北辰实业
BEIJING NORTH STAR

HKEx Stock Code: 0588
SSE Stock Code: 601588

2012 ANNUAL REPORT

Contents

Corporate Profile

Beijing North Star Company Limited (the "Company") was established by its sole promoter, Beijing North Star Industrial Group Company (now known as "Beijing North Star Industrial Group Limited Liabilities 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 Villas, 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 m², mainly comprising the integrated properties in Asian Games Village with a total gross floor area of 600,000 m², National Convention Centre and the integrated properties under its ancillary projects with a total gross floor area of up to 530,000 m² and large-scale commercial facilities in the residential area of Beichen Green Garden.

Integrated properties in Asian Games Village

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.

Financial Highlights

RESULTS

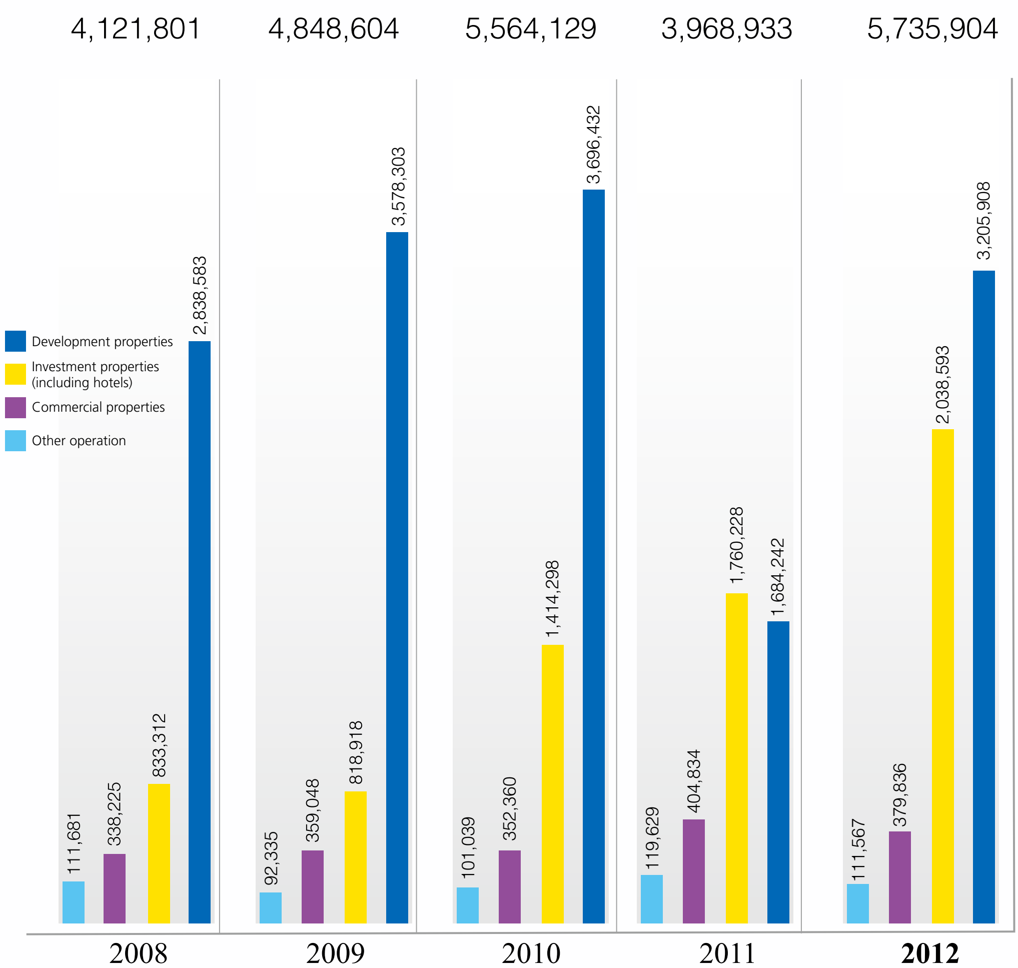
Year ended 31st December	**2012**	2011	2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations					
Revenue	**5,735,904**	3,968,933	5,564,129	4,848,604	4,121,801
Profit before income tax	**1,422,649**	1,703,876	1,789,913	2,464,345	1,920,603
Income tax expenses	**(476,465)**	(509,229)	(588,668)	(816,486)	(601,546)
Profit for the year from continuing operations	**946,184**	1,194,647	1,201,245	1,647,859	1,319,057
Discontinued operations					
Loss for the year from discontinued operations	**—**	—	—	(2,143)	(721)
Profit for the year	**946,184**	1,194,647	1,201,245	1,645,716	1,318,336
Attributable to:					
Equity holders of the Company	**970,008**	1,172,525	1,099,787	1,508,356	1,164,781
Minority interests	**(23,824)**	22,122	101,458	137,360	153,555

