening net book amount	224,435	913,760	144,849	151,181	3,017	1,437,242
Additions	—	—	—	—	34,104	34,104
Disposals	—	—	(258)	(569)	—	(827)
Transfer	—	—	—	31,902	(31,902)	—
Depreciation	(14,610)	(42,191)	(36,591)	(29,284)	—	(122,676)
Closing net book amount	209,825	871,569	108,000	153,230	5,219	1,347,843
At 31 December 2010						
Cost	333,214	1,223,412	212,666	287,994	5,219	2,062,505
Accumulated depreciation and impairment	(123,389)	(351,843)	(104,666)	(134,764)	—	(714,662)
Net book amount	209,825	871,569	108,000	153,230	5,219	1,347,843

9. INVESTMENTS IN AND LOANS TO SUBSIDIARIES

	Company As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Unlisted investments, at cost	**2,786,853**	2,742,678
Loans to subsidiaries	**10,564,570**	10,248,950
	13,351,423	12,991,628

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 2010. 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	RMB500,180,000	98.43%	—
Beijing North Star Lu Zhou Commercial Trading Co., Limited *(Note c)*	Trading	RMB1,000,000	80%	20%
Beijing Wuzhou Miller Beer Garden Restaurant Joint Venture Co., Limited *(Note b)*	Restaurant operation	US$ 1,346,000	59.81%	—
Beijing Recreation Centre Co., Limited *(Note b)*	Recreation and catering services	US$ 8,500,000	72.35%	—
Beijing North Star Xin Cheng Property Management Co., Limited *(Note c)*	Property management	RMB5,000,000	80%	20%
Beijing North Star Convention Centre Development Co., Limited *(Note c)*	Property development	RMB1,700,000,000	100%	—
Beijing Jiang Zhuang Hu Property Co., Limited *(Note b)*	Property development	US$ 16,000,000	—	51%
Beijing Tian Cheng Tian Property Co., Limited *(Note c)*	Property development	RMB11,000,000	5%	95%
Beijing New Prosperity Co., Limited *(Note c)*	Property development	RMB30,000,000	—	51%
Beijing North Star Xintong Internet Technology Service Co., Limited *(Note c)*	Multimedia information network development, system integration and software development	RMB20,000,000	100%	—
Changsha North Star Real Estate Development Co., Limited ("CNSRE") *(Note c, d)*	Property development	RMB500,000,000	100%	—
Beijing North Star Supermarket Chain Co., Limited *(Note c)*	Retail	RMB10,000,000	100%	—
Beijing North Star Hotel Management Com., Limited("BNSHMC") *(Note c, e)*	Hotel and restaurant management consulting service	RMB500,000	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.

In October 2010, the Company acquired the remaining 1.37% interest of BNSRE. After the acquisition, the Company's ownership on BNSRE has been increased from 97.06% to 98.43%(Note 36 (b)).

(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 August 2010, the Company acquired the remaining 4% interest of CNSRE. After the acquisition, the Company's ownership on CNSRE has been increased from 96% to 100% (Note 36 (a)).

(e) In April 2010, the Company acquired 100% interest of BNSHMC(Note 37 (iii)).

10. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
At 1 January 2010	**26,106**	21,066
Additional capital injection	**—**	13,608
Share of loss of a jointly controlled entity		
— loss after taxation	**(19,514)**	(8,569)
Share of a jointly controlled entity exchange difference on its capital injection	**—**	1
At 31 December 2010	**6,592**	26,106

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 2010 and 2009.

Year	**Assets**	**Liabilities**	**Revenue**	**Net loss**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2010	**44,704**	**38,112**	**7,154**	**(19,514)**
2009	56,751	30,645	287	(8,569)

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		
31 December 2010		
Trade and other receivables excluding prepaid tax and other prepayments	159,968	72,269
Loan to subsidiaries *(Note 9)*	—	10,564,570
Restricted bank deposits	38,988	12,481
Cash and cash equivalents *(Note 18)*	2,520,146	1,865,397
	2,719,102	12,514,717
31 December 2009		
Trade and other receivables excluding prepaid tax and other prepayments	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

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		
31 December 2010		
Trade and other payables *(a)*	3,523,168	4,062,857
Borrowings *(Note 23)*	10,251,848	10,251,848
	13,775,016	14,314,705
31 December 2009		
Trade and other payables *(a)*	2,696,629	3,709,618
Borrowings *(Note 23)*	10,330,510	10,330,510
	13,027,139	14,040,128

(a) The above trade and other payables comprise trade payables, dividends payable to non-controlling interest of a subsidiary, accrued construction costs, accrued properties under development costs, amount due to BNSIGC, accrued interest, amounts due to subsidiaries and other payables excluding statutory liabilities .

