北辰实业
BEIJING NORTH STAR

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2011 ANNUAL REPORT 年度報告

Integrated properties of China National Convention Centre

Beichen Delta Riverside Urban Complex

Contents

Corporate Profile

Beijing North Star Company Limited (the "Company") 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.

Corporate Profile (Continued)

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.

Integrated properties in Asian Games Village

Financial Highlights

RESULTS

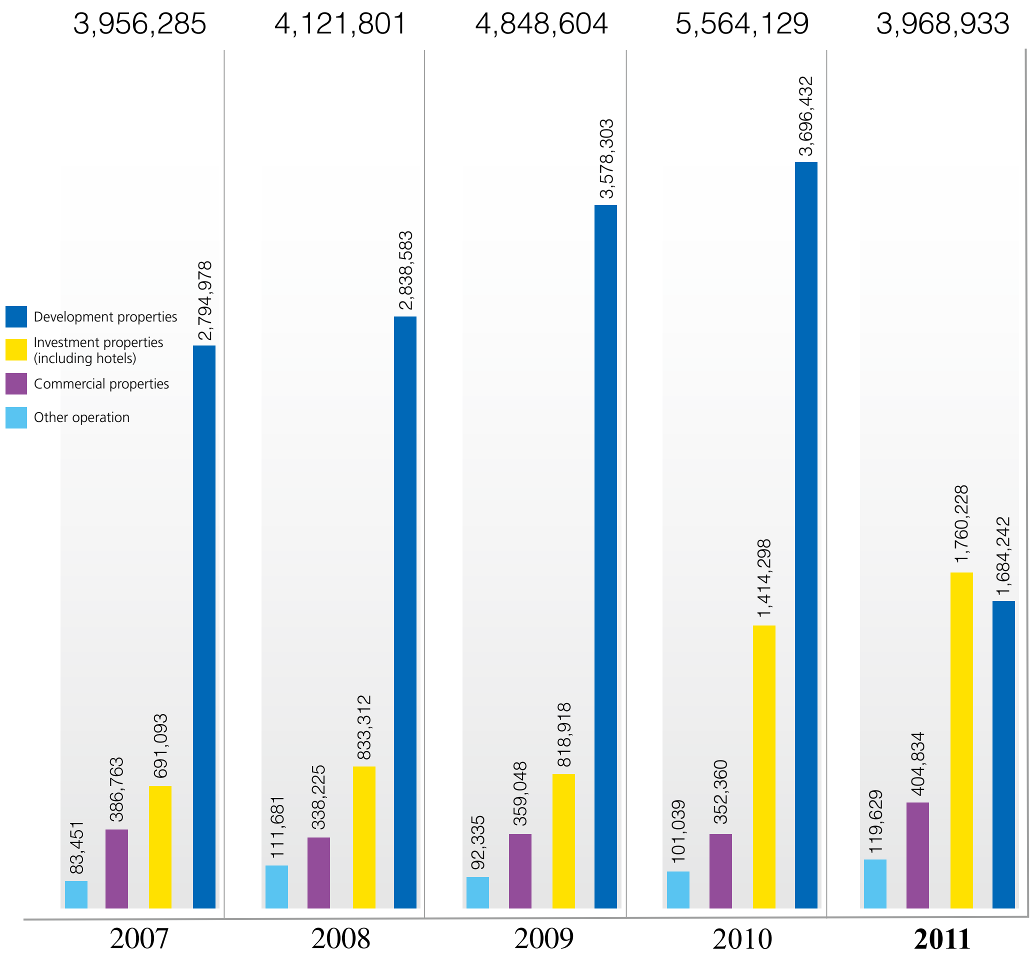
Year ended 31st December	**2011**	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations					
Revenue	**3,968,933**	5,564,129	4,848,604	4,121,801	3,956,285
Profit before income tax	**1,703,876**	1,789,913	2,464,345	1,920,603	977,480
Income tax expenses	**(509,229)**	(588,668)	(816,486)	(601,546)	(321,207)
Profit for the year from continuing operations	**1,194,647**	1,201,245	1,647,859	1,319,057	656,273
Discontinued operations					
(Loss)/profit for the year from discontinued operations	**—**	—	(2,143)	(721)	124
Profit for the year	**1,194,647**	1,201,245	1,645,716	1,318,336	656,397
Attributable to:					
Equity holders of the Company	**1,172,525**	1,099,787	1,508,356	1,164,781	517,110
Minority interests	**22,122**	101,458	137,360	153,555	139,287

ASSETS AND LIABILITIES

As at 31st December	**2011**	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**34,343,048**	30,574,653	30,115,149	28,136,798	21,973,159
Total liabilities	**(20,283,093)**	(17,599,501)	(18,047,815)	(17,525,410)	(12,397,944)
Total equity	**14,059,955**	12,975,152	12,067,334	10,611,388	9,575,215

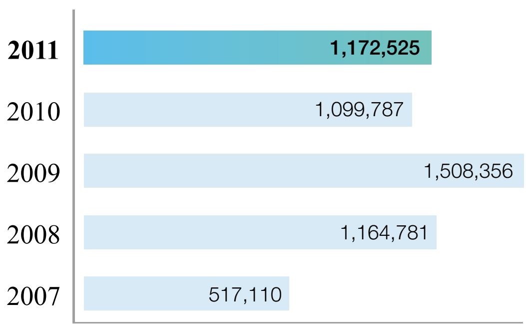
REVENUE BY BUSINESS

RMB'000



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

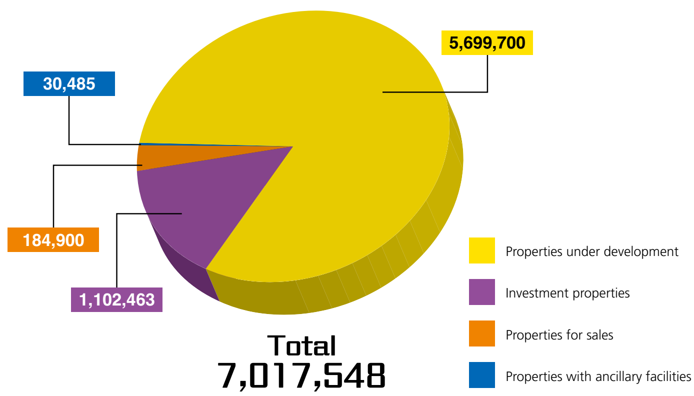
RMB'000



GROSS AREA OF PROPERTY PORTFOLIO

m²

For the year ended 31 December 2011



Chairman's Report

Visualised picture of the skyline of Beichen Delta

Dear Shareholders,

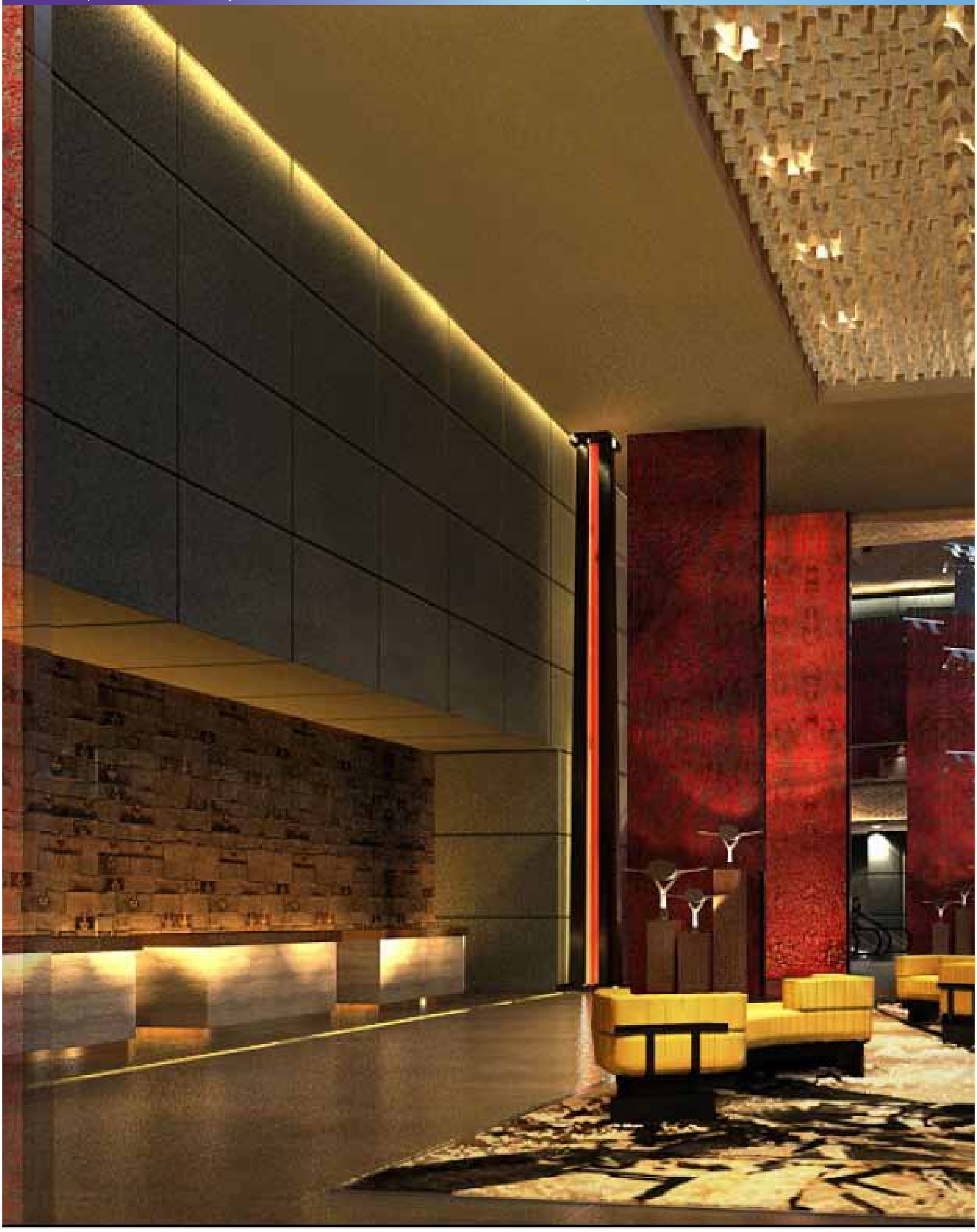
On behalf of the board of directors, I am pleased to present you the operating results of the Company for the year ended 31 December 2011.

In year 2011, the government committed itself to carrying out major policies such as adjusting the economic growth structure and managing inflation expectation, in order to continuously drive the national economy towards the expected development of macro economy control and to achieve faster growth with more stable prices. By industry, the sustainable and heavy-handed macro economic control has begun to take effect in the real estate market. Declining quantity and prices for the past several months in the second half of the year signals that the overall property market is going to cool down. Sluggish sales and tightened financing channels also placed the industry into unprecedented difficulties. For investment properties including hotels, benefited from the stable and solid momentum of the national economy and a more sanguine business environment, market demands have been reviving, alleviating the conflict between demand and supply. On commercial properties, as more additional supply came on the market as a whole and has been released in bundles in recent years, conflicts between demand and supply were still prominent and competitions intensified in certain markets.

In face of unprecedented austere macro control of the real estate market and vigorous market competition, the Company, thanks to the relentless efforts of its management and staff, proactively adjusted the sales policy of property, achieving outstanding operating results amid the downturn of the industry. Owing to the market opportunities captured by self-held properties along with the Company's optimization of its stock assets and bringing the ramp-up stage of its additional assets to an end in advance, overall efficiency was improved substantially, resulting in a strong rebound in the Company's operating results in 2011.

As at 31 December 2011, according to the HKFRS, the Company recorded a revenue of RMB3,968,933,000, representing a decrease of 28.67% over the same period last year. Due to the decrease in the gain on changes in fair value of investment properties from last year (RMB767,499,000 before taxation for 2011, compared to RMB1,022,034,000 for 2010), the Company recorded a profit before tax of RMB1,703,876,000, representing a decrease of 4.81% over the same period last year. However, during the reporting period, under the influence of the early completion of the initial struggling period of additional projects of investment properties, an enlarged proportion of ordinary commodity units to all real estate settlement projects and a higher percentage of the settlement income attributable to the parent's projects, the Company recorded profit attributable to equity holders for 2011 of RMB1,172,525,000, representing an increase of 6.61% over the same period last year. In particular, the core operating results of the Company's principal operations amounted to RMB596,901,000 (after tax), representing a substantial increase of 79.11% over the same period last year. The gain on changes in fair value of investment properties amounted to RMB575,623,000 (after tax), posting a decrease of 24.90% over the same period last year. Earnings per share were RMB0.35, representing an increase of 6.61% over that for 2010.