ASSETS AND LIABILITIES

As at 31st December	**2012**	2011	2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**35,762,460**	34,343,048	30,574,653	30,115,149	28,136,798
Total liabilities	**(20,857,332)**	(20,283,093)	(17,599,501)	(18,047,815)	(17,525,410)
Total equity	**14,905,128**	14,059,955	12,975,152	12,067,334	10,611,388

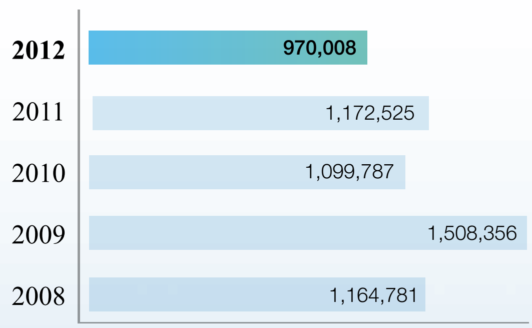
REVENUE BY BUSINESS

RMB'000



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

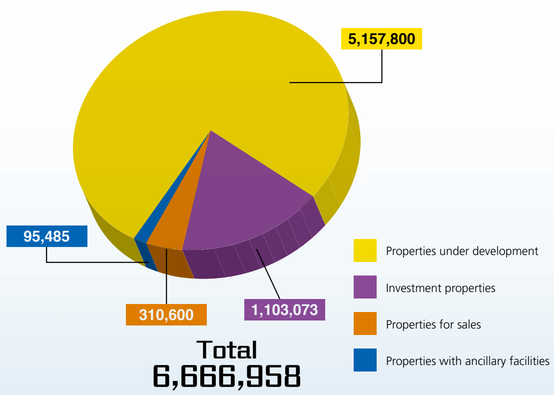
RMB'000



GROSS AREA OF PROPERTY PORTFOLIO

m^2

For the year ended 31 December 2012



Chairman's Report

Dear Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present you the operating results of the Company for the year ended 31 December 2012.

As at 31 December 2012, according to the HKFRSs, in 2012, the Company recorded an operating revenue of RMB5,735,904,000, representing a year-on-year increase of 44.52%. Despite of the effect from a larger decrease in the gain on changes in fair value of investment properties over last year, the profit before tax of the Company and the profits attributable to equity holders decreased by 16.51% and 17.27% to RMB1,422,649,000 and RMB970,008,000 respectively (gain on changes in fair value of investment properties after tax for 2012 was RMB198,971,000, representing a decrease of 65.43% as compared to RMB575,623,000 in 2011), the core operating results of the Company's principal operations (after tax) amounted to RMB771,037,000, representing a year-on-year increase of 29.17% and maintaining a rapid growth for three consecutive years, driven by increased settlement of real estate development projects and speedy improvement in operating results of investment properties business. Earnings per share was RMB0.29, decreased by 17.27% as compared to 2011.

As the macroeconomic control over the real estate industry continued and demand for investment properties gradually increased, 2012 marked a year of aspiration for the Company to address risks of development properties in pursuit of outstanding performance, and a year for the Company to leverage market opportunities to accomplish rapid growth in the development of investment properties. It was also a year for the Company to achieve groundbreaking progress in its innovative development. The Company's success including the booming sales of Changsha North Star Delta Project which drove the sales benchmark to increase for three consecutive years, the full-cost profit margin of China National Convention Centre which was a miracle in terms of the operation of convention and exhibition at home and aboard, as well as the Company's efforts in introducing more innovative development modes which successfully expanded its brand profile for the first time, was not only attributable to the painstaking efforts of its management, but also the efforts and hard work of nearly 5,000 officers and staff.