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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables that are neither past due nor impaired				
Counterparties without external credit rating	**79,889**	20,444	**33,459**	14,872

Credit qualities of other receivables are discussed in Note 3.1 (b). 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 2010 (2009: Nil).

13. PROPERTIES UNDER DEVELOPMENT

	Group As at 31 December		Company As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Land use rights	**8,188,787**	7,873,630	**1,309,215**	1,295,986
Development costs and capitalised expenditure	**1,817,170**	3,695,785	**484,395**	2,909,089
Finance costs capitalised	**859,938**	778,038	**58,252**	193,743
	10,865,895	12,347,453	**1,851,862**	4,398,818

As at 31 December 2010, certain properties under development with net book value of RMB1,348,432,000 (2009: RMB2,462,908,000) are pledged as securities for long term bank borrowings (Note 23).

14. COMPLETED PROPERTIES HELD FOR SALE

	Group		Company	
	As at 31 December		As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Land use rights	**669,345**	74,595	**658,302**	44,494
Development costs and capitalised expenditure	**3,333,562**	1,118,815	**3,190,795**	842,791
Finance costs capitalised	**160,681**	25,318	**157,465**	18,275
	4,163,588	1,218,728	**4,006,562**	905,560

As at 31 December 2010, certain completed properties held for sale with net book value of RMB1,272,792,000 (2009: RMB163,151,000) are pledged as securities for long term bank borrowings (Note 23).

15. INVENTORIES

	Group		Company	
	As at 31 December		As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Goods for resale	**88,255**	50,829	**51,067**	37,025
Consumables	**31,584**	41,153	**9,984**	41,028
Less: provision for inventories	**(537)**	(537)	**(537)**	(537)
	119,302	91,445	**60,514**	77,516

The cost of inventories recognised as expense and included in cost of sales amounted to RMB361,021,000 (2009: RMB408,627,000).

16. TRADE AND OTHER RECEIVABLES

	Group As at 31 December		Company As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**97,880**	37,668	**47,974**	31,958
Less: provision for impairment of receivables	**(3,873)**	(6,494)	**(3,873)**	(6,494)
Trade receivables - net	**94,007**	31,174	**44,101**	25,464
Other receivables	**81,570**	88,254	**43,777**	58,804
Less: provision for impairment of receivables	**(15,609)**	(16,999)	**(15,609)**	(16,999)
Other receivables - net	**65,961**	71,255	**28,168**	41,805
Prepaid tax	**235,964**	246,494	**128,055**	163,346
Other prepayments	**79,955**	89,460	**70,088**	47,727
	475,887	438,383	**270,412**	278,342

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

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

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

	Group As at 31 December		Company As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0–30 days	**83,701**	17,568	**37,296**	13,288
31–120 days	**1,665**	5,024	**1,465**	3,731
Over 120 days	**12,514**	15,076	**9,213**	14,939
	97,880	37,668	**47,974**	31,958

16. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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 2010 and 2009, the following trade receivables were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group As at 31 December		Company As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables past due but not impaired				
0 - 90 days	**1,604**	1,242	**1,465**	1,242
Over 90 days	**12,514**	9,487	**9,213**	9,350
	14,118	10,729	**10,678**	10,592

As at 31 December 2010 and 2009, 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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables impaired				
Over 90 days	**3,873**	6,494	**3,873**	6,494
Less: provision of impairment of receivables	**(3,873)**	(6,494)	**(3,873)**	(6,494)
	—	—	**—**	—

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

16. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January 2010	**6,494**	9,653	**6,494**	9,653
Provision for impairment of receivables	**117**	110	**117**	110
Unused amounts reversed	**(2,738)**	(3,269)	**(2,738)**	(3,269)
At 31 December 2010	**3,873**	6,494	**3,873**	6,494

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

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January 2010	**16,999**	16,999	**16,999**	16,999
Unused amounts reversed	**(1,390)**	—	**(1,390)**	—
At 31 December 2010	**15,609**	16,999	**15,609**	16,999

The creation and release of provision for impaired receivables net amounting to RMB4,011,000 (2009: RMB3,159,000) have been included in administrative expenses in the consolidated income statement (Note 25). 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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and on hand	**2,149,146**	2,645,456	**1,494,397**	1,817,470
Short-term bank deposits	**371,000**	1,922,000	**371,000**	1,882,000
	2,520,146	4,567,456	**1,865,397**	3,699,470
Maximum exposure to credit risk	**2,519,300**	4,566,764	**1,864,604**	3,698,890