Visualised picture of the lobby of InterContinental Hotel in Beichen Delta Project



Outside view of No.1 Building in Block D3 in Beichen Delta

Looking into 2012, to address the potential risks of a slowdown in economic growth and a surge in commodity prices, the State, under the principle of ''proceeding while maintaining stability'', will maintain steady and rapid economic growth and a fundamentally stable commodity price as a whole by adjusting the pattern of economic development and restructuring. Under the general background of the State's insistence on maintaining its control policy and a reasonable downward adjustment of the property price, the real estate market is still under adjustment. There is a general downturn in the industry with the lower property price being the trend. In spite of keen competitions in certain areas of the investment property and commercial property sectors, yet with accelerated construction of the "three Beijing" (green Beijing, cultural Beijing and hitech Beijing) and the endeavors to construct "Beijing as a characteristic Chinese City" by the Beijing government, room for future development is still enormous.

In 2012, despite the lingering predicament of the property market, through prudent development of land banks accumulated by the Company in the past few years, the Beichen Delta project remained the biggest hit in Changsha's real estate market. The early completion of the initial struggling period of additional projects of investment properties brought about a new landscape for the business development of the Company. Operating properties held by us are landmark properties with high profitability whilst our development projects are quality projects situated at prime locations or on lands with rare supply. In view of the continuing austere macro control of the State as well as the general tightening or shortage of financing in the real estate industry under the grim condition, our integrated strength of "property development" and "operation of properties held" will safeguard the Company thoroughly for our stable growth, thereby laying a rigid foundation for the strategic expansion and sustainable development of the Company amidst the property control.

Through the analysis of the market, policy, our competitors and its own characteristics, the Company will continue to innovate its development concept and strategy as well as development model in the future. By enhancing capital efficiency and optimizing capital allocation, we will make full use of the potential functions of the financial and capital market to improve the size and capital strength of the Company through capital base expansion. Leveraging our well-established brand awareness and industry recognition, we will provide management services and promote our brand, while seizing cooperation and merger and acquisition opportunities for property development. Moreover, we will explore the potential of equity leverage and real estate fund to expand our business scale at low cost, thus fostering a way for the Company to further excel in the marketplace.

The business mode of "originated in Asian Games and was fully manifested in the Olympic Games", "property development" and "ownership and operation of properties", coupled with its capability to stave off risks, has brought the Company with luck in the real estate industry. Facing the continuing macro economic control on real estate market, the Company is determined and confident to prevail against all odds, without disappointing investors who bestow trust on us and without falling short of the expectation on us in the capital market. We shall vie to maximise shareholders' value and spare no efforts in achieving the historical mission of all BNS staff- "creating property value, building a century's foundation"-and our strategic goal of "building the Company into a top national large-scale property conglomerate"!

The integrated properties of China National Convention Centre

Finally, on behalf of the board of directors, I would like to express my sincere gratitude to all shareholders who have been supporting our development, and also to members of the board of directors and supervisory committee of the Company for their diligence, and all the staff of the Company for their painstaking efforts!

HE Jiang-Chuan
Chairman

Beijing, the PRC, 21 March 2012

Management Discussion and Analysis

I. OPERATING ENVIRONMENT

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

1. Development Properties

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

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

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

Visualised picture of the riverside in Beichen Delta

2. Investment Properties (including hotels)

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

3. Commercial Properties

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

II. REVIEW OF OPERATION DURING THE REPORTING PERIOD

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

Olympic Media Village

Visualised picture of Bihai Fangzhou Garden Villas

Visualised picture of Beichen Changhe Yushu Garden Villas

Visualised picture of InterContinental Hotel in Beichen Delta Project

1. Development Properties

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

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

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

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

Visualised inside view of the descended square in Beichen Delta

2. Investment Properties (including hotels)

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

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

China National Convention Centre

Meeting room of Beijing International Convention Centre

Crowne Plaza Hotel

North Star Times Tower

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

3. Commercial Properties

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

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

The Legend Shopping Centre

4. Overall Strength and Brand Building

In 2011, the Company further boosted its brand equity and industry presence through strengthened efforts in bringing the Brand Planning Guideline into effect. According to the research results published by China Property Top 10 Research Group comprising Development Research Centre of the State Council, Tsinghua University and China Index Research Institute, the Company was once again honoured as "Leading Brand of Professional Business Mode and Enterprise in China's Integrated Property Industry (中國複合地產專業運營模式和企業領先品牌)". This demonstrates that the Company's corporate image as a composite property developer integrating the operations of property development and property investment was acknowledged by the consumers and the society.

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

5. Investor Relations

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

6. Environmental Protection Efforts

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

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

III. OUTLOOK OF BUSINESS ENVIRONMENT IN 2012 AND ITS POTENTIAL IMPACT

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

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

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

IV. MANAGEMENT'S MEASURES FOR 2012

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

1. Property Development

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

Residential buildings in progress in Beichen Delta

Visualised picture of the hotel and office buildings in Beichen Delta

Visualised picture of Mapo Project

Beichen InterContinental Hotel

Visualised picture of Block E3 in Beichen Delta

On-site view of the apartment buildings

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

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

2. Investment properties (including hotels)

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

Beichen Shopping Centre (Beiyuan Store (北苑店))

3. Commercial properties

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

4. Financing and Capital Expenditure

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

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

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

1. Brief Analysis on the Company's Development Advantages

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

2. Brief Analysis on the Company's Development Shortcomings

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

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

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

(1) Market risks of property development

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

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

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

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

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

4. Analysis on the Company's Sustainable Development Capability

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

ZHAO Hui-Zhi
General Manager

Beijing, the PRC, 21 March 2012

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 practice, and will keep improving such practices, so as to nurture a corporate culture reaching high ethical standards.

Throughout the course of 2011, 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 4 times a year. The Board had met 15 times in total during 2011.

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	15/15
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 2011, 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 of 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 Board of the Company 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. The Company will consider and approve the establishment of a nomination committee at the 2011 annual 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 2011.

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 the Company's 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 3 meetings in 2011 and had reviewed the Company's annual report of 2010 as well as the interim report of 2011.

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. LI Jishu and Mr. LIU Yao-Zhong.

During 2011, 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 4 meetings in 2011.

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	(resigned on 1 June 2011)	2/4
Mr. LI Jishu	(appointed on 1 June 2011)	2/4
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 AND EVALUATION COMMITTEE

The remuneration and evaluation 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 and evaluation 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 and evaluation committee held 2 meetings in 2011. The members of the remuneration and evaluation committee had listened to reports of the Company's human resources department on the Company's proposal on remuneration budget for the year 2011 and proposal on adjustments to salaries for the low income employees, reviewed the basis for determining remuneration for the directors, supervisors and senior management 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 2 meetings in 2011, and had listened to the Group Company's "Twelfth Five-Year Development Plan" and discussed the future development strategies of the Company.

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 2011, 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 2011 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 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, during the election for the 2011 China Securities Golden Bauhinia Awards (2011中國證券金紫荊獎) organised by Ta Kung Pao (《大公報》) in Hong Kong and co-sponsored by the Hong Kong Chinese Enterprises Association, Hong Kong Securities Association, Securities Association of China and China Enterprise Confederation, the Company was honored as the "Most Welcomed Listed Company in Both Mainland China and Hong Kong (最受兩地投資者歡迎的上市公司)".

In 2012, 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, 21 March 2012

CHAIRMAN

Mr. HE Jiang-Chuan, aged 48, 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 24 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 58, 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 21 years of extensive experience in property management such as hotels, convention centres, apartments and office buildings.

Mr. LIU Jian-Ping, aged 58, 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 and has extensive experience in the hotel and investment property management.

Mr. CHEN Ji, aged 60, 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 has rich experience in corporate reform and legal affairs.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LONG Tao, aged 60, 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 and evaluation 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 56, 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 and evaluation 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-executive 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 44, 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 and evaluation 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 58, 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 and director, 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 59, 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 resigned from the position of supervisor in 2011.

Mr. LI Ji-Shu, aged 52, is a graduate of the Party School of Beijing Municipal Party Committee with a bachelor's degree. Mr. LI joined the BNSIGC in 1990 as its deputy chief accountant and the head of the Finance Department. He has 27 years' experience in corporate finance management. He served as a supervisor of the Company in 2011.

Mr. LIU Yao-Zhong, aged 57, is a supervisor of the Company. Mr. Liu graduated from China Beijing Municipal Communist Party School and has a bachelor degree. Mr. Liu served as the chairman of the trade union of BNSIGC. Mr. Liu has 20 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. ZENG Jin, aged 42, is the deputy general manager of the Company. Mr. Zeng graduated from Renmin University of China with a doctor's degree in management. 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 Beijing North Star Real Estate Development Co., Limited, deputy general manager and general manager of Beijing North Star Property and is currently the chairman and the general manager of Changsha North Star Property Development Co., Ltd. Mr. Zeng was appointed as the deputy general manager of the Company in 2009.

Mr. LIU Huan-Bo, aged 54, 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 Co., Ltd. (北京康樂宮有限公司) and Beijing International Convention Centre and the chairman of Beijing North Star Co., Prudential Property Management Co., Ltd. (北辰信誠物業管理有限責任公司) and Beijing North Star Xintong Network Technologies and Services Co., Ltd. (北京北辰信通網絡技術服務有限公司). He has been appointed as the deputy general manager of the Company in 2002.

Mr. LIU Tie-Lin, aged 49, 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 branch of North Star Business Development Co., (北辰商業發展分公司) under the Company and chairman of Beijing North Star Supermarket Chain Co., Limited (北辰超市連鎖有限公司) and Beijing North Star Kingpower Co., Limited. Mr. Liu was appointed as the deputy general manager of the Company in 2002.

Mr. SI Hai-Qun, aged 57, 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 Beijing North Star Real Estate Development Co., Limited and the general manager of Changsha North Star Real Estate Development Co., Limited. He is currently the chairman of Beijing North Star Real Estate Development Co., Limited. Mr. Si was appointed as the deputy general manager of the Company in 2004.

COMPANY SECRETARY

Mr. GUO Chuan, aged 43, 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 51, 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 2011.

PRINCIPAL ACTIVITIES

The Company is principally engaged in development properties, investment properties (including hotels) 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 2011 and the financial positions of the Group and the Company as at 31 December 2011 prepared in accordance with HKFRS are set out on pages 55 to 63 of this annual report.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.03 per share for the year ended 31 December 2011, totalling RMB101,011,000.

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 2011 amounted to RMB1,231,846,198 (2010: RMB866,930,951).

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*	(resigned on 1 June 2011)
LI Ji-Shu	*Supervisor*	(appointed on 1 June 2011)
LIU Yao-Zhong	*Supervisor*	

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(CONTINUED)*

Senior Management

ZENG Jin	*Deputy General Manager*
LIU Huan-bo	*Deputy General Manager*
LIU Tie-Lin	*Deputy General Manager*
SI Hai-Qun	*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 35 to 38 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).

ELECTION OF DIRECTORS AND SUPERVISORS UPON COMPLETION OF A TERM

In accordance with the Articles of Association of the Company, each of the current directors and supervisors is eligible for re-election upon the expiry of their term on the date of the 2011 annual general meeting ("2011 AGM").

The Company has been notified that Mr. CHEN Ji, an executive director, will retire from office as executive director effective from the conclusion of 2011 AGM and will not seek for re-election due to retirement.

The board of directors has nominated other retiring directors including Mr. HE Jiang-Chuan, Ms. ZHAO Hui-Zhi, Mr. LIU Jian-Ping, Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung as candidates for election as executive directors and independent non-executive directors, respectively, for a term of office commencing from the date of 2011 AGM and ending on the date of 2014 annual general meeting ("Next Term"). As mentioned above, Mr. CHEN Ji will retire as executive director on the date of 2011 AGM and will not seek for re-election. Therefore, the board of directors nominated Mr. ZENG Jin as the candidate for election as new executive director for the Next Term.

In addition, the Company has been notified by Mr. HE Wen-Yu and Mr. LI Ji-Shu that they will retire from office as supervisors representing the shareholders effective from the conclusion of 2011 AGM and will not seek for re-election due to their job arrangement.

Therefore, the supervisory committee has nominated Mr. LIU Yi and Mr. LI Guo-Rui as the candidates for election as new supervisors representing the shareholders for the Next Term.

The association of the representatives of the staff and workers of the Company has nominated Mr. LIU Yao-Zhong, a retiring supervisor representing the staff and workers, as the candidate for election as supervisor representing the staff and workers for the Next Term.

In addition, the Board, Supervisory Committee and the association of the representatives of the staff and workers have proposed the addition of two directors, one supervisor representing the shareholders and one supervisor representing the staff and workers respectively and also have nominated Mr. LI Chang-Li and Mr. HE Wen-Yu as the candidates for election as executive directors, Mr. XUE Jianming as the candidate for election as supervisor representing the shareholders and Mr. ZHANG Weiting as the candidate for election as supervisor representing the staff and workers respectively. The number of new directors and supervisors and the proposed appointments of the above candidates are subject to the approval by shareholders of the Company at the 2011 AGM, and their term of office shall be from the date on which the amendments to the Articles of Association take effect until the expiry date of the term of office of the relevant session of the Board and Supervisory Committee.