Visualised picture of the skyline of North Star Delta

Looking ahead in 2013, under the overall theme of ''making progress while maintaining stability'', the economy in the PRC will continue to improve. As for the real estate field, the promulgation of the five opinions by the State hinted that the macro control over the real estate industry will continue and may intensify. The real estate industry will still fluctuate. In addition, with more mature market sentiment in the investment properties and commercial properties markets, Beijing is sparing no efforts in creating a ''world-class city with Chinese characteristics'' and an ''environmental-friendly, cultural Beijing and high-tech Beijing'', which will open up a brighter prospect and more extensive horizon for the development of the industries.

Risks and opportunities co-exist, so do development and challenges. 2013 is a year for the Company to adhere to the "Twelve Five-Year Plan", yet scaling new heights in terms of operation and achieving breakthroughs in terms of innovative development. The Company will focus on three strategic development advocating capital expansion, brand expansion and expansion of low-cost initiatives. Through more in-depth research and assessment of market policies and competitors, the Company will stay in line with its vision of bringing in innovative development, innovative development modes and innovative development strategies. On one hand, the Company will strengthen the management of its expansion in convention and exhibition arenas and kick-start convention businesses in the upper stream in all respect to engineer growth. It will seek expansion in heavy assets investment and strive to implement the strategies of brand and low-cost expansion, with a view to strike a balance in its development of heavy assets investment business and light assets service business, thus opening up a new horizon for the Company's innovative development. On the other hand, it will focus on making breakthroughs by aligning its expansion in the real estate industry with financing on investment and assets terms, so as to fully develop and exploit the edge of consolidated operations of BNS whilst strengthening and refining its development and operation modes of urban complex. It will also promote the strategy of expanding low-cost initiatives by actively seeking new real estate business mode that could be assimilated into the organization. To be in line with the implementation of the strategy of capital expansion, it will also strive to seek opportunities of investment such as cooperation and acquisitions to explore new path of a leap forward development.

Chairman's Report (Continued)

Aerial view of B1 Block of North Star Delta

Aerial view of North Star Delta at night

Chairman's Report (Continued)

The 2nd Beijing International Film Festival in National Convention Centre

The business mode of "property development and sale" plus "ownership and operation of properties" has provided the Company with a distinct core competitiveness in the real estate industry. In 2013, the Company will stay in line with the main theme of development. It will be firm, persistent, courageous to explore and innovate so as to steer a sustainable path for the Company. In order not to disappoint investors who bestow trust on us, all BNS staff will bear a strong sense of responsibility and mission, sparing no efforts in achieving the Company's historical mission — "creating property value, building a century's foundation" — and our strategic goal of "building the Company into a top national large-scale property conglomerate''!

Finally, on behalf of the Board, I would like to express my sincere gratitude to all shareholders who have been supporting our development, and also to members of the Board and the 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, 20 March 2013

The Board's Discussion and Analysis on the Company's Operation During the Reporting Period

I. OPERATING ENVIRONMENT

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

1. Development Properties

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

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

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

2. Investment Properties (including hotels)

Under historic opportunities such as building the Beijing city into "world-class city with Chinese characteristics" as well as establishing "five metropolises and one city", business conditions of the Beijing's investment properties market (including hotels) remained sound and gathered pace in steady growth in demand. The office building market was affected by double effects of the slowdown of new supply and stable hike in take-up. Vacancy rate remained low and rental fees kept on at record high. Relied on favorable environment for economic development in Beijing, the high-grade hotel market bolstered its efforts in developing convention and exhibition tourism with steady increases in average room price and occupancy rate. The demand in the apartment market remained vibrant due to the slowdown in supply of new projects. Occupancy rate remained at high level and rental fees kept on surging. Under the intensifying efforts of building "one of the five best cities in the world for international conventions (全球國際會議五強舉辦地之一)" in Beijing, growth of demand of the convention and exhibition market remained steady and its economic benefits and social benefits were increasingly prominent. In addition, the rapid development of strategic emerging industries and the cultural creative industry provided sound development opportunities for Beijing's convention and exhibition industry.