The effective interest rate on short-term bank deposits was 1.39% (2009: 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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Renminbi	**2,515,213**	4,562,835	**1,860,464**	3,694,849
US dollar	**3,389**	3,024	**3,389**	3,024
HK dollar	**1,544**	1,597	**1,544**	1,597
	2,520,146	4,567,456	**1,865,397**	3,699,470

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. SHARE CAPITAL

	Company		
	As at 31 December 2009 RMB'000	Movement RMB'000	**As at 31 December 2010 RMB'000**
Registered, issued and fully paid			
Liquid shares subject to sales restrictions 150,000,000 (2009: 150,000,000) shares of RMB1 each held by state owned legal person	150,000	—	**150,000**
Listed shares			
2,510,000,000 (2009: 2,510,000,000) shares of RMB1 each listed in the Mainland (A shares)	2,510,000	—	**2,510,000**
707,020,000 (2009: 707,020,000) foreign invested shares of RMB1 each listed in Hong Kong (H shares)	707,020	—	**707,020**
	3,217,020	—	**3,217,020**
Total	3,367,020	—	**3,367,020**

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

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 2010, the transfer is still in progress and relevant shares are subjected to sales restriction. Except for this, the lock-up period for remaining shares held by BNSIGC expired, and these shares were available for trading.

20. RESERVES AND RETAINED EARNINGS

Group

	Capital reserve	Other reserves: Statutory reserve fund	Other reserves: Discretionary reserve fund	Other reserves: Subtotal	Retained earnings
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	**3,364,507**	**517,193**	**161,468**	**4,043,168**	**4,378,859**
Profit for the year	**—**	**—**	**—**	**—**	**1,099,787**
2009 final dividends	**—**	**—**	**—**		**(101,011)**
Acquisition of remaining interests in a subsidiary *(Note 36)*	**(7,356)**	**—**	**—**	**(7,356)**	**—**
Others *(a)*	**21,174**	**—**	**—**	**21,174**	**—**
Transfer from retained earnings	**—**	**12,957**	**—**	**12,957**	**(12,957)**
At 31 December 2010	**3,378,325**	**530,150**	**161,468**	**4,069,943**	**5,364,678**

(a) In 2010, others mainly includes amount due to BNSIGC amounting to RMB27,940,000 agreed with BNSIGC that the Group do not need to repay such debt, of which RMB20,954,000 was recognized in capital reserve after relevant income taxation.

	Capital reserve	Other reserves: Statutory reserve fund	Other reserves: Discretionary reserve fund	Other reserves: Subtotal	Retained earnings
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	3,367,089	472,660	161,468	4,001,217	3,016,047
Profit for the year	—	—	—	—	1,508,356
2008 final dividends	—	—	—	—	(101,011)
Acquisition of additional interests in a subsidiary from minority shareholders	(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)
At 31 December 2009	3,364,507	517,193	161,468	4,043,168	4,378,859

20. RESERVES AND RETAINED EARNINGS *(CONTINUED)*

Company

	Capital reserve	Other reserves: Statutory reserve fund	Other reserves: Discretionary reserve fund	Subtotal	Retained earnings
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	**3,490,025**	**456,853**	**163,663**	**4,110,541**	**2,949,420**
Profit for the year	**—**	**—**	**—**	**—**	**428,195**
2009 final dividends	**—**	**—**	**—**	**—**	**(101,011)**
Transfer from retained earnings	**—**	**12,957**	**—**	**12,957**	**(12,957)**
At 31 December 2010	**3,490,025**	**469,810**	**163,663**	**4,123,498**	**3,263,647**

	Capital reserve	Other reserves: Statutory reserve fund	Other reserves: Discretionary reserve fund	Subtotal	Retained earnings
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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)
At 31 December 2009	3,490,025	456,853	163,663	4,110,541	2,949,420

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 2010 and 2009.