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

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 was a director of the Company.

MANAGEMENT CONTRACTS

Except for the connected transaction contracts 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 2011, 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 2011 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' INTEREST

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 31 December 2011, 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 2011.

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

As at 31 December 2011, 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:	311,299 holders

Shareholdings of top ten shareholders of the Company as at 31 December 2011

Name of shareholders	Class of shares	Percentage of shares held (%)	Total number of shares held (shares)
BNSIGC	A shares	34.482	1,161,000,031
HKSCC NOMINEES LIMITED	H shares	20.365	685,708,498
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
China Merchants Securities Co., Ltd — Client Account of Collateral Securities for Margin Trading (招商證券股份有限公司客戶信用交易擔保證券賬戶)	A shares	0.862	29,029,780
Zhejiang Haiyue Co., Ltd.	A shares	0.802	27,000,000
Chen Hui (陳惠)	A shares	0.731	24,628,720
China Life Insurance Company Limited-Dividends-Personal Dividends-005L-FH002 Shanghai	A shares	0.383	12,899,917
Zhang Xiaoxia (張小霞)	A shares	0.172	5,807,811
Qin Jiaxi (秦佳熙)	A shares	0.155	5,221,984

Notes:

(1) 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.

(2) HKSCC NOMINEES LIMITED stands for Hong Kong Securities Clearing Company (Nominees) Limited, which held the Company's H shares on behalf of a number of customers.

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 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 offering, with an aggregate of RMB3,517,070,000 already used.

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 the relevant issuing fees, net proceeds amounted to RMB3,517,070,000 in aggregate. As at 31 December 2011, all proceeds had been used, while the interest residue in the designated account of the proceeds will be transferred into general working capital as required by the Board of the Company authorized pursuant to the resolution passed at the 2010 annual general meeting.

DESIGNATED DEPOSITS AND DUE FIXED DEPOSITS

As at 31 December 2011, the Group had no designated deposits placed with financial institutions in the PRC. All of the Group's cash deposits are placed with commercial banks in the PRC and are in compliance with relevant laws and regulations. The Group has not experienced any incident of not being able to withdraw bank deposits when due.

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 2011, the Company had 4,839 employees. The employee remuneration policy of the Company is that the total salary is paid with reference to its economic efficiency. Save from the remuneration policy disclosed above, the Company did not maintain any share option scheme for its employees. The Company regularly provides 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 2011 was RMB14,259,099, representing 59.83% 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 2011, the Company's subsidiary, Beijing North Star Xin Cheng Property Management Co., Limited (hereafter called "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 2011 and ended at 31 December 2011. The annual rental of 2011 was RMB900,000, representing 3.78% 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" entered into with BNSIGC on 18 April 1997, the Company paid RMB10,000 of authorised logo and signage usage fee to BNSIGC in 2011, 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 entered into between the Company and BNSIGC on 11 April 1997, the aggregate amount received and paid between the Company and BNSIGC for that agreement in 2011 amounted to RMB247,753, representing 0.01% of the income generated from investment properties (including hotels) of the Company. Such transaction was settled by cash. Save as provided otherwise in the agreement, the various services provided by the Company or BNSIGC were charged in accordance with the prevailing prices determined by the government. Where there are no such government-determined prices that are applicable, the service charges would be determined by reference to comparable local market rates. If no such market rates are available, the prices shall be determined on the basis of the reasonable costs incurred by the Company or BNSIGC (as the case may be) in providing the services.

CONNECTED TRANSACTIONS *(CONTINUED)*

(5) Leasing Properties to Others

① According to a lease 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 2011 and is ending on 24 January 2012. Priced on the basis of market leases, the annual rental for year 2011 was RMB1,566,262, representing 0.09% of the income generated from investment properties (including hotels) of the Company. Such transaction was settled by cash.

② According to a lease agreement between the Company's Apartment Management Branch Company and BNSIGC, BNSIGC leased properties form the Apartment Management Branch Company as office premises. The term of the lease started from 1 February 2011 and is ending on 31 January 2012. Priced on the basis of market leases, the annual rental for year 2011 was RMB1,466,000, representing 0.08% of the income generated from investment properties (including hotels) of the Company. Such transaction was settled by cash.

③ According to the Lease Contract entered into between Beijing North Star Kingpower Company Limited (a joint venture of the Company, hereinafter referred to as Kingpower Company) and the Company as well as between the branch of North Star Business Development Company (北辰商業發展分公司) and Kingpower Company on 18 May 2010, the premises from the 1st to 5th floor of the podium of North Star Times Tower, together with all of its ancillary facilities, and the office premises on the 1st underground floor of North Star Times Tower, which were held by the Company and the branch of North Star Business Development Company (北辰商業發展分公司) respectively, were leased to Kingpower Company. Following the pricing principle of good faith, the above two connected transactions were conducted on the basis of disclosure, fairness and justice at fair market prices.

On 28 June 2011, the Company and Kingpower Company entered into the Supplementary Agreement to the Lease Contract ("Supplementary Agreement") after negotiation, by which the rental clauses under the Lease Contract signed by those parties on 18 May 2010 were amended. Pursuant to the Supplementary Agreement, the Company adjusted the rental for the premises held on the 1st to 5th floor of the podium of the North Star Times Tower and all of its ancillary facilities held. The new rental was to be adopted since 1 July 2011 and the rental would remain the same before 30 June 2011 (for details, please refer to the Company's announcements on connected transactions issued according to the listing rules of the Shanghai Stock Exchange on 25 May 2010 and 29 June 2011, respectively).

During the reporting period, the rental for the above two connected transactions was RMB22,935,572, representing 1.30% of the income generated from investment properties (including hotels) of the Company. Such transaction was settled by cash.

(6) Receipt of Designated Borrowings

In 2011, the Company received designated borrowings of RMB800 million in aggregate from BNSIGC, which was settled by cash and represented 100% of the Company's designated borrowings. In particular, the Company received a RMB400 million borrowing on 26 September and a RMB200 million borrowing each on 27 September and 27 November. The term for such borrowings is 2 years with an interest rate equivalent to the national benchmark interest rate of the same grade for the same period. The Company did not need to provide any collateral or guarantee for such borrowings.

CONNECTED TRANSACTIONS *(CONTINUED)*

(7) The Interest Expenses of Designated Borrowings

During the reporting period, the payable interest expenses of the Company for the designated borrowings of RMB800 million from BNSIGC (as mentioned in (6)) amounted to RMB10,898,611, representing 100% of the payable interest expenses for designated borrowings of the Company. Such transaction was settled by cash.

The independent non-executive directors of the Company have reviewed the above transactions and, pursuant to the Listing Rules, 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 for the year ended 31 December 2011 as referred to in paragraphs from (1) to (4) and from ① to ② of (5) above and, pursuant to the Listing Rules, reported in its letter to the Company that the relevant 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 relevant 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 from (1) to ② of (5) above.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2011, 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 under the Company's Articles of Association and the related laws of the PRC, which obliges the Company to offer new shares with pre-emptive rights to existing shareholders for purchase of shares on pro-rata basis.

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 a jointly controlled entity paid corporate income tax at a rate of 25% based on taxable income.

FINANCIAL RESOURCES AND LIQUIDITY

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

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

Current assets of the Group, which were mainly comprised of cash at bank and on hand, completed properties held for sale and properties under development, amounted to RMB21,301,224,000, whereas the Group's current liabilities amounted to RMB9,780,632,000. As at 31 December 2011, balances of cash at bank and on hand amounted to RMB2,808,106,000 (excluding restricted bank deposits) and none of the bonds in issue were exposed to redemption and payment risks. During the year, the Company did not engage in any transaction on financial products or derivative instruments.

As at 31 December 2011, the Group had secured bank borrowings of RMB4,665,305,000 with certain investment properties, hotels, properties under development and completed properties held for sale as the collaterals. The total liabilities to total assets ratio for the Group was 59.06% (calculated by dividing total liabilities by total assets) as at the end of the reporting period.

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

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

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 in force for the time being during the year.

AUDIT COMMITTEE

The Company has established an audit committee since September 2004. The audit committee comprises three independent non-executive directors, namely Mr. LONG Tao as the Chairman, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung. Their duties include reviewing and supervising the Company's financial reporting process and internal control systems. The audit committee and the management have jointly reviewed the accounting principles and major policies adopted by the Group and have discussed matters on auditing, internal control and financial reporting, as well as reviewing the unaudited interim financial report and the audited annual financial statements of the Group. The audit committee has also reviewed the annual results and the financial statements of the Group for the year ended 31 December 2011.

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 which is more than 25% of the Company's issued shares as required under the Listing Rules.

OTHER MAJOR EVENTS

(1) On 24 November 2011, the Proposal on the Merger of Beijing North Star Convention Centre Development Co., Limited, a wholly-owned subsidiary of the Company (《關於吸收合併本公司全資子公司-北京北辰會議中心發展有限公司的議案》) was considered and approved as a resolution at the 39th meeting of the fifth session of the board of directors of the Company, pursuant to which, the overall merger of Beijing North Star Convention Centre Development Co., Limited, a wholly-owned subsidiary of the Company was approved. Subsequent to completion of the merger, the qualification of Beijing North Star Convention Centre Development Co., Limited as an independent legal person would be cancelled and all of its assets, liabilities and other obligations and responsibilities thereunder would be assumed by the Company. On 7 February 2012, the Company considered and approved the above proposal at the 2012 first extraordinary general meeting and entered into the Merger Agreement with Beijing North Star Convention Centre Development Co., Limited on the same date. On 7 March 2012, the Company published the Announcement of the Merger of Beijing North Star Convention Centre Development Co., Limited into Beijing North Star Company Limited (《北京北辰實業股份有限公司關於與北京北辰會議中心發展有限公司吸收合併的公告》) on Beijing Daily. As at the date of this report, the Company is engaged in the subsequent work such as tax liquidation for Beijing North Star Convention Centre Development Co., Limited.

Such merger provided favorable conditions for the Company to optimise resource allocation, improve management efficiency and cut down management costs. As a wholly-owned subsidiary of the Company, the financial statements of Beijing North Star Convention Centre Development Co., Limited have been incorporated into the consolidated statements of the Company based on a ratio of 100%. It is estimated that such merger would not have any material impact on the current profit or loss of the Company.

OTHER MAJOR EVENTS *(CONTINUED)*

(2) On 18 July 2008, the Company, pursuant to the Approval Letter on the Public Offering of Corporate Bonds by Beijing North Star Company Limited (Zheng Jian Xu Ke No. [2008]887) (證監許可[2008]887號「關於核准北京北辰實業股份有限公司公開發行公司債券的批覆」) by China Securities Regulatory Commission, issued corporate bonds for a term of 5 years, totaling RMB1,700,000,000 ("08 North Star Bonds"). The interest was calculated on simple interest formula at a fixed annual interest rate of 8.2% and shall be paid annually. According to the term regarding repurchase of corporate bonds stipulated by the Prospectus on Public Offering of Corporate Bonds by Beijing North Star Company Limited (《北京北辰實業股份有限公司公開發行公司債券募集説明書》), holders of 08 North Star Bonds were entitled to re-sell all or any part of the bonds held by them to the Company at the par value on 18 July 2011 with the resale reporting date to be 17 June 2011. Pursuant to the statistics of Shanghai Branch of the China Securities Depository and Clearing Corporation, none of the bond holders exercised their resale rights.

(3) For details of progress on the Beichen Delta Project in Changsha, please refer to the relevant contents in "Management Discussion and Analysis" of this report. During the reporting period, the Company paid RMB1,400 million as a land premium for the acquisition of part of the remaining land in such project (equivalent to a site area of 131,818.54 m^2). As for the handover of the remaining land, the Company will accordingly settle the payment upon the receipt of relevant notices. At present, the entire area for construction of phases under development in Beichen Delta Project in Changsha has been handed over. Therefore, the delayed settlement for the remaining land will not have a material impact on the specific development plan.

(4) On 28 June 2011, the Company and the Kingpower Company entered into the Supplementary Agreement to the Lease Contract ("Supplementary Agreement") after negotiation whereas the terms on rental in the Lease Contract entered into between two parties on 18 May 2010 were revised. Pursuant to the Supplementary Agreement, the Company adjusted the rental for the premises on the 1st to 5th floor of the podium of the North Star Times Tower and all of its ancillary facilities held. The new rental was adopted since 1 July 2011 and the rental would remain the same before 30 June 2011 (for details, please refer to the Company's announcements on connected transactions issued on 25 May 2010 and 29 June 2011 under the requirements of the Listing Rules of the Shanghai Stock Exchange, respectively).