3. Commercial Properties

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

II. REVIEW OF OPERATION DURING THE REPORTING PERIOD

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

In 2012, the Company recorded an operating revenue of RMB5,735,904,000, representing a year-on-year increase of 44.52%. Despite of the effect from a larger decrease in the gain on changes in fair value of investment properties over last year, the profit before tax of the Company and the profits attributable to equity holders decreased by 16.51% and 17.27% to RMB1,422,649,000 and RMB970,008,000 respectively (gain on changes in fair value of investment properties after tax for 2012 was RMB198,971,000, representing a decrease of 65.43% as compared to RMB575,623,000 in 2011), the core operating results of the Company's principal operations (after tax) amounted to RMB771,037,000, representing a year-on-year increase of 29.17% and maintaining a rapid growth for three consecutive years, driven by increased settlement of real estate development projects and speedy improvement in operating results of investment properties business. Earnings per share was RMB0.29, decreased by 17.27% as compared to 2011.

1. Development Properties

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

Visualised picture of external feature of Changhe Yushu Garden Villas

Visualised picture of Mapo Project design

Photos of D3 Block of North Star Delta

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

During the reporting period, operating revenue of the development properties segment of the Company recorded RMB3,205,908,000 (including car parks), representing a year-on-year increase of 90.35%, which was attributable to increase in settlement of real estate development projects. Due to structural changes in settlement of projects, profit before tax of the development properties segment was RMB672,352,000, representing a year-on-year increase of 26.95%. During the reporting period, the Company achieved area commenced construction of 544,000 m^2, area under construction of 2,302,000 m^2, as well as area completed construction of 553,000 m^2. The development properties segment achieved contracted sales and sale areas of RMB3,754.90 million (including car parks) and 264,000 m^2 respectively, representing a sustained share in regional markets.

The Board's Discussion and Analysis on the Company's Operation During the Reporting Period (Continued)

2. Investment Properties (including hotels)

With a firm grip on the external opportunities in Beijing's promising investment properties (including hotels) market, the Company fully capitalised on the advantages of situating at the geographically preferred Asian Games core district and the comprehensive competitiveness of its two pillar industries venues for convention and exhibition as well as office buildings, thereby significantly increased the operation of its stock assets and accomplished rapid growth in benefits. In 2012, the investment properties (including hotels) of the Company recorded revenue from principal businesses of RMB2,038,593,000, representing a year-on-year increase of 15.81%. Without taking into account the amortisation of interest expenses, profit before tax amounted to RMB603,906,000, posting a remarkable year-on-year growth of 29.33%. In particular, the economic benefits of new projects including North Star Times Tower, North Star Century Centre as well as the China National Convention Centre delivered continuous growth and recorded a year-on-year increase of RMB129 million in profit before tax, representing 94.35% of the growth in profit for the whole investment properties (including hotels) segment and also outperforming in their operations.

Integrated properties in Asia Games Village

Integrated properties of National Convention Centre

With the core of the convention and exhibition service area of North Star being China National Convention Centre and Beijing International Convention Centre, the Company insisted on the professional integrated operating mode of driving other joint development in the industry by means of convention and exhibition. It not only established a new layout of the large-scale development of convention and exhibition of the Company, but also substantially enhanced the status of Beichen Convention and Exhibition in the industry and its brand influence. In 2012, the two convention centres received a total of 1,528 conventions and exhibitions. In particular, as a leading enterprise and flagship brand in Beijing and even the whole country, China National Convention Centre strived to enhance the service and management of its convention and exhibition and generated profits after deducting its interest expenses and total costs and become a satisfactory model for its sustainable development after the Olympic Games through undertaking a series of large, high-end and international conventions and exhibitions. After reconstruction and transformation, Beijing International Convention Centre delivered differentiated operation just as National Convention Centre, continued to grow its market share in the small- and medium-sized convention market, created significant effect in developing characteristic high-end market and maintained steady growth in operating results. In addition, the Company proactively proceeded with the strategy of brand expansion around the promotion of convention and exhibition brand and the enhancement of the industry chain of convention and exhibition. During the year, the Company successfully entered into contracts with Daluqiao Convention and Exhibition Centre, Xuwei New District, Lianyun Port, Jiangsu (江蘇連雲港徐圩新區大陸橋會展中心) and Zhuhai International Convention and Exhibition Centre, Guangdong (廣東珠海國際會展中心), thereby accomplished a breakthrough in brand expansion, as well as laid a foundation for the Company's transformation to the parallel development of the investment business of heavy assets and the service business of light assets.