21. TRADE AND OTHER PAYABLES

	Group		Company	
	As at 31 December		As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**1,048,306**	436,137	**949,884**	215,256
Advance from customers	**2,151,965**	3,626,621	**1,382,393**	2,764,958
Dividends payable to non-controlling interest of a subsidiary	**1,162**	1,162	**—**	—
Accrued construction costs	**774,033**	814,890	**774,033**	165,535
Accrued properties under development costs	**1,001,252**	803,962	**27,567**	647,919
Amount due to BNSIGC *(Note 37(v)) (Note a)*	**5,163**	33,102	**—**	—
Accrued interest	**112,179**	111,114	**112,179**	111,114
Amount due to subsidiaries	**—**	—	**1,682,358**	2,121,341
Other payables	**668,950**	520,477	**583,782**	462,620
	5,763,010	6,347,465	**5,512,196**	6,488,743

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

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

	Group		Company	
	As at 31 December		As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0–180 days	**876,666**	244,393	**789,073**	112,436
181–365 days	**35,570**	82,375	**28,978**	53,573
Over 365 days	**136,070**	109,369	**131,833**	49,247
	1,048,306	436,137	**949,884**	215,256

22. CURRENT INCOME TAX LIABILITIES

	Group As at 31 December		Company As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Income tax payable	**84,292**	6,915	**29,286**	—
Land appreciation tax payable	**279,504**	325,332	**187,681**	299,762
	363,796	332,247	**216,967**	299,762

23. BORROWINGS

	Group and Company As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Non-current		
Long term borrowings		
— Secured borrowings *(Note a)*	**4,603,159**	4,970,000
— Unsecured borrowings	**1,600,000**	1,500,000
— 10 year bonds *(Note b)*	**1,487,543**	1,485,534
— 5 year bonds *(Note c)*	**1,681,146**	1,674,976
	9,371,848	9,630,510
Less: current portion of long term borrowings	**(1,969,146)**	(1,144,000)
	7,402,702	8,486,510
Current		
Short term bank borrowings		
— Unsecured short term borrowings	**880,000**	700,000
— Current portion of long term borrowings	**1,969,146**	1,144,000
	2,849,146	1,844,000
Total borrowings	**10,251,848**	10,330,510

23. BORROWINGS *(CONTINUED)*

(a) As at 31 December 2010, long term bank borrowings of RMB4,603,159,000 (2009: RMB4,970,000,000) were secured by certain investment properties (Note 7) and hotel properties (Note 8), properties under development (Note 13) and completed properties held for sale (Note 14).

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

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

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

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 RMB8,500,000 in 2008 to BNSIGC in return of the guarantee so provided. BNSIGC had been allocated RMB100,000,000 of the 5 year bonds.

23. BORROWINGS *(CONTINUED)*

(d) At 31 December 2010, the Group's borrowings were repayable as follows:

	Group and Company			
	Bank borrowings As at 31 December		Long term bonds As at 31 December	
	2010 ***RMB'000***	2009 *RMB'000*	**2010** ***RMB'000***	2009 *RMB'000*
Within 1 year	**1,168,000**	1,844,000	**—**	—
Between 1 and 2 years	**1,069,000**	244,000	**—**	—
Between 2 and 5 years	**1,527,409**	1,307,000	**1,681,146**	1,674,976
Over 5 years	**3,318,750**	3,775,000	**1,487,543**	1,485,534
	7,083,159	7,170,000	**3,168,689**	3,160,510

	Group and Company			
	Bank borrowings As at 31 December		Long term bonds As at 31 December	
	2010 ***RMB'000***	2009 *RMB'000*	**2010** ***RMB'000***	2009 *RMB'000*
Wholly repayable within 5 years	**3,764,409**	3,395,000	**1,681,146**	1,674,976
Wholly repayable after 5 years	**3,318,750**	3,775,000	**1,487,543**	1,485,534
	7,083,159	7,170,000	**3,168,689**	3,160,510

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

	Group and Company As at 31 December	
	2010	2009
Bank borrowings	**5.64%**	5.69%
10 year bonds	**4.28%**	4.28%
5 year bonds	**8.69%**	8.69%

23. BORROWINGS *(CONTINUED)*

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

	Group and Company As at 31 December	
	2010	2009
At floating rates:		
— expiring within one year	**—**	—
— expiring between two and five years	**1,366,840**	—

(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	
	2010	2009
6 months or less	**5,685,010**	5,130,000
6-12 months	**1,398,149**	2,040,000
1-5 years	**1,681,146**	1,674,976
Over 5 years	**1,487,543**	1,485,534
	10,251,848	10,330,510

(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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Long term bank borrowings	**5,915,159**	5,326,000	**5,915,159**	5,326,000
10 year bonds	**1,487,543**	1,485,534	**1,332,464**	1,291,240
5 year bonds	**—**	1,674,976	**—**	1,853,274
	7,402,702	8,486,510	**7,247,623**	8,470,514

The fair values of 10 years bonds are based on cash flows discounted using rates based on the borrowing rate of 6.4% (2009: 7.19%).

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.

All borrowings are denominated in Renminbi.