AUDITOR

The accounts of the Company have been audited by PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company who retire and being eligible, offer themselves for reappointment as auditors of the Company. A resolution reappointing PricewaterhouseCoopers Zhong Tian CPAs Limited Company. and PricewaterhouseCoopers as the Company's PRC and international auditors will be proposed at the 2011 AGM.

By Order of the Board

HE Jiang-Chuan
Chairman

Beijing, the PRC, 21 March 2012

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 2011, the Supervisory Committee met 4 times in total and the supervisors attended the Board meetings and 2010 annual general meeting held during the reporting period. It also strictly and effectively monitored and supervised the Board and management of the Company in making significant policies and specific 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.

During the reporting period, the Supervisory Committee conducted continuous supervision over the implementation of the Registration and Management System for the Holders of Insider Information (內幕信息知情人登記管理制度) of the Company and had not detected any insider dealings by any holders of insider information or any other act with detriment to the interests of the Company. Meanwhile, the Supervisory Committee was of the opinion that, the connected transactions between the Company and related parties were conducted at fair market prices and in compliance with reviewing and disclosure procedures, without infringing the interests of the Company and minority shareholders.

The Supervisory Committee has seriously reviewed and agreed to the report of the directors, audited financial reports, profit appropriation proposal and the assessment report of the Board on internal control of the Company 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.

The Supervisory Committee is satisfied with the achievement and economic effects of the Company in 2011 and has great confidence to the future of the Company.

In 2012, 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, 21 March 2012

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羅兵咸永道

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 55 to 138, which comprise the consolidated and company balance sheets as at 31 December 2011, 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 information.

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 veiw 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.

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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 2011 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, 21 March 2012

Consolidated Balance Sheet

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Land use rights	6	**1,075**	1,107
Investment properties	7	**11,142,400**	10,375,600
Property, plant and equipment	8	**1,848,726**	1,959,067
Interest in a jointly controlled entity	10	**—**	6,592
Deferred income tax assets	24	**49,623**	48,481
		13,041,824	12,390,847
Current assets			
Properties under development	13	**14,461,894**	10,865,895
Completed properties held for sale	14	**3,297,804**	4,163,588
Other Inventories	15	**122,560**	119,302
Trade and other receivables	16	**531,575**	475,887
Restricted bank deposits	17	**79,285**	38,988
Cash and cash equivalents	18	**2,808,106**	2,520,146
		21,301,224	18,183,806
Total assets		**34,343,048**	30,574,653
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	19	**3,367,020**	3,367,020
Other reserves	20	**4,160,622**	4,069,943
Retained earnings			
— Proposed final dividend	20, 32	**101,011**	67,340
— Others	20	**6,320,824**	5,297,338
		13,949,477	12,801,641
Non-controlling interests in equity		**110,478**	173,511
Total equity		**14,059,955**	12,975,152

Consolidated Balance Sheet (Continued)

	Note	As at 31 December 2011 RMB'000	 2010 RMB'000
LIABILITIES			
Non-current liabilities			
Long term borrowings	23	**9,033,793**	7,402,702
Long term payables		**8,666**	9,636
Deferred income tax liabilities	24	**1,457,452**	1,208,661
Deferred income		**2,550**	2,550
		10,502,461	8,623,549
Current liabilities			
Trade and other payables	21	**7,218,885**	5,763,010
Current income tax liabilities	22	**282,747**	363,796
Current portion of long term borrowings	23	**1,579,000**	1,969,146
Short term borrowings	23	**700,000**	880,000
		9,780,632	8,975,952
Total liabilities		**20,283,093**	17,599,501
Total equity and liabilities		**34,343,048**	30,574,653
Net current assets		**11,520,592**	9,207,854
Total assets less current liabilities		**24,562,416**	21,598,701

The financial statements on pages 55 to 63 were approved by the Board of Directors on 21 March 2012 and were signed on its behalf.

HE Jiang-Chuan
Director

ZHAO Hui-Zhi
Director

The notes on pages 64 to 138 are an integral part of these financial statements.

Balance Sheet

	Note	2011 RMB'000	2010 RMB'000 (Restated, Note 9)	2009 RMB'000 (Restated, Note 9)
		As at 31 December		
ASSETS				
Non-current assets				
Investment properties	7	**4,892,800**	4,714,600	4,473,500
Property, plant and equipment	8	**1,251,025**	1,347,843	1,437,242
Investments in subsidiaries	9	**3,491,793**	2,786,853	2,742,678
Interest in a jointly controlled entity	10	**—**	6,592	26,106
Deferred income tax assets	24	**11,425**	21,107	16,741
		9,647,043	8,876,995	8,696,267
Current assets				
Loans to subsidiaries	9	**10,732,909**	10,564,570	10,248,950
Properties under development	13	**2,074,748**	1,851,862	4,398,818
Completed properties held for sale	14	**3,212,617**	4,006,562	905,560
Other inventories	15	**59,402**	60,514	77,516
Trade and other receivables	16	**263,449**	270,412	278,342
Restricted bank deposits	17	**22,278**	12,481	10,724
Cash and cash equivalents	18	**1,963,274**	1,865,397	3,699,470
		18,328,677	18,631,798	19,619,380
Total assets		**27,975,720**	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	3,367,020
Other reserves	20	**4,171,526**	4,123,498	4,110,541
Retained earnings				
— Proposed final dividend	20, 32	**101,011**	67,340	101,011
— Others	20	**3,899,448**	3,196,307	2,848,409
Total equity		**11,539,005**	10,754,165	10,426,981

Balance Sheet (Continued)

	Note	2011 RMB'000	2010 RMB'000 (Restated, Note 9)	2009 RMB'000 (Restated, Note 9)
		As at 31 December		
LIABILITIES				
Non-current liabilities				
Long term borrowings	23	**9,033,793**	7,402,702	8,486,510
Long term payables		**8,666**	9,636	11,710
Deferred income tax liabilities	24	**807,830**	763,981	757,941
		9,850,289	8,176,319	9,256,161
Current liabilities				
Trade and other payables	21	**4,119,443**	5,512,196	6,488,743
Current income tax liabilities	22	**187,983**	216,967	299,762
Current portion of long term borrowings	23	**1,579,000**	1,969,146	1,144,000
Short term borrowings	23	**700,000**	880,000	700,000
		6,586,426	8,578,309	8,632,505
Total liabilities		**16,436,715**	16,754,628	17,888,666
Total equity and liabilities		**27,975,720**	27,508,793	28,315,647
Net current assets		**11,742,251**	10,053,489	10,986,875
Total assets less current liabilities		**21,389,294**	18,930,484	19,683,142

The financial statements on pages 55 to 63 were approved by the Board of Directors on 21 March 2012 and were signed on its behalf.

HE Jiang-Chuan
Director

ZHAO Hui-Zhi
Director

The notes on pages 64 to 138 are an integral part of these financial statements.

Consolidated Income Statement

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Revenue	5	**3,968,933**	5,564,129
Cost of sales	25	**(2,007,383)**	(3,795,754)
Gross profit		**1,961,550**	1,768,375
Selling and marketing expenses	25	**(180,424)**	(158,579)
Administrative expenses	25	**(525,481)**	(494,306)
Fair value gains on investment properties		**767,499**	1,022,034
Other losses - net	26	**(694)**	(4,440)
Operating profit		**2,022,450**	2,133,084
Finance income	28	**28,400**	35,893
Finance costs	28	**(340,382)**	(359,550)
Finance costs - net	28	**(311,982)**	(323,657)
Share of loss of a jointly controlled entity	10	**(6,592)**	(19,514)
Profit before income tax	5	**1,703,876**	1,789,913
Income tax expenses	29	**(509,229)**	(588,668)
Profit for the year		**1,194,647**	1,201,245
Profit attributable to:			
Equity holders of the Company	31	**1,172,525**	1,099,787
Non-controlling interests		**22,122**	101,458
		1,194,647	1,201,245
Earnings per share attributable to the equity holders of the Company during the year (basic and diluted) *(expressed in RMB cents per share)*	31	**34.82**	32.66

The notes on pages 64 to 138 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

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

The notes on pages 64 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
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2011		3,367,020	4,069,943	5,364,678	12,801,641	173,511	12,975,152
Comprehensive income							
Profit		—	—	1,172,525	1,172,525	22,122	1,194,647
Other comprehensive income		—	—	—	—	—	—
Total comprehensive income		—	—	1,172,525	1,172,525	22,122	1,194,647
Transactions with owners							
2010 final dividends		—	—	(67,340)	(67,340)	(80,191)	(147,531)
Transfer from retained earnings	20	—	48,028	(48,028)	—	—	—
Acquisition of additional interests in subsidiaries from non-controlling interests	36	—	24	—	24	(4,964)	(4,940)
Others	20	—	42,627	—	42,627	—	42,627
Total transactions with owners		—	90,679	(115,368)	(24,689)	(85,155)	(109,844)
Balance at 31 December 2011		3,367,020	4,160,622	6,421,835	13,949,477	110,478	14,059,955
Representing:							
Proposed final dividend at 31 December 2011				101,011			
Retained earnings – others				6,320,824			
				6,421,835			

Consolidated Statement of Changes in Equity (Continued)

		Attributable to equity holders of the Company					
	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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 a subsidiary from minority shareholders		—	(7,356)	—	(7,356)	(42,601)	(49,957)
Others		—	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

The notes on pages 64 to 138 are an integral part of these financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash generated from /(used in) operations	33	**426,668**	(428,231)
Interest received		**28,400**	35,893
Interest paid		**(666,945)**	(642,622)
PRC income tax paid		**(387,336)**	(269,564)
Net cash used in operating activities		**(599,213)**	(1,304,524)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(81,792)**	(151,088)
Increase of investment properties		**(1,079)**	(221,309)
Increase in three months bank deposit		**(10,000)**	—
Proceeds from sale of property, plant and equipment	33 (a)	**179**	714
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	**(4,940)**	(43,374)
Acquisition of subsidiary, net of cash acquired		**—**	355
Net cash used in investing activities		**(97,632)**	(391,302)
Cash flows from financing activities			
Proceeds from bank borrowings		**2,525,763**	2,193,160
Repayments of bank borrowings		**(1,473,618)**	(2,280,000)
Dividends paid to the equity holders of the Company	32	**(67,340)**	(101,011)
Dividends paid to non-controlling interests		**—**	(163,633)
Net cash generated from /(used in) financing activities		**984,805**	(351,484)
Net increase/(decrease) in cash and cash equivalents		**287,960**	(2,047,310)
Cash and cash equivalents at beginning of year		**2,520,146**	4,567,456
Cash and cash equivalents at end of year		**2,808,106**	2,520,146

The notes on pages 64 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 21 March 2012.

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 investment properties which are carried at fair value.

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

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

- HKAS 32(Amendment) Classification of rights issues
- HK(IFRIC) – Int 19 Extinguishing financial liabilities with equity instruments
- Amendment to HKFRS 1 Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
- HK(IFRIC) Int – 14 Prepayments of a minimum funding requirement
- Third annual improvements project (2010) published in May 2010 by the HKICPA

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

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

- HKFRS 7 (Amendment) "Disclosure – Transfer of financial asset" will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The Group is in the process to assess HKFRS 7(Amendment)'s full impact and intends to adopt HKFRS 7(Amendment) no later than the accounting period beginning on or after 1 July 2011.

- HKFRS 1 (Amendment) "Severe hyperinflation and removal of fixed dates for first-time adopters" includes two changes to HKFRS 1. The Group is in the process to assess HKFRS 1 (Amendment)'s full impact and intends to adopt HKFRS 1 (Amendment) no later than the accounting period beginning on or after 1 July 2011.

- HKFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015

- HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

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

- HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

- HKAS 1 (Amendment) 'Presentation of financial statements' The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Group is yet to assess HKAS 1(Amendment) full impact and intends to adopt HKAS 1(Amendment) upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

- HKAS 27 (revised 2011) 'Separate financial statements' includes the provisions on separate financial statements that are left after the control provisions of IAS/HKAS 27 have been included in the new HKFRS 10. The Group is yet to assess HKAS 27(revised 2011) full impact and intends to adopt HKAS 27(revised 2011) upon its effective date, which is for the accounting period beginning on or after 1 January 2013.

- HKFRS 11 'Joint arrangements' is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. Proportional consolidation of joint ventures is no longer allowed. The Group is yet to assess HKFRS 11 full impact and intends to adopt HKFRS 11 upon its effective date, which is for the accounting period beginning on or after 1 January 2013.

- HKAS 19 (Amendment) 'Employee benefits' eliminates the corridor approach and calculate finance costs on a net funding basis. Management does not expect any significant impact on the consolidated financial statement upon its effective date, which is for the accounting period beginning on or after 1 January 2013.