North Star Times Tower

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

3. Commercial properties

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

North Star Shopping Center Beiyuan Branch (北苑店))

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

4. Overall Strength and Brand Building

In 2012, the Company further boosted its brand equity and industry presence through strengthened efforts in bringing the Brand Planning Guideline into effect. According to the research results published by China Property Top 10 Research Group comprising Development Research Centre of the State Council, Tsinghua University and China Index Research Institute, the Company was once again honoured as "Leading Brand of China's Integrated Property Industry (中國複合地產專業領先品牌)". This demonstrates that the Company's corporate image as a composite property developer and sale company integrating the operations of property development and holding was acknowledged by the consumers and the society.

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

5. Investor Relations

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

6. Environmental Protection Efforts

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

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

III. COMPETITION AND DEVELOPMENT IN THE INDUSTRY

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

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

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

IV. THE COMPANY'S DEVELOPMENT STRATEGIES

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

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

1. Property Development

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

Visualised picture of Bihai Fangzhou Garden Villas

Visualised picture of the Business and public project of North Star Fudi A09 Block

Visualised picture of the planned design of Mapo Project

Visualised picture of North Star Delta in daylight

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

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

2. Investment properties (including hotels)

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

3. Commercial properties

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

4. Financing and Capital Expenditure

While project development, marketing and turnover are being accelerated, the Company will further reinforce its capital and planning management. It will reasonably arrange its funding operation taking its advantages on its "central financing" model, and concentrate on strengthening the reasonable allocation, re-allocation and deployment of currency capital, so as to ensure the safety and liquidity of capital whilst lowering its funding cost and raising its utilisation efficiency. In addition, the Company will also actively expand its financing channels through the studies of new categories of real estate such as elderly care and cultural tourism and the exploration in the model of low-cost expansion, so as to accomplish its scale expansion as well as increase in capability for sustainable development.

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

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

V. ANALYSIS OF THE COMPANY'S CORE COMPETITIVENESS

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

VI. POTENTIAL RISKS ON THE COMPANY

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

(1) Market risks of property development

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

With the market risks of property development mentioned above as the focus, the Company will actively respond to market changes, and will adopt flexible and diversified business strategies. It will strive to raise its speed of sale whilst creating prime architecture and increasing its added value and accomplish scale expansion and increase in capability for sustainable development of the Company through the studies of new categories of real estate such as elderly care and cultural tourism as well as the exploration in the model of low-cost expansion.

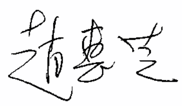
(2) The Company's short-term operating risks

Regarding property development, although land certificates, investment and planning approval and planning permit have been granted to Phase II of the Changhe Yushu Garden Villas project in 2012, more time is still needed for completion and delivery of the villas as well as for recognition of income, which will cause the Company's high profit margin products available for settlement in short term to reduce in quantity and will therefore affect its operating results.

Addressing the Company's short-term operating risks above for the phase II of the low-density projects of Changhe Yushu Garden Villas, the Company has obtained relevant documentation, it will appropriately launch pre-sale in future whilst speeding up quality construction and development and realise as early as possible its support to the Company's sale performance.

VII. ANALYSIS ON THE COMPANY'S SUSTAINABLE DEVELOPMENT CAPABILITY

The Company's operation principle of "emphasizing both progress and stability, while expediting development and controlling risks simultaneously" serves as the rationale for its sustainable development. An appropriate size of 5,490,000 m^2 of land reserve which matches the current development capability of the development properties is a prerequisite for the Company's sustainable development. The sluggish real estate market environment and the stable cash flows generated from the ongoing operation of a 1,200,000 m^2 property held are the strong support for the Company's sustainable development. The "three-in-one" integrated operation mode, which means mutual procuring of development and integration of strengths of the three major businesses, together with the Company's stronger risk resistant capability during market fluctuations, provides a foundation for the Company's sustainable development. With the early completion of the initial struggling period for additional assets of the investment properties, the accomplishment of rapid growth, sustaining hot sales of the Changsha North Star Delta project, making solid progress for the project operations of the three major business sectors and expanding its scale of operation continuously, the Company's sustainable development capability will be enhanced continuously.