24. 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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deferred tax assets:				
— To be recovered after more than 12 months	**25,758**	20,342	**11**	16,204
— To be recovered within 12 months	**22,723**	13,907	**21,096**	537
	48,481	34,249	**21,107**	16,741
Deferred tax liabilities:				
— To be settled after more than 12 months	**(1,208,661)**	(1,023,333)	**(763,981)**	(757,941)
Deferred tax liabilities-net	**(1,160,180)**	(989,084)	**(742,874)**	(741,200)

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

	Group As at 31 December		Company As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January 2010	**(989,084)**	(692,586)	**(741,200)**	(705,021)
Recognised in the income statement *(Note 29)*	**(171,096)**	(296,498)	**(1,674)**	(36,179)
At 31 December 2010	**(1,160,180)**	(989,084)	**(742,874)**	(741,200)

24. 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	Tax depreciation allowances	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2009	(467,830)	(245,085)	(712,915)
Recognised in the income statement	(286,928)	(23,490)	(310,418)
At 31 December 2009	(754,758)	(268,575)	(1,023,333)
Recognised in the income statement	(141,032)	(44,296)	(185,328)
At 31 December 2010	(895,790)	(312,871)	(1,208,661)

Deferred tax assets:

	Provisions	Deductible loss	Accrued expense and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	6,976	7,079	6,274	20,329
Recognised in the income statement	(956)	4,369	10,507	13,920
At 31 December 2009	6,020	11,448	16,781	34,249
(Credited)/recognised in the income statement	(1,004)	9,867	5,369	14,232
At 31 December 2010	5,016	21,315	22,150	48,481

24. DEFERRED INCOME TAX *(CONTINUED)*

Company

Deferred tax liabilities:

	Investment properties revaluation	Tax depreciation allowances	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2009	(467,830)	(245,085)	(712,915)
Recognised in the income statement	(22,725)	(22,301)	(45,026)
At 31 December 2009	(490,555)	(267,386)	(757,941)
Recognised in the income statement	(5,145)	(895)	(6,040)
At 31 December 2010	(495,700)	(268,281)	(763,981)

Deferred tax assets:

	Provisions	Accrued expense	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	6,815	—	1,079	7,894
Recognised in the income statement	(795)	10,331	(689)	8,847
At 31 December 2009	6,020	10,331	390	16,741
(Credited)/recognised in the income statement	(1,004)	5,370	—	4,366
At 31 December 2010	5,016	15,701	390	21,107

(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 RMB2,772,000 (2009: RMB2,708,000) to carry forward against future taxable income; these tax losses will expire in the period from 2011 to 2015.

25. EXPENSES BY NATURE

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Depreciation *(Note 8)*	**132,380**	93,229
Amortisation	**32**	32
Reveral of provion for receivables *(Note 16)*	**(4,011)**	(3,159)
Employee benefit expense *(Note 27)*	**380,781**	366,196
Advertising costs	**28,186**	24,249
Cost of properties sold		
— Land use rights	**523,558**	99,421
— Finance cost capitalised in cost of properties	**55,727**	45,324
— Development costs	**2,097,305**	1,760,842
Cost of goods for resale	**207,181**	231,605
Cost of consumables used	**153,840**	138,433
Business tax	**267,911**	226,997
Other taxation	**92,945**	51,894
Office and consumption expenses	**170,202**	112,109
Energy expenses	**99,227**	71,941
Consulting and service expenses	**86,592**	53,142
Repair and maintenance expenses	**70,336**	40,678
Operating leases	**31,693**	18,168
Auditor's remuneration	**6,470**	6,390
Others	**48,284**	10,304
Total cost of sales, selling and marketing expenses and administrative expenses	**4,448,639**	3,347,795

26. OTHER LOSSES — NET

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Gain on disposal of a subsidiary	**—**	401
Loss on disposal of property, plant and equipment	**(643)**	(549)
Donation	**(3,451)**	—
Others	**(346)**	(4,467)
	(4,440)	(4,615)

27. EMPLOYEE BENEFIT EXPENSE

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Wages and salaries	**299,211**	267,679
Social security costs	**82,388**	92,809
Retirement benefit costs - defined contribution plans	**48,279**	54,667
Termination and other benefits	**—**	12,539
	429,878	427,694
Less: capitalised in property, plant and equipment and properties under development	**(49,097)**	(61,498)
	380,781	366,196

27. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(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% (2009: 20%) of the employees' basic salary for the year ended 31 December 2010.

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 2010 (2009: Nil) to reduce future contributions.

The Group has contribution amounting to RMB5,815,000 (2009: RMB4,926,000) payable at the year end.