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

- HKAS 32 (Amendment) 'Financial instruments: Presentation - Offsetting financial assets and financial liabilities and HKFRS 7 (Amendment) 'Financial instruments: Disclosures - Offsetting financial assets and financial liabilities' clarify the requirements for offsetting financial instruments, and issue new disclosure requirements to allow investors to better compare financial statements prepared in accordance with HKFRSs. The Group is yet to assess HKAS 32 (Amendment) and HKFRS 7 (Amendment) full impact and intends to adopt HKAS 32 (Amendment) and HKFRS 7 (Amendment) upon its effective date, which is for the accounting period beginning on or after 1 January 2014.

- HKAS 28(revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. The Group is yet to assess HKAS 28(revised 2011) full impact and intends to adopt HKAS 28(revised 2011) upon its effective date, which is for the accounting period beginning on or after 1 January 2013.

- HKAS 12 (Amendment), "Deferred tax: Recovery of underlying assets". The amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, HK(SIC) 21, 'Income taxes ? recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into HKAS 12 the remaining guidance previously contained in HK(SIC) 21, which is withdrawn. The Group is in the process to assess HKAS 12's full impact and intends to adopt HKAS 12 no later than the accounting period beginning on or after 1 January 2012.

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

2.2 Subsidiaries

2.2.1 Consolidation

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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

The Group applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

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.

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

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

2.3 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. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an jointly controlled entities equals or exceeds its interest in the jointly controlled entities, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entities.

The Group determines at each reporting date whether there is any objective evidence that the investment in the jointly controlled entities is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the jointly controlled entities and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an jointly controlled entities' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its jointly controlled entities are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the jointly controlled entities. Unrealised losses are 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.

Dilution gains and losses arising in investments in jointly controlled entities are recognised in the income statement.

2.4 Segment reporting

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

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

2.5 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'.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. 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 to their residual values over their estimated useful lives, as follows:

Buildings	20-40 years
Hotel properties	20-40 years
Plant and machinery	5-15 years
Furniture, fixtures, equipment and motor vehicles	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

2.6 Property, plant and equipment *(Continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

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 2.8). When the assets concerned get ready for their intended use, the costs are depreciated in accordance with the policy as stated above.

2.7 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(Note 2.10) and measured at lower of cost and net realisable value. Land use rights which is held for long-term rental yields are investment properties(Note 2.7(b)) and measured at fair value. Land use rights for own use are stated at cost and amortised over the use terms of 40-50 years using the straight-line method. .

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

2.7 Properties *(Continued)*

(b) Investment properties

Investment property, principally leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that 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 cost and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. 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 the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss.

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.

2.8 Impairment of 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 that are subject to amortisation 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Financial assets

The Group's financial assets comprise 'trade and other receivables'(Note 2.11), 'cash and cash equivalents'(Notes 2.12) and 'restricted bank deposits'(Note 17) in the consolidated balance sheet. 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. .

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

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and 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)*

2.10 Inventories

(a) Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. On completion, the properties are transferred to completed properties held for sale.

Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(b) Other inventories

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

2.11 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

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

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

2.13 Share capital

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

2.14 Trade and other payables

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

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

2.15 Borrowings

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

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

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

2.17 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.

(a) Current income tax

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.

(b) Deferred income tax

Inside basis differences

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.

Outside basis differences

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.

(c) Offsetting

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 Employee benefits

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans.

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. 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.

(b) 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 a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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

2.18 Employee benefits *(Continued)*

(d) 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.

2.19 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.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when 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 of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

2.20 Revenue recognition *(Continued)*

(a) Sales of properties

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

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

(b) Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the lease.

(c) Sales of goods - retail

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.

2.21 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2.22 Operating leases

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 2011, if interest rates of borrowings issued at variable rates had increased/ decreased by 10%(approximately 60 basis point) 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 RMB10,981,000 (2010: RMB13,811,000).

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 all in major financial institutions located in the PRC, which management believes are of high credit quality as majority of them are held in state-owned banks. 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.

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.

(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.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

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.

	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 2011					
Borrowings (including interest)	**2,952,937**	**3,806,099**	**4,330,948**	**2,175,672**	**13,265,656**
Trade and other payables *(Note 11)*	**3,424,475**	**—**	**—**	**—**	**3,424,475**
Total	**6,377,412**	**3,806,099**	**4,330,948**	**2,175,672**	**16,690,131**
At 31 December 2010					
Borrowings (including interest)	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
Company					
At 31 December 2011					
Borrowings (including interest)	**2,952,937**	**3,806,099**	**4,330,948**	**2,175,672**	**13,265,656**
Trade and other payables *(Note 11)*	**2,939,118**	**—**	**—**	**—**	**2,939,118**
Total	**5,892,055**	**3,806,099**	**4,330,948**	**2,175,672**	**16,204,774**
At 31 December 2010					
Borrowings (including interest)	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)*	4,062,857	—	—	—	4,062,857
Total	7,504,907	1,425,983	2,467,187	5,242,027	16,640,104

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 below 100%. 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 2011 and 2010 were as follows:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Total borrowings *(Note 23)*	**11,312,793**	10,251,848
Less: Cash and cash equivalents *(Note 18)*	**(2,808,106)**	(2,520,146)
Net debt	**8,504,687**	7,731,702
Total equity	**14,059,955**	12,975,152
Total capital	**22,564,642**	20,706,854
Gearing ratio	**38%**	37%

There is no significant change in the gearing ratios.

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, except the long term bonds which is described in Note 23(h).

As described in Note 4.2(a), the fair value of the financial guarantee is considered not to be significant.

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

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 income tax expenses in the period in which such determination is made.

(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) 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 mainly for selling price and cost to complete the development of the properties in determining the recoverable amount.

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

4.1 Critical accounting estimates and assumptions *(Continued)*

(d) Estimate of construction cost of completed properties held for sale

The Group makes estimations on properties construction cost upon recognition of respective costs of sales. Such estimates are substantiated by detail budgetary information as developed by the management, and will be assessed periodically, as the constructions progresses. Should these estimates depart from their actual finalized costs, such differences would affect the accuracy of costs of sales recognized.

(e) 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 based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current (at the date of the statement of financial position) market rents for similar properties in the same location and condition and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The key assumptions include future rental rates, occupancy rate, length of vacant periods, and discount rate.

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 2.20. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

As disclosed in note 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 expire 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

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

The board considers the business from a product/service perspective. From a product/service perspective, management assesses the performance of development properties, commercial properties and investment properties and hotels. Development properties are the segment which involves in sales of developed properties; commercial properties are the segment which involves in operation of retailing business in supermarkets and shopping centers; and investment properties and hotels are the segment which involves in operation of rental department, office building, conference center, and hotels.

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

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

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

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

Turnover consists of sales from development properties, commercial properties and investment properties and hotels segments. Revenues recognised during the years ended 31 December 2011 and 31 December 2010 are as follows:

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

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

5. SEGMENT INFORMATION *(CONTINUED)*

The segment information provided to the board of directors for the reportable segments for the year ended 31 December 2011 is as follows:

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

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

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

5. SEGMENT INFORMATION *(CONTINUED)*

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

The segment information as at 31 December 2011 and 31 December 2010 is as follows:

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

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

5. SEGMENT INFORMATION *(CONTINUED)*

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

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

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

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Total segments' assets	**26,582,578**	23,920,984
Deferred income tax assets *(Note 24)*	**49,623**	48,481
Corporate cash	**1,881,040**	1,770,544
Aggregated fair value gains on investment properties	**4,865,408**	4,041,073
Reversal of accumulated depreciation of investment properties	**983,232**	815,984
Others	**(18,833)**	(22,413)
Total assets per balance sheet	**34,343,048**	30,574,653
Total segments' liabilities	**16,979,494**	14,480,418
Deferred income tax liabilities *(Note 24)*	**1,457,452**	1,208,661
Corporate borrowings	**1,673,851**	1,725,146
Other corporate liabilities	**172,296**	185,276
Total liabilities per balance sheet	**20,283,093**	17,599,501

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 RMB167,216,000 (2010: RMB172,896,000).The Company and its subsidiaries were incorporated in the PRC and all the revenue from external customers of the Group are derived in the PRC for the year ended 31 December 2011 and 2010.

The reconciliation of reportable segments' income tax expenses and total income tax expenses is mainly the income tax expenses amounting to RMB144,211,000 (2010: RMB203,247,000), impacted by aforementioned reconciliation items including corporate overheads, corporate financial costs, corporate financial income, fair value gains on investment properties, reversal of depreciation of investment properties and others.

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

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the year ended 31 December 2011 and 2010.

6. LAND USE RIGHTS – GROUP AND COMPANY

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

	Group As at 31 December		Company As at 31 December	
	2011 ***RMB'000***	2010 *RMB'000*	**2011** ***RMB'000***	2010 *RMB'000*
In the PRC held on:				
Leases of between 10 to 50 years	**1,075**	1,107	**—**	—

7. INVESTMENT PROPERTIES – GROUP AND COMPANY

	Group		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At fair value				
At 1 January 2011	**10,375,600**	9,259,500	**4,714,600**	4,473,500
Fair value gains	**824,335**	1,022,034	**248,498**	240,353
Additions	**1,079**	94,066	**1,079**	747
Transfer from property, plant and equipment *(Note 8)*	**12,763**	—	**—**	—
Deduction*(i)*	**(71,377)**	—	**(71,377)**	—
At 31 December 2011	**11,142,400**	10,375,600	**4,892,800**	4,714,600

(i) As at 31 December 2011, certain investment properties' estimated initial costs are adjusted to the final settled costs (2010:nil).

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

	Group and Company	
	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Rental income	**1,141,941**	837,240
Direct operating expenses arising from investment properties that generate rental income	**259,703**	243,497
Direct operating expenses that did not generate rental income	**213,603**	174,678

(b) Valuation basis

The investment properties were revalued at 31 December 2011 by an independent, professionally qualified valuer, Greater China Appraisal Limited. Valuations were based on either capitalization of net rental income receivables derived from the existing tenancies and forecast retanl income 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 – GROUP AND COMPANY *(CONTINUED)*

(c) Non current assets pledged as security

As at 31 December 2011, certain investment properties with fair value of RMB11,008,000,000 (2010: RMB10,320,000,000) were 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 As at 31 December		Company As at 31 December	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
In Beijing, the PRC, held on:				
Leases of over 50 years	**1,524,800**	1,481,600	**1,524,800**	1,481,600
Leases between 10 years and 50 years	**9,617,600**	8,894,000	**3,368,000**	3,233,000
	11,142,400	10,375,600	**4,892,800**	4,714,600

As at 31 December 2011, property ownership certificate of certain completed investment property with fair value of RMB6,180,000,000 have not yet been obtained. It's expected to be obtained in late 2012.

8. PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY

	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 2010						
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
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

8. PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY *(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 2011						
Opening net book amount	228,827	1,423,125	141,244	160,658	5,213	1,959,067
Additions	2,461	—	13,001	29,517	231	45,210
Disposals	—	—	(1,004)	(157)	—	(1,161)
Transfer to investment properties*(Note 7)*	(12,763)	—	—	—	—	(12,763)
Transfer	—	—	2,772	2,441	(5,213)	—
Other deduction	(851)	—	—	—	—	(851)
Depreciation *(Note 25)*	(16,572)	(42,667)	(41,294)	(40,243)	—	(140,776)
Closing net book amount	201,102	1,380,458	114,719	152,216	231	1,848,726
At 31 December 2011						
Cost	354,519	1,792,274	257,838	334,191	231	2,739,053
Accumulated depreciation and impairment	(153,417)	(411,816)	(143,119)	(181,975)	—	(890,327)
Net book amount	201,102	1,380,458	114,719	152,216	231	1,848,726

Depreciation expense of RMB100,529,000 (2010: RMB95,610,000) has been charged in cost of sales, RMB2,765,000 (2010: RMB2,504,000) in selling and marketing expenses and RMB37,482,000 (2010: RMB34,266,000) in administrative expenses in the consolidated income statement.

8. PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY *(CONTINUED)*

As at 31 December 2011, certain hotel properties with net book value of RMB1,054,095,000 (2010: RMB1,089,291,000) are pledged as securities for long term bank borrowings (Note 23).

As at 31 December 2011, property ownership certificates of certain hotel properties with net book value of RMB1,011,293,000 have not yet been obtained. It's expected to be obtained within 2012.