ZHAO Hui-Zhi
General Manager

Beijing, the PRC, 20 March 2013

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 2012, the Company complied with the requirements of the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") (hereinafter called "Listing Rules"). The following is an outline of the Corporate Governance Code 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 operation plans and investment proposals, evaluating performance of the Company and overseeing the work of the Company's management.

A total of nine directors serve on the Board, including the chairman, deputy chairman, general manager, three 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.

In 2012, in order to ensure the directors fully informed and accommodate to the needs for their contribution to the Board, all the directors of the Company actively participated in continuing professional development and received training through studying the Guide on Connected Transaction Rules of the Hong Kong Stock Exchange, the Guidelines on Disclosure of Inside Information of the Securities and Futures Commission of Hong Kong, Guidelines on Connected Transactions of Listed Companies (《上市公司關聯交易實施指引》) of the Shanghai Stock Exchange by written means, and the information of the amendments on the relevant rules published on the website of the Stock Exchange online.

The terms of the independent directors of the Company have not exceeded the required length of the domestic and foreign regulations.

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 2012.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive directors, senior management and certain specific responsibilities to the Board committees.

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

Directors	No. of meeting attended in person/ No. of meetings held	No. of meeting attended by proxy *(Note)*/ No. of meetings held
Executive directors		
Mr. HE Jiang-Chuan	15/15	0/15
Mr. LI Chang-Li (appointed on 30 July 2012)	5/5	0/5
Ms. ZHAO Hui-Zhi	15/15	0/15
Mr. HE Wen-Yu (appointed on 30 July 2012)	3/5	2/5
Mr. LIU Jian-Ping	15/15	0/15
Mr. ZENG Jin (appointed on 1 June 2012)	6/9	3/9
Mr. CHEN Ji (retired on 31 May 2012)	5/6	1/6
Independent non-executive directors		
Mr. LONG Tao	15/15	0/15
Mr. GAN Pei-Zhong	13/15	2/15
Mr. WONG Yik Chung	15/15	0/15

Note: Pursuant to Article 149 of the Articles of Association of the Company, a director can delegate in writing another director to attend Board meetings on his or her behalf if that director cannot attend the meetings for any reason.

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 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 2012, none of the directors and supervisors 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. 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.

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 department, 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.

The statement issued by the auditor on its reporting responsibilities is set out in the Independent Auditor's Report on page 52 of this annual report.

FUNCTIONS OF CORPORATE GOVERNANCE

The Board of the Company adopted terms of reference of directors with the duties of corporate governance, the terms of reference include formulating and reviewing on the policy and practice of corporate governance of the Company, and submitting recommendation thereof to the Board. In addition, the review and supervision on the training and continuing professional development of the directors and senior management as well as the policy and practice of the Company in the compliance of laws and regulations are also included in the terms of reference. Besides, the formulation, review and supervision on the code of conduct and compliance manual of the employees and directors, as well as the review on the compliance on the Corporate Governance Code and the disclosure in the Report on Corporate Governance of the Company are also set out in the terms of reference.

AUDIT COMMITTEE

The audit committee of the Company 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 2012 and had reviewed the Company's annual report of 2011 as well as the interim report of 2012.

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

REMUNERATION AND EVALUATION COMMITTEE

The remuneration and evaluation committee of the Company 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, to study the remuneration policy and schemes for directors and senior management personnel, to recommend to the Board on the remuneration of individual executive directors and senior management as well as the remuneration of non-executive directors.

The remuneration and evaluation committee held 1 meeting in 2012. The members of the remuneration and evaluation committee had listened to reports of the Company's human resources department on the Company's remuneration budget for the year 2012 and made reasonable advice.

For the year ended 31 December 2012, the remuneration of the members of the senior management by band is set out below:

Remuneration band *(RMB)*	**Number of persons**
Less than 1,000,000	8

Note: The members of the senior management disclosed above referring to the employees other than directors and supervisors.

Further particulars regarding the directors, supervisors and senior management's emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in note 27 to the financial statements.