(b) Directors' emoluments

The remuneration of every director for the year ended 31 December 2010 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	—	—	—	—
Ms. Zhao Hui Zhi	—	620	33	653
Mr. Liu Jian-Ping	—	—	—	—
Mr. Chen Ji	—	—	—	—
Mr. Long Tao	86	—	—	86
Mr. Huang Yi Zhong	86	—	—	86
Mr. Gan Pei Zhong	86	—	—	86
	258	620	33	911

27. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(b) Directors' emoluments *(Continued)*

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. Meng Yan	29	—	—	29
Mr. Yu Jing Song	29	—	—	29
Mr. Liu Jian-Ping	160	—	—	160
Mr. Chen Ji	160	—	—	160
Mr. Fu Yao Man	—	—	—	—
Mr. Long Tao	57	—	—	57
Mr. Huang Yi Zhong	57	—	—	57
Mr. Gan Pei Zhong	57	—	—	57
	549	805	42	1,396

In addition to the directors' emoluments disclosed above, certain directors of the Company receive emoluments from BNSIGC, amounting to RMB1,926,000 (2009: RMB1,684,000), 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.

27. 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 (2009: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2009: four) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Basic salaries and other allowances	**2,652**	2,702
Employer's contribution to retirement benefit scheme	**133**	122
	2,785	2,824

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2010	2009
Emolument bands		
RMB nil–RMB859,000 (equivalent to HK$ Nil–HK$1,000,000)	**3**	3
Over RMB859,000 (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.

28. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Interest expense:		
— bank borrowings wholly repayable within five years	**(174,858)**	(264,522)
— bank borrowings wholly repayable over five years	**(250,316)**	(181,642)
— bond wholly repayable within five years	**(63,509)**	(63,426)
— bond wholly repayable over five years	**(145,569)**	(145,076)
	(634,252)	(654,666)
Others	**(9,371)**	—
	(643,623)	(654,666)
Less: amount capitalised in investment property, property, plant and equipment and properties under development at a capitalisation rate of 5.91% (2009: 5.73%) per annum	**284,073**	440,224
Finance costs	**(359,550)**	(214,442)
Finance income - Interest income on short-term bank deposits	**35,893**	43,451
Net finance costs	**(323,657)**	(170,991)

29. INCOME TAX EXPENSES

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25% (2009: 25%).

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Current income tax		
— PRC enterprise income tax	**259,641**	262,785
— PRC land appreciation tax	**157,931**	257,203
Deferred income tax *(Note 24)*	**171,096**	296,498
	588,668	816,486

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit before income tax	**1,789,913**	2,464,345
Add: share of loss of a jointly controlled entity *(Note 10)*	**19,514**	8,569
	1,809,427	2,472,914
Tax calculated at a tax rate of 25% (2009: 25%)	**452,357**	618,229
Expenses not deductible for tax purposes	**298**	1,854
Tax losses not recognized	**22**	21
Utilisation of previous unrecognised tax losses	**(5)**	(20)
Effect of higher tax rate for the appreciation of land in the PRC	**118,445**	192,902
Others	**17,551**	3,500
Income tax expenses	**588,668**	816,486

30. 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 HKFRS.

On this basis, the amount of profits available for appropriation for the year was RMB129,570,000 (2009: 445,330,000), being the amount of profit attributable to equity holders of the Company as disclosed in the financial statements prepared under CAS.

31. EARNINGS PER SHARE (BASIC AND DILUTED)

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company *(RMB'000)*	**1,099,787**	1,508,356
Number of ordinary shares in issue *(thousands)*	**3,367,020**	3,367,020
Earnings per share (basic and diluted) *(RMB cents per share)*	**32.66 cents**	44.80 cents
From continuing operations	**32.66 cents**	44.86 cents
From discontinued operations	**—**	(0.06) cents
	32.66 cents	44.80 cents

Diluted earnings per share is equal to the basic earnings per share since the Company has no potential dilutive ordinary shares during the years ended 31 December 2010 and 2009.

32. DIVIDEND

The dividends paid in 2010 is RMB101,011,000 (2009: RMB101,011,000) .