	Company					
	Buildings	**Hotel properties**	**Plant and machinery**	**Furniture, fixtures, equipment and motor vehicles**	**Construction in progress**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010						
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

8. PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY *(CONTINUED)*

	Company					
	Buildings	Hotel properties	Plant and machinery	Furniture, fixtures, equipment and motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2011						
Opening net book amount	209,825	871,569	108,000	153,230	5,219	1,347,843
Additions	—	—	8,494	28,247	231	36,972
Disposals	—	—	(957)	(77)	—	(1,034)
Transfer	—	—	2,778	2,441	(5,219)	—
Other deduction	(851)	—	—	—	—	(851)
Depreciation	(15,910)	(42,667)	(35,738)	(37,590)	—	(131,905)
Closing net book amount	193,064	828,902	82,577	146,251	231	1,251,025
At 31 December 2011						
Cost	332,363	1,223,412	222,981	318,605	231	2,097,592
Accumulated depreciation and impairment	(139,299)	(394,510)	(140,404)	(172,354)	—	(846,567)
Net book amount	193,064	828,902	82,577	146,251	231	1,251,025

9. INVESTMENTS IN AND LOANS TO SUBSIDIARIES - COMPANY

(a) Investments in subsidiaries

	Company As at 31 December		
	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments, at cost	**3,491,793**	2,786,853	2,742,678

(b) Loans to subsidiaries

	Company As at 31 December		
	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*
Loans to subsidiaries	**10,732,909**	10,564,570	10,248,950

Loans to subsidiaries are receivables on demand and carry interest at prevailing market rates, which management is of the view to present it in current assets, and comparative figures have been restated accordingly. The fair values of loans to subsidiaries approximate to their book values.

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

(b) Loans to subsidiaries *(Continued)*

The following is a list of the principal subsidiaries at 31 December 2011. All subsidiaries are established and operate in the PRC.

Name	Principal activities	Registered share capital and paid up capital	Group equity interest held directly	Group equity interest held indirectly
Beijing North Star Real Estate Development Co., Limited 北京北辰房地產開發股份有限公司("BNSRE") *(Note a)*	Property development	RMB500,180,000	98.83%	—
Beijing North Star Lu Zhou Commercial Trading Co., Limited 北京北辰綠洲商貿有限公司 *(Note c)*	Trading	RMB1,000,000	80%	20%
Beijing Wuzhou Miller Beer Garden Restaurant Joint Venture Co., Limited 北京五洲美樂啤酒餐廳有限公司*(Note b)*	Restaurant operation	US$ 1,346,000	59.81%	—
Beijing Recreation Centre Co., Limited 北京康樂宮有限公司 *(Note b)*	Recreation and catering services	US$8,500,000	72.35%	—
Beijing North Star Xin Cheng Property Management Co., Limited 北京北辰信誠物業管理有限責任公司*(Note c)*	Property management	RMB5,000,000	80%	20%
Beijing North Star Convention Centre Development Co., Limited 北京北辰會議發展有限公司*(Note c)*	Property development	RMB1,700,000,000	100%	—
Beijing Jiang Zhuang Hu Property Co., Limited 北京蔓莊湖園林別墅開發有限公司*(Note b)*	Property development	US$16,000,000	—	51%
Beijing Tian Cheng Tian Property Co., Limited 北京天成天房地產開發有限公司*(Note c)*	Property development	RMB11,000,000	5%	95%
Beijing New Prosperity Co., Limited 北京興榮基房地產開發有限公司*(Note c)*	Property development	RMB30,000,000	—	51%
Beijing North Star Xintong Internet Technology Service Co., Limited 北京北辰信通網絡技術服務有限公司 *(Note c)*	Multimedia information network development, system integration and software development	RMB20,000,000	100%	—

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

(b) Loans to subsidiaries *(Continued)*

Name	Principal activities	Registered share capital and paid up capital	Group equity interest held directly	Group equity interest held indirectly
Changsha North Star Real Estate Development Co., Limited 長沙北辰房地產開發有限公司 ("CNSRE") *(Note c, d)*	Property development	RMB1,200,000,000	100%	—
Beijing North Star Supermarket Chain Co., Limited 北京北辰超市連鎖有限公司 *(Note c)*	Retail	RMB10,000,000	100%	—
Beijing North Star Hotel Management Com., Limited 北京北辰飯店管理有限公司 ("BNSHMC") *(Note c)*	Hotel and restaurant management consulting service	RMB500,000	100%	—

The English translation of above companies' name is for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

(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 February and November 2011, the Company acquired the remaining 0.36% and 0.04% interest of BNSRE. After the acquisition, the Company's ownership on BNSRE has been increased from 98.43% to 98.83%(Note 36 (a)).

(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 November 2011, the Company injected RMB700,000,000 as capital to CNSRE. After the capital injection, the registered capital of CNSRE has been increased from RMB500,000,000 to RMB1,200,000,000.

10. INTEREST IN A JOINTLY CONTROLLED ENTITY – GROUP

	Group Year ended 31 December 2011 *RMB'000*	 2010 *RMB'000*
At 1 January	**6,592**	26,106
Share of loss of a jointly controlled entity — loss after taxation	**(6,592)**	(19,514)
At 31 December	**—**	6,592

According to the Articles of Association of Beijing North Star Kingpower Co., Ltd.(the "Kingpower"), the entity is jointly controlled by the Group and other two investors. 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 2011 and 2010.

Year	Assets *RMB'000*	Liabilities *RMB'000*	Revenue *RMB'000*	Net loss *RMB'000*
2011	**41,659**	**49,909**	**7,376**	**(14,842)**
2010	44,704	38,112	7,154	(19,514)

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

The Group has not recognized losses amounting to RMB8,250,000 (2010:nil) for the jointly controlled entity. The accumulated losses not recognized were RMB8,250,000 (2010: nil). The carrying amount of the interest in a jointly controlled entity has been recognized to zero to the extent that the Company does not have made a commitment to compensate those aforementioned losses.

11. FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY

	Loans and receivables Group RMB '000	Loans and receivables Company RMB '000
Assets as per balance sheet		
31 December 2011		
Trade and other receivables excluding prepaid tax and other prepayments *(Note 16)*	91,834	76,646
Loan to subsidiaries *(Note 9)*	—	10,732,909
Restricted bank deposits	79,285	22,278
Cash and cash equivalents *(Note 18)*	2,808,106	1,963,274
	2,979,225	12,795,107
31 December 2010		
Trade and other receivables excluding prepaid tax and other prepayments *(Note 16)*	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

	Other Financial liabilities at amortised cost Group RMB '000	Other Financial liabilities at amortised cost Company RMB '000
Liabilities as per balance sheet		
31 December 2011		
Trade and other payables *(a)*	3,424,475	2,939,118
Borrowings *(Note 23)*	11,312,793	11,312,793
	14,737,268	14,251,911
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

(a) The above trade and other payables comprise trade payables, dividends payable to non-controlling 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 – GROUP AND COMPANY

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		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Trade receivables that are neither past due nor impaired				
Counterparties without external credit rating				
— Group 1	**14,019**	71,823	**14,019**	26,713
— Group 2	**11,436**	8,066	**10,840**	6,746
	25,455	79,889	**24,859**	33,459

Group 1 – new third party customers (less than 12 months)

Group 2 – existing third party customers(more than 12 months) with no defaults in the past

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 equivalent" 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 2011 (2010: Nil).

13. PROPERTIES UNDER DEVELOPMENT – GROUP AND COMPANY

	Group		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
As at 1 January	**10,865,895**	12,347,454	**1,851,862**	4,398,818
Addition	**3,595,999**	4,111,246	**222,886**	2,897,705
Transfer to completed properties for sale *(Note 14)*	**—**	(5,592,805)	**—**	(5,444,661)
As at 31 December	**14,461,894**	10,865,895	**2,074,748**	1,851,862

	Group		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Land use rights	**9,871,253**	8,188,787	**1,309,215**	1,309,215
Development costs and capitalised expenditure	**3,378,223**	1,817,170	**641,756**	484,395
Finance costs capitalised	**1,212,418**	859,938	**123,777**	58,252
	14,461,894	10,865,895	**2,074,748**	1,851,862

	Group		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Land use rights:				
In PRC, held on leases of:				
Between 40 – 50 years	**1,987,340**	1,653,052	**173,774**	173,774
Over 50 years	**7,883,913**	6,535,735	**1,135,441**	1,135,441
	9,871,253	8,188,787	**1,309,215**	1,309,215

As at 31 December 2011, certain properties under development with net book value of RMB4,104,245,000 (2010: RMB1,348,432,000) are pledged as securities for long term bank borrowings (Note 23).

The carrying amount of the properties under development that are expected to be completed and available for sales more than twelve months after the balance sheet date is RMB11,634,864,000. The remaining balance is expected to be completed and available for sales within one year.

14. COMPLETED PROPERTIES HELD FOR SALE – GROUP AND COMPANY

	Group		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
As at 1 January	**4,163,588**	1,218,728	**4,006,562**	905,560
Transfer from properties under development *(Note 13)*	**—**	5,592,805	**—**	5,444,661
Others *(a)*	**(759)**	28,645	**(1,314)**	7,564
Properties sold	**(865,025)**	(2,676,590)	**(792,631)**	(2,351,223)
As at 31 December	**3,297,804**	4,163,588	**3,212,617**	4,006,562

(a) Others represent the amounts adjusted arising from the difference between the final settled costs and the estimated costs originally recognized according to the budget.

	Group		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Land use rights	**616,083**	669,345	**610,357**	658,302
Development costs and capitalised expenditure	**2,550,899**	3,333,562	**2,473,304**	3,190,795
Finance costs capitalised	**130,822**	160,681	**128,956**	157,465
	3,297,804	4,163,588	**3,212,617**	4,006,562

	Group		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Land use rights:				
In PRC, held on leases of:				
Between 40 – 50 years	**149,554**	82,251	**149,554**	82,251
Over 50 years	**466,529**	587,094	**460,803**	576,051
	616,083	669,345	**610,357**	658,302

As at 31 December 2011, certain completed properties held for sale with net book value of RMB858,771,000 (2010: RMB1,272,792,000) are pledged as securities for long term bank borrowings (Note 23).

15. OTHER INVENTORIES – GROUP AND COMPANY

	Group		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Goods for resale	**88,817**	88,255	**48,637**	51,067
Consumables	**34,262**	31,584	**11,284**	9,984
Less: provision for inventories	**(519)**	(537)	**(519)**	(537)
	122,560	119,302	**59,402**	60,514

The cost of inventories recognised as expense and included in cost of sales amounted to RMB404,066,000 (2010: RMB361,021,000).

16. TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY

	Group		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Trade receivables	**36,241**	97,880	**26,901**	47,974
Less: provision for impairment of receivables	**(628)**	(3,873)	**(628)**	(3,873)
Trade receivables – net	**35,613**	94,007	**26,273**	44,101
Other receivables	**69,097**	81,570	**63,249**	43,777
Less: provision for impairment of receivables	**(12,876)**	(15,609)	**(12,876)**	(15,609)
Other receivables – net	**56,221**	65,961	**50,373**	28,168
Prepaid tax	**351,125**	235,964	**119,811**	128,055
Other prepayments	**88,616**	79,955	**66,992**	70,088
	531,575	475,887	**263,449**	270,412

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

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

16. TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY *(CONTINUED)*

Trade receivables

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

	Group		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
0 – 30 days	**23,021**	83,701	**22,508**	37,296
31 – 90 days	**5,803**	1,665	**3,358**	1,465
Over 90 days	**7,417**	12,514	**1,035**	9,213
	36,241	97,880	**26,901**	47,974

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 2011 and 2010, the following trade receivables were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Trade receivables past due but not impaired				
0 – 90 days	**3,369**	1,604	**924**	1,465
Over 90 days	**6,789**	12,514	**490**	9,213
	10,158	14,118	**1,414**	10,678

16. TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY *(CONTINUED)*

As at 31 December 2011 and 2010, 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	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Trade receivables impaired				
Over 90 days	**628**	3,873	**628**	3,873
Less: provision of impairment of receivables	**(628)**	(3,873)	**(628)**	(3,873)
	—	—	**—**	—

Other receivables

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

	Group As at 31 December		Company As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
0 – 12 months	**30,581**	36,092	**44,611**	24,422
12 – 24 months	**11,632**	7,095	**4,879**	661
Over 24 months	**26,884**	38,383	**13,759**	18,694
	69,097	81,570	**63,249**	43,777

16. TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY *(CONTINUED)*

Other receivables that are less than 12 months past due are not considered impaired. As at 31 December 2011 and 2010, the following other receivables were past due but not impaired. These relate to a number of independent counterparties for whom there is no recent history of default. The ageing analysis of these other receivables is as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Other receivables past due but not impaired				
12 – 24 months	**11,632**	7,095	**4,879**	661
Over 24 months	**14,008**	22,774	**883**	3,085
	25,640	29,869	**5,762**	3,746

As at 31 December 2011 and 2010, the following other 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		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Other receivables impaired				
Over 24 months	**12,876**	15,609	**12,876**	15,609
Less: provision of impairment of receivables	**(12,876)**	(15,609)	**(12,876)**	(15,609)
	—	—	**—**	—

There is no other receivables impaired with aging 12 to 24 months.