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

Members	**No. of meetings attended/ No. of meetings held**
Mr. LONG Tao	1/1
Mr. GAN Pei-Zhong	1/1
Mr. WONG Yik Chung	1/1

NOMINATION COMMITTEE

The Company established the Nomination Committee on 1 June 2012 and determined its terms of reference. The nomination committee comprises of three independent non-executive directors and two executive directors. It is chaired by Mr. HE Jiang-Chuan, with the other four members being Mr. LI Chang-Li, Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung.

The nomination committee is responsible for the nomination of the directors and managerial staff of the Company. It is also responsible for the review of the structure, number of members and composition of the Board, as well as the evaluation on the independence of the independent non-executive directors.

Directors of the Company 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 existing directors and supervisors of the Company were re- elected in the 2011 annual general meeting. Directors Mr. HE Jiang-Chuan, Ms. ZHAO Hui-Zhi, Mr. LIU Jian-Ping, Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung of the last session was re-elected, and Mr. HE Jiang-Chuan was re-elected as the chairman of the Company. Mr. CHEN Ji retired as executive director. Mr. ZENG Jin served as executive director of the new session. Mr. LIU Yao-Zhong, supervisor of the last session was re-elected, Mr. HE Wen-Yu and Mr. LI Ji-Shu retired from office as supervisors representing the shareholders. Mr. LIU Yi and Mr. LI Guo-Rui served as supervisors representing the shareholders in the new session. Mr. LIU Yi was appointed as the chairman of supervisory committee. In addition, as the resolution on the amendment of the Articles of Association of the Company passed in the 2011 annual general meeting, Mr. LI Chang-Li and Mr. HE Wen-Yu were elected as new executive directors. Mr. XUE Jian-Ming was elected as new supervisor representing the shareholders and Mr. ZHANG Wei-Yan was elected in a democratic way by the association of the representatives of the staff and workers of the Company as a new supervisor representing the staff and workers.

A meeting of the nomination committee was held in 2012 to review the structure, number of members and composition of the Board of the Company as well as to evaluate the independence of the independent non-executive directors 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	1/1
Mr. LI Chang-Li	1/1
Mr. LONG Tao	1/1
Mr. GAN Pei-Zhong	1/1
Mr. WONG Yik Chung	1/1

STRATEGIC COMMITTEE

The strategic committee of the Company 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 2012, formulated the short-, mid- and long term development strategies of the Company as well as listened to the progress of related activities.

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

SUPERVISORY COMMITTEE

The supervisory committee of the Company comprises five supervisors, with three supervisors representing the shareholders and two supervisors representing the staff and workers of the Company.

The supervisory committee is chaired by Mr. LIU Yi and the other four members are Mr. LI Guo-Rui, Mr. XUE Jian-Ming, Mr. LIU Yao-Zhong and Mr. ZHANG Wei-Yan.

During 2012, 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 5 meetings in 2012.

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

Supervisors		**No. of meetings attended/ No. of meetings held**
Mr. LIU Yi	(appointed on 1 June 2012)	3/5
Mr. LI Guo-Rui	(appointed on 1 June 2012)	3/5
Mr. XUE Jian-Ming	(appointed on 30 July 2012)	2/5
Mr. LIU Yao-Zhong		5/5
Mr. ZHANG Wei-Yan	(appointed on 30 July 2012)	2/5
Mr. HE Wen-Yu	(resigned on 31 May 2012)	2/5
Mr. LI Ji-Shu	(resigned on 31 May 2012)	2/5

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

COMPANY SECRETARY

The company secretary is appointed by the Board of the Company. The company secretaries of the Company are Mr. GUO Chuan, senior management of the Company and company secretary on the PRC activities, and Mr. LEE Ka-Sze, Carmelo, external service provider and company secretary on Hong Kong activities. Mr. GUO and Mr. LEE were appointed as company secretaries of the Company in 2004 and 1997 respectively. The company secretary is responsible to provide opinion on corporate governance to the Board and to ensure satisfactory exchange of information between members of the Board and compliance with the policies and procedures of the Board as well as the arrangement of training and professional development to the directors of the Company. The internal major contact person of the Company is Mr. GUO Chuan, company secretary of the PRC activities.

They have received relevant professional training, which fulfilled the requirements of Rule 3.29 of the Listing Rules.

APPOINTMENT AND REMUNERATION 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 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 2012, 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 2012 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 Corporate