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
2010 proposed final dividend of RMB0.02 per share (2009: RMB0.03 per share)	**67,340**	101,011

33. CASH USED IN OPERATIONS

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit before income tax	**1,789,913**	2,464,345
Adjustments for:		
— Reverals of provion for receivables *(Note 25)*	**(4,011)**	(3,159)
— Depreciation *(Note 25)*	**132,380**	93,229
— Amortisation *(Note 25)*	**32**	32
— Fair value gain on investment properties *(Note 7)*	**(1,022,034)**	(1,147,711)
— loss on disposal of property, plant and equipment *(Below Note b)*	**643**	549
— Interest income *(Note 28)*	**(35,893)**	(43,451)
— Interest expense	**350,179**	214,442
— Share of loss of a jointly controlled entity *(Note 10)*	**19,514**	8,569
Operating profit before working capital changes	**1,230,723**	1,586,845
Changes in working capital:		
— Decrease in restricted bank deposits	**33,933**	164
— (Increase)/Decrease in inventories	**(27,857)**	20,050
— (Increase)/Decrease in properties under development and completed properties held for sale	**(1,182,673)**	405,096
— (Increase)/Decrease in trade and other receivables	**(48,790)**	135,537
— (Decrease)/Increase in long term payables	**(2,074)**	11,710
— Decrease in trade and other payables	**(431,493)**	(1,127,110)
Cash (used in)/generated from operations	**(428,231)**	1,032,292

33. CASH USED IN OPERATIONS *(CONTINUED)*

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Net book amount *(Note 8)*	**1,357**	4,801
Loss on disposal of property, plant and equipment *(Note 26)*	**(643)**	(549)
Proceeds from disposal of property, plant and equipment	**714**	4,252

34. FINANCIAL GUARANTEES

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The outstanding guarantees amounted to RMB1,328,240,000 as at 31 December 2010 (2009: RMB1,472,798,000).

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.

35. 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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Investment property and property, plant and equipment				
Contracted but not provided for	**—**	—	**—**	—
Authorised but not contracted for	**188,078**	190,920	**—**	—
	188,078	190,920	**—**	—

(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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Properties under development				
Contracted but not provided for	**1,764,695**	752,485	**513,286**	280,626
Authorised but not contracted for	**1,039,108**	979,422	**59,686**	—
Land use rights				
Contracted but not provided for	**2,906,946**	3,167,080	**—**	—
	5,710,749	4,898,987	**572,972**	280,626

35. COMMITMENTS *(CONTINUED)*

(c) At 31 December 2010 and 31 December 2009, the Group had future aggregate minimum rental receivables and payables under non-cancellable operating leases as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Rental receivables in respect of investment properties				
Not later than one year	**256,931**	142,592	**256,931**	142,592
Later than one year and not later than five years	**473,202**	292,017	**473,202**	292,017
Later than five years	**726,128**	767,331	**726,128**	767,331
	1,456,261	1,201,940	**1,456,261**	1,201,940
Rental payables in respect of land use rights and buildings				
Not later than one year	**15,429**	15,429	**14,259**	14,259
Later than one year and not later than five years	**58,207**	59,376	**57,036**	57,036
Later than five years	**313,700**	327,960	**313,700**	327,960
	387,336	402,765	**384,995**	399,255

36 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interest in CNSRE

In August 2010, the Company acquired the remaining 4% interest of a subsidiary("CNSRE"), for a purchase consideration of RMB26,400,000. The carrying amount of the non-controlling interests in CNSRE on the date of acquisition was RMB18,934,000. The Group recognised a decrease in non-controlling interests of RMB18,934,000 and a decrease in equity attributable to owners of the parent of RMB7,466,000. The effect of changes in the ownership interest of CNSRE on the equity attributable to owners of the Company during the year is summarised as follows:

	2010 RMB'000	2009 RMB'000
Carrying amount of non-controlling interests acquired	18,934	—
Consideration paid to non-controlling interests	(26,400)	—
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(7,466)	—

(b) Acquisition of additional interest in BNSRE

In October 2010, the Company acquired an additional 1.37% of the equity interest of BNSRE for a purchase consideration of RMB16,974,000. The carrying amount of the non-controlling interests in BNSRE on the date of acquisition was RMB17,084,000. The Group recognised a decrease in non-controlling interests of RMB17,084,000 and a increase in equity attributable to equity holders of the Company of RMB110,000. The effect of changes in the ownership interest of BNSRE on the equity attributable to equity holders of the Company during the year is summarised as follows:

	2010 RMB'000	2009 RMB'000
Carrying amount of non-controlling interests acquired	17,084	—
Consideration paid to non-controlling interests	(16,974)	—
Excess of carrying amount of non-controlling interet acquired recognised in the transactions with non-controlling interests reserve within equity	110	—

There were no transactions with non-controlling interests in 2009.

36 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

(c) Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the year ended 31 December 2010.