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

16. TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY *(CONTINUED)*

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

	Group Year ended 31 December		Company Year ended 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
At 1 January 2011	**3,873**	6,494	**3,873**	6,494
Provision for impairment of receivables	**21**	117	**21**	117
Receivables written off during the year as uncollectible	**(3,195)**	—	**(3,195)**	—
Unused amounts reversed	**(71)**	(2,738)	**(71)**	(2,738)
At 31 December 2011	**628**	3,873	**628**	3,873

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

	Group Year ended 31 December		Company Year ended 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
At 1 January 2011	**15,609**	16,999	**15,609**	16,999
Provision for impairment of receivables	**186**	—	**186**	—
Receivables written off during the year as uncollectible	**(2,919)**	—	**(2,919)**	—
Unused amounts reversed	**—**	(1,390)	**—**	(1,390)
At 31 December 2011	**12,876**	15,609	**12,876**	15,609

The creation and release of provision for impaired receivables net amounting to RMB136,000 created (2010: RMB4,011,000 released) 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 equal to or 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 – GROUP AND COMPANY

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

	Group		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Cash at bank and on hand	**2,242,106**	2,149,146	**1,497,274**	1,494,397
Short-term bank deposits *(a)*	**566,000**	371,000	**466,000**	371,000
	2,808,106	2,520,146	**1,963,274**	1,865,397
Maximum exposure to credit risk	**2,788,640**	2,519,300	**1,948,983**	1,864,604

(a) The deposits are repayable with seven days notice, without loss of interest earned. The effective interest rate on short-term bank deposits was 1.49% (2010: 1.39%) per annum.

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

	Group		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Renminbi	**2,804,546**	2,515,213	**1,959,714**	1,860,464
US dollar	**2,089**	3,389	**2,089**	3,389
HK dollar	**1,471**	1,544	**1,471**	1,544
	2,808,106	2,520,146	**1,963,274**	1,865,397

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

	Company		
	As at 31 December 2010 *RMB'000*	Movement *RMB'000*	**As at 31 December 2011** ***RMB'000***
Registered, issued and fully paid			
Liquid shares subject to sales restrictions 150,000,000 (2010: 150,000,000) shares of RMB1 each held by state owned legal person	150,000	—	**150,000**
Listed shares			
2,510,000,000 (2010: 2,510,000,000) shares of RMB1 each listed in the Mainland (A shares)	2,510,000	—	**2,510,000**
707,020,000 (2010: 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 [2010] 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(2010)94號)) and announcement No.63 of 2010 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 2011, 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 AND COMPANY

Group

	Other reserves				
	Capital reserve	Statutory reserve fund	Discretionary reserve fund	Subtotal	Retained earnings
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	**3,378,325**	**530,150**	**161,468**	**4,069,943**	**5,364,678**
Profit for the year	**—**	**—**	**—**	**—**	**1,172,525**
2010 final dividends	**—**	**—**	**—**	**—**	**(67,340)**
Acquisition of remaining interests in a subsidiary *(Note 36)*	**24**	**—**	**—**	**24**	**—**
Transfer from retained earnings	**—**	**48,028**	**—**	**48,028**	**(48,028)**
Others *(i)*	**42,627**	**—**	**—**	**42,627**	**—**
At 31 December 2011	**3,420,976**	**578,178**	**161,468**	**4,160,622**	**6,421,835**

(i) At 31 December 2011, certain property, plant and equipment becomes an investment property because its use has changed, and on the date of transfer, the difference between the carrying amount and the fair value amounting to RMB42,627,000 is recognized in other reserves after relevant income taxations amounting to RMB14,209,000 (2010: nil).

	Other reserves				
	Capital reserve	Statutory reserve fund	Discretionary reserve fund	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 additional interests in a subsidiary from minority shareholders	(7,356)	—	—	(7,356)	—
Others	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

20. RESERVES – GROUP AND COMPANY *(CONTINUED)*

Company

	Capital reserve	Other reserves Statutory reserve fund	Discretionary reserve fund	Subtotal	Retained earnings
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	**3,490,025**	**469,810**	**163,663**	**4,123,498**	**3,263,647**
Profit for the year	**—**	**—**	**—**	**—**	**852,180**
2010 final dividends	**—**	**—**	**—**	**—**	**(67,340)**
Transfer from retained earnings	**—**	**48,028**	**—**	**48,028**	**(48,028)**
At 31 December 2011	**3,490,025**	**517,838**	**163,663**	**4,171,526**	**4,000,459**

	Capital reserve	Other reserves Statutory reserve fund	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

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

The proposed transfer to the discretionary reserve fund is subject to approval by the shareholders in general meeting. Its usage is similar to that of the statutory reserve fund. No transfer to the discretionary reserve fund has been proposed in the years ended 31 December 2011 and 2010.

21. TRADE AND OTHER PAYABLES – GROUP AND COMPANY

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Advances from customers *(Note a)*	**3,664,701**	2,151,965	**1,109,321**	1,382,393
Trade payables	**909,524**	1,048,306	**586,675**	949,884
Dividends payable to minority shareholders of a subsidiary	**1,162**	1,162	**—**	—
Accrued construction costs	**829,523**	774,033	**317,149**	774,033
Accrued properties under development costs	**1,019,613**	1,001,252	**540,610**	27,567
Amount due to BNSIGC *(Note 37) (Note b)*	**5,163**	5,163	**—**	—
Accrued interest	**115,295**	112,179	**115,295**	112,179
Amount due to subsidiaries	**—**	—	**865,036**	1,682,358
Other payables	**673,904**	668,950	**585,357**	583,782
	7,218,885	5,763,010	**4,119,443**	5,512,196

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

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

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

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
0 – 180 days	**374,233**	876,666	**261,449**	789,073
181 – 365 days	**118,635**	35,570	**43,579**	28,978
Over 365 days	**416,656**	136,070	**281,647**	131,833
	909,524	1,048,306	**586,675**	949,884

22. CURRENT INCOME TAX LIABILITIES – GROUP AND COMPANY

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Income tax payable	**32,037**	84,292	**—**	29,286
Land appreciation tax payable	**250,710**	279,504	**187,983**	187,681
	282,747	363,796	**187,983**	216,967

23. BORROWINGS – GROUP AND COMPANY

	Group and Company	
	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Non-current		
Long term borrowings		
— Secured borrowings *(Note a)*	**4,665,305**	4,603,159
— Unsecured borrowings	**1,970,000**	1,600,000
— Entrust loans *(Note 37)*	**800,000**	—
— 10 year bonds *(Note b)*	**1,489,637**	1,487,543
— 5 year bonds *(Note c)*	**1,687,851**	1,681,146
	10,612,793	9,371,848
Less: current portion of long term borrowings	**(1,579,000)**	(1,969,146)
	9,033,793	7,402,702
Current		
Short term bank borrowings		
— Unsecured short term borrowings	**700,000**	880,000
— Current portion of long term borrowings	**1,579,000**	1,969,146
	2,279,000	2,849,146
Total borrowings	**11,312,793**	10,251,848

23. BORROWINGS – GROUP AND COMPANY *(CONTINUED)*

(a) As at 31 December 2011, long term bank borrowings of RMB4,665,305,000 (2010: RMB4,603,160,000) 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 RMB 1,500,000,000 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 18 July 2011 at their's sole discretion, and according to the agreement, the register date for the bond holders to apply such right is 17 June 2011. On 17 June 2011, according to the register record, none of the bonds holders exercised such rights, and the bonds will be repaid in accordance with the scheduled maturity dates set out in the agreements.

The bond is unconditional and irrevocable joint liability guaranteed by BNSIGC for the period the bond issued and two years after maturity.

23. BORROWINGS – GROUP AND COMPANY *(CONTINUED)*

(d) The Group's bank borrowings mature until 2021 and bonds mature until 2016. At 31 December 2011, the Group's borrowings were repayable as follows:

	Group and Company			
	Bank borrowings As at 31 December		Long term bonds As at 31 December	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**2,279,000**	1,168,000	**—**	—
Between 1 and 2 years	**1,715,428**	1,069,000	**1,687,851**	—
Between 2 and 5 years	**2,190,877**	1,527,409	**1,489,637**	1,681,146
Over 5 years	**1,950,000**	3,318,750	**—**	1,487,543
	8,135,305	7,083,159	**3,177,488**	3,168,689

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

	Group and Company As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Bank borrowings	**6.37%**	5.64%
10 year bonds	**4.28%**	4.28%
5 year bonds	**8.69%**	8.69%

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

	Group and Company As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
At floating rates:		
— expiring within one year	**—**	—
— expiring between two and five years	**699,374**	1,366,840

23. BORROWINGS – GROUP AND COMPANY *(CONTINUED)*

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

	Group and Company As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
6 months or less	**4,102,000**	5,685,010
6-12 months	**4,033,305**	1,398,149
1-5 years	**3,177,488**	1,681,146
Over 5 years	**—**	1,487,543
	11,312,793	10,251,848

(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	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-current bank borrowings	**5,856,305**	5,915,159	**5,856,305**	5,915,159
10 year bonds	**1,489,637**	1,487,543	**1,327,330**	1,332,464
5 year bonds	**1,687,851**	—	**1,731,790**	—
	9,033,793	7,402,702	**8,915,425**	7,247,623

The fair values of 10 years bonds are based on cash flows discounted using rates based on the borrowing rate of 6.9% (2010: 6.4%).

The fair values of 5 years bonds are based on the price in free market on 31 December 2011.

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

The carrying amounts of current bank borrowings approximate their fair values, as the impact of discounting is not significant.

(i) All borrowings are denominated in Renminbi.

24. DEFERRED INCOME TAX –GROUP AND COMPANY

The analysis of deferred income tax assets and deferred tax liabilities is as follows:

	Group As at 31 December		Company As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Deferred tax assets:				
— To be recovered after more than 12 months	**16,103**	25,758	**390**	11
— To be recovered within 12 months	**33,520**	22,723	**11,035**	21,096
	49,623	48,481	**11,425**	21,107
Deferred tax liabilities:				
— To be settled after more than 12 months	**(1,457,452)**	(1,208,661)	**(807,830)**	(763,981)
Deferred tax liabilities-net	**(1,407,829)**	(1,160,180)	**(796,405)**	(742,874)

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

	Group Year ended 31 December		Company Year ended 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
At 1 January 2011	**(1,160,180)**	(989,084)	**(742,874)**	(741,200)
Recognised in the income statement *(Note 29)*	**(233,440)**	(171,096)	**(53,531)**	(1,674)
Recognised in other reserve *(Note 20)*	**(14,209)**	—	**—**	—
At 31 December 2011	**(1,407,829)**	(1,160,180)	**(796,405)**	(742,874)

24. DEFERRED INCOME TAX – GROUP AND COMPANY *(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 2010	(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)
Recognised in the income statement	(192,770)	(41,812)	(234,582)
Recognised in other reserve	(14,209)	—	(14,209)
At 31 December 2011	(1,102,769)	(354,683)	(1,457,452)

Deferred tax assets:	**Provisions**	**Deductible loss**	**Accrued expense and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	6,020	11,448	16,781	34,249
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
(Credited)/recognised in the income statement	(1,499)	8,150	(5,509)	1,142
At 31 December 2011	3,517	29,465	16,641	49,623

24. DEFERRED INCOME TAX – GROUP AND COMPANY *(CONTINUED)*

Deferred tax liabilities:	Investment properties revaluation	Company Tax depreciation allowances	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2010	(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)
Recognised in the income statement	(2,037)	(41,812)	(43,849)
At 31 December 2011	(497,737)	(310,093)	(807,830)

Deferred tax assets:	Provisions	Accrued expense	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	6,020	10,331	390	16,741
Recognised in the income statement	(1,004)	5,370	—	4,366
At 31 December 2010	5,016	15,701	390	21,107
(Credited)/recognised in the income statement	(1,499)	(8,183)	—	(9,682)
At 31 December 2011	3,517	7,518	390	11,425

(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 did not recognised deferred tax assets of RMB407,000 (2010: 285,000) in respect of losses amounting to RMB1,626,000 (2010: 1,141,000) that can be carried forward against future taxable income; these tax losses will expire in the period from 2012 to 2016 as follows:

Year ended 31 December					
2012	**2013**	**2014**	**2015**	**2016**	**Total**
RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
705	268	82	86	485	1,626

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	
	2011	2010
	RMB'000	*RMB'000*
Depreciation *(Note 8)*	**140,776**	132,380
Amortisation	**32**	32
Provision/(Reveral) of provion for receivables *(Note 16)*	**136**	(4,011)
Employee benefit expense *(Note 27)*	**434,964**	380,781
Advertising costs	**35,986**	28,186
Cost of properties sold		
— Land use rights	**53,262**	523,558
— Finance cost capitalised in cost of properties	**29,859**	55,727
— Development costs	**781,904**	2,097,305
Cost of goods for resale	**237,596**	207,181
Cost of consumables used	**166,470**	153,840
Business tax	**187,827**	267,911
Other taxation	**102,993**	92,945
Office and consumption expenses	**175,246**	170,202
Energy expenses	**110,068**	99,227
Consulting and service expenses	**94,602**	86,592
Repair and maintenance expenses	**67,665**	70,336
Operating leases	**27,726**	31,693
Auditor's remuneration	**9,470**	6,470
Others	**56,706**	48,284
Total cost of sales, selling and marketing expenses and administrative expenses	**2,713,288**	4,448,639

26. OTHER LOSSES – NET

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment	**(982)**	(643)
Donation	**(231)**	(3,451)
Others	**519**	(346)
	(694)	(4,440)

27. EMPLOYEE BENEFIT EXPENSE

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Wages and salaries	**327,691**	299,211
Social security costs	**94,587**	82,388
Retirement benefit costs – defined contribution plans	**53,680**	48,279
Termination and other benefits	**—**	—
	475,958	429,878
Less: capitalised in properties under development	**(40,994)**	(49,097)
	434,964	380,781

(a) Retirement benefit costs – defined contribution plans

The employees of the subsidiaries of the Group participate in various retirement benefit plans established by Beijing and Changsha Municipal Labor and Social Insurance Bureau, respectively, under which the Group was required to make monthly defined contributions to these plans at 20% (2010: 20%) of the employees' basic salary for the year ended 31 December 2011.