	RMB'000
Total comprehensive income for the period attributable to the shareholders of the Company	1,099,787
Changes in equity attributable to shareholders of the Company arising from:	
— Acquisition of additional interests in subsidiary	(7,356)
	1,092,431

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 2010 and 2009, 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 terms of such transactions are determined based on 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 absence of an indepth understanding by the Group, other entities' employees, their key management personnel and close family members, and the rental business of other related parties, there is no feasible way to track completely such transactions and ensure the completeness of such disclosures. Nevertheless, management believes that meaningful information relating to related party transactions has been disclosed.

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:

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(i) Principal services provided by the Group to BNSIGC and Kingpower:

	Group	
	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Electricity and telephone	217	164
Rental	35,370	5,781
	35,587	5,945

(ii) Purchases of goods and services

	Group	
	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
BNSIGC (office lease acceptance)	900	900
BNSIGC (operating lease payment in respect of land)	14,259	14,259
BNSIGC (brand royalty fee)	10	10
	15,169	15,169

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

(iii) Acquisition of a subsidiary

In April 2010, the Company completed the acquisition of 100% interest of BNSHMC from BNSIGC at a consideration of RMB801,600 which was prepaid in 2008 when the transfer agreement was signed.

(iv) Amount due to BNSIGC

In 2010, amount due to BNSIGC amounting to RMB27,940,000 no longer needs to be repaid, of which RMB20,954,000 was recognized in capital reserve after income taxation(Note 20).

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	Group As at 31 December		Company As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and other receivables from related parties				
BNSIGC	**5,141**	5,942	**—**	802
Trade and other payables to related parties				
BNSIGC	**5,163**	33,132	**—**	—

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

At 31 December 2010, there were no provisions for impairment of receivables from related parties (2009: Nil) and there were no provisions for impairment of receivables from related parties charged to income statement for the year ended 31 December 2010 (2009: Nil).

(vi) Key management compensation

	Group Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**6,574**	7,170
Post-employment benefit	**434**	434
	7,008	7,604

(vii) 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 RMB8,500,000, 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 2010 in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter ("CAS"). The differences between the financial statements prepared under CAS and HKFRS are summarised as follows:

	Profit attributable to equity holders of the Company for the year ended 31 December		Capital and reserves attributable to the equity holders of the Company as at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As stated in accordance with CAS	**203,058**	577,102	**9,175,656**	9,059,789
Impact of HKFRS adjustments				
1. Reversal of depreciation of investment properties under CAS	**127,517**	67,785	**611,988**	484,471
2. Fair value adjustment of investment properties under HKFRS	**766,526**	860,783	**3,030,804**	2,264,280
3. Difference on revaluation of certain assets upon the reorganisation in 1997	**2,686**	2,686	**(16,807)**	(19,493)
As stated in accordance with HKFRS	**1,099,787**	1,508,356	**12,801,641**	11,789,047

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	Wa Li Xiang, Chao Yang District, Beijing	212,900	Residential, commercial (pending sale)	100%

Properties under development

Name	Location	Gross floor area of unsold portion *(sq. m.)*	Type of property	Interest attributable to the Group
1 Jiang Zhuang Hu Garden Villas	No. 88 Jiang Zhuang, Chao Yang District, Beijing	24,000	Villa, apartment (under construction)	50.2%
2 Changhe Yushu Garden Villas	Xiao Tang Shang, Chang Ping District, Beijing	168,400	Residential (under construction)	98.5%
3 Beichen Xianglu (Hot Spring Project)	Wen Quan Town, Hai Dian District, Beijing	199,000	Residential (under construction)	100%
4 Beichen Fudi (Chang Ying Project)	Chang Ying Xiang, Chao Yang District, Beijing	149,400	Residential, commercial (under construction)	100%
5 Shunyi Mapo Project	Mapo Town, Shunyi District, Beijing	210,000	Residential, commercial (under construction)	100%
6 Beichen Delta Project	Kaifu District, Changsha, Hunan Province	5,178,700	Residential, commercial office and hotel (under construction)	100%

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, exhibition, 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 RMB14,259,000 for 2010 (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 2010

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 23 March 2011, resolved that the proposed appropriation of profit of the Company for the year of 2010 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 RMB0.02 per share in cash (Note) is proposed to be paid to the shareholders whose names appear on the register of shareholders on Wednesday, 1 June 2011. If the proposal is approved by the shareholders at the 2010 annual general meeting, the final dividend is expected to be paid on or before Friday, 29 July 2011. 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 2010 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.

Corporate Information

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

COMPANY INFORMATION ENQUIRY

Address:	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
Organisation Code:	63379193-0
Registration number with the Taxation Bureau:	110105633791930

Corporate Information (Continued)

AUDITORS

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