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 2011 (2010: Nil) to reduce future contributions.

Contribution totaling RMB8,481,000 (2010: RMB5,815,000) were payable to the fund at the year end.

27. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(b) Directors' emoluments

The remuneration of every director for the year ended 31 December 2011 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	—	632	40	672
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	632	40	930

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

In addition to the directors' emoluments disclosed above, certain directors of the Company receive emoluments from BNSIGC, amounting to RMB1,855,000 (2010: RMB1,926,000), 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 (2010: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2010: four) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Basic salaries and other allowances	**2,672**	2,652
Employer's contribution to retirement benefit scheme	**160**	133
	2,832	2,785

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2011	2010
Emolument bands		
RMB Nil–RMB810,700		
(equivalent to HK$ Nil – HK$1,000,000)	**3**	3
RMB810,701 – RMB1,216,000		
(equivalent to HK$1,000,001 – HK$1,500,000)	**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	
	2011	2010
	RMB'000	*RMB'000*
Interest expense:		
— bank borrowings wholly repayable within five years	**(277,828)**	(174,858)
— bank borrowings wholly repayable over five years	**(190,088)**	(250,316)
— bond wholly repayable within five years	**(209,700)**	(63,509)
— bond wholly repayable over five years	**—**	(145,569)
	(677,616)	(634,252)
Bank charges and others	**(15,246)**	(9,371)
	(692,862)	(643,623)
Less: amounts capitalised in properties under development at a capitalisation rate of 6.40% (2010: of 5.91%)per annum	**352,480**	284,073
Finance costs	**(340,382)**	(359,550)
Finance income – Interest income on short-term bank deposits	**28,400**	35,893
Net finance costs	**(311,982)**	(323,657)

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% (2010: 25%).

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Current income tax		
— PRC enterprise income tax	**175,384**	259,641
— PRC land appreciation tax	**100,405**	157,931
Deferred income tax *(Note 24)*	**233,440**	171,096
	509,229	588,668

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Profit before income tax	**1,703,876**	1,789,913
Add: share of loss of a jointly controlled entity *(Note 10)*	**6,592**	19,514
	1,710,468	1,809,427
Tax calculated at the statutory tax rate of 25% (2010: 25%)	**427,617**	452,357
Expenses not deductible for tax purposes	**2,550**	298
Tax losses not recognized	**121**	22
Utilisation of previous unrecognised tax losses	**—**	(5)
Effect of higher tax rate for the appreciation of land in the PRC	**75,304**	118,445
Reversal of deferred tax which could not be realised	**3,637**	—
Deemed revenue subject to income tax	**—**	17,551
Income tax expenses	**509,229**	588,668

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 RMB480,284,000 (2010: 129,570,000), 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 earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the number of shares in issue during the year.

Diluted earnings per share is equal to the basic earnings per share since the Company has no potential dilutive ordinary shares during the years ended 31 December 2011 and 2010.

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

32. DIVIDEND

The dividends paid in 2011 is RMB67,340,000 (2010: RMB101,011,000) . Proposed dividends of 2011 and 2010 were as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
2011 proposed RMB0.03 per share final dividend (2010: RMB0.02 per share)	**101,011**	67,340

33. CASH USED IN OPERATIONS

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Profit before income tax	**1,703,876**	1,789,913
Adjustments for:		
— Provision/(reveral) of provion for receivables *(Note 25)*	**136**	(4,011)
— Depreciation *(Note 25)*	**140,776**	132,380
— Amortisation *(Note 25)*	**32**	32
— Fair value gain on investment properties *(Note 7)*	**(767,499)**	(1,022,034)
— loss on disposal of property, plant and equipment *(Below Note a)*	**982**	643
— Interest income *(Note 28)*	**(28,400)**	(35,893)
— Interest expense *(Note 28)*	**325,136**	350,179
— Share of loss of a jointly controlled entity *(Note 10)*	**6,592**	19,514
Operating profit before working capital changes	**1,381,631**	1,230,723
Changes in working capital:		
— (Increase)/decrease in restricted bank deposits	**(30,297)**	33,933
— Increase in inventories	**(3,258)**	(27,857)
— Increase in properties under development and completed properties held for sale	**(2,377,735)**	(1,182,673)
— Increase in trade and other receivables	**(113,343)**	(48,790)
— Decrease) in long term payables	**(970)**	(2,074)
— Increase/(decrease) in trade and other payables	**1,570,640**	(431,493)
Cash generated from /(used in) operations	**426,668**	(428,231)

33. CASH USED IN OPERATIONS *(CONTINUED)*

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Net book amount *(Note 8)*	**1,161**	1,357
Loss on disposal of property, plant and equipment *(Note 26)*	**(982)**	(643)
Proceeds from disposal of property, plant and equipment	**179**	714

(b) Non cash transactions

Dividend payables amounting to RMB80,191,000 due to the minority interest has been settled with the receivables due from the same counterparty(2010:nil).

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 RMB 1,403,421,000 as at 31 December 2011 (2010: RMB1,328,240,000).

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		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Investment property and property, plant and equipment Authorised but not contracted for	**92,744**	188,078	**—**	—

35. COMMITMENTS *(CONTINUED)*

(b) Commitments in respect of development costs attributable to properties under development:

	Group As at 31 December		Company As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Properties under development				
Contracted but not provided for	**3,721,812**	4,671,641	**260,573**	513,286
Authorised but not contracted for	**1,840,867**	1,039,108	**435,724**	59,686
	5,562,679	5,710,749	**696,297**	572,972

(c) At 31 December 2011 and 31 December 2010, the Group had future aggregate minimum rental receivables and payables under non-cancellable operating leases as leasor and lease respectively as follows:

	Group As at 31 December		Company As at 31 December	
	2011	2010	**2011**	2010
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
As leasor:				
Rental receivables in respect of investment properties				
Not later than one year	**577,326**	256,931	**575,362**	256,931
Later than one year and not later than five years	**1,048,026**	473,202	**1,047,267**	473,202
Later than five years	**574,794**	726,128	**574,794**	726,128
	2,200,146	1,456,261	**2,197,423**	1,456,261
As leasee:				
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	**57,036**	58,207	**57,036**	57,036
Later than five years	**299,441**	313,700	**299,441**	313,700
	371,906	387,336	**370,736**	384,995

36 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interest in BNSRE

In February and November 2011, the Company acquired the remaining 0.36% and 0.04% interest of a subsidiary("BNSRE"), for a purchase consideration of RMB4,940,000. The carrying amount of the non-controlling interests in CNSRE on the date of acquisition was RMB4,964,000. The Group recognised a decrease in non-controlling interests of RMB4,964,000 and a decrease in equity attributable to owners of the parent of RMB24,000. 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:

	As at	
	31 December 2011	31 December 2010
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests acquired	**4,964**	17,084
Consideration paid to non-controlling interests	**(4,940)**	(16,974)
Excess of consideration paid recognised within equity	**24**	110

(b) Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the year ended 31 December 2011.

	RMB'000
Total comprehensive income for the period attributable to the shareholders of the Company shareholders of the Company	1,172,525
Changes in equity attributable to shareholders of the Company arising from acquisition of additional interests in a subsidiary:	(24)
	1,172,501

37. RELATED PARTY TRANSACTIONS

The Group is controlled by BNSIGC, which owns 34.48% of the Company's shares. The remaining 65.52% of the shares are widely held.

BNSIGC itself is a state-owned enterprise controlled by the PRC government. For the year 2011 and 2010, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government mainly include most of its bank borrowings and part of purchases of goods and services. The price and other terms of such transactions are settled in the fair value.

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

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

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

	Group Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Electricity and Others	**248**	217
Rental	**25,968**	35,370
	26,216	35,587

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(ii) Purchases of goods and services

	Group Year ended 31 December	
	2011	2010
	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) Entrust loans from BNSIGC

	Group As at 31 December		Company As at 31 December	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January				
Proceeds from entrust loans	**800,000**	—	**800,000**	—
Repayments of entrust loans	**—**	—	**—**	—
Interest accrued	**10,899**	—	**10,899**	—
Interest paid	**(9,495)**	—	**(9,495)**	—
At 31 December	**801,404**	—	**801,404**	—

During the year ended 31 December 2011, the Group obtained unsecured borrowings from BNSIGC, including: RMB400,000,000 with the borrowing period from 26 September 2011 to 25 September 2013 and interest rate similar to national benchmark interest rate; RMB200,000,000 from 27 September 2011 to 26 September 2013 and interest rate similar to national benchmark interest rate; RMB200,000,000 from 27 November 2011 to 26 November 2013 and interest rate similar to national benchmark interest rate.

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	Group		Company	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and other receivables from related parties				
BNSIGC	**5,141**	5,141	**—**	—
Trade and other payables to related parties				
BNSIGC	**5,163**	5,163	**—**	—
Enrust loans from related parties				
BNSIGC	**800,000**	—	**800,000**	—
Interest payable of enrust loans from related parties				
BNSIGC	**1,404**	—	**1,404**	—

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

At 31 December 2011, there were no provisions for impairment of receivables from related parties (2010: Nil) and there were no provisions for impairment of receivables from related parties charged to income statement for the year ended 31 December 2011 (2010: Nil).

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(v) Key management compensation

	Group Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**6,834**	6,574
Post-employment benefit	**519**	434
	7,353	7,008

(vi) 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.

Supplementary Information

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2011 in accordance with the Basic Standard and 38 specific Standard of the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter ("CAS"). The differences between the financial statements prepared under CAS and HKFRS are summarised as follows:

	Profit attributable to equity holders of the Company for the year ended 31 December		**Capital and reserves attributable to the equity holders of the Company as at 31 December**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As stated in accordance with CAS	**468,780**	203,058	**9,577,120**	9,175,656
Impact of HKFRS adjustments				
1. Reversal of depreciation of investment properties under CAS	**125,436**	127,517	**737,424**	611,988
2. Fair value adjustment of investment properties under HKFRS	**575,623**	766,526	**3,649,054**	3,030,804
3. Difference on revaluation of certain assets upon the reorganisation in 1997	**2,686**	2,686	**(14,121)**	(16,807)
As stated in accordance with HKFRS	**1,172,525**	1,099,787	**13,949,477**	12,801,641

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	184,900	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	23,800	Villa, apartment (under construction)	50.4%
2	Changhe Yushu Garden Villas	Xiao Tang Shang, Chang Ping District, Beijing	168,400	Residential (under construction)	98.9%
3	Beichen • Xianglu (Hot Spring Project)	Wen Quan Town, Hai Dian District, Beijing	211,100	Residential (under construction)	100%
4	Beichen • Fudi (Chang Ying Project)	Chang Ying Xiang, Chao Yang District, Beijing	146,900	Residential, commercial (under construction)	100%
5	Shunyi Mapo Project	Mapo Town, Shunyi District, Beijing	205,700	Residential (under construction)	100%
6	Beichen Delta Project	Kaifu District, Changsha, Hunan Province	4,943,800	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	184,811	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	533,991	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 RMB14,259,099 for 2011 (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 2011

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 21 March 2012, resolved that the proposed appropriation of profit of the Company for the year of 2011 be as follows:

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

2. A final dividend of RMB0.03 per share in cash (Note) is proposed to be paid to the shareholders whose names appear on the register of shareholders on Thursday, 14 June 2012. If the proposal is approved by the shareholders at the 2011 annual general meeting, the final dividend is expected to be paid on or before Friday, 27 July 2012. 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 2011 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

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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 Limited Company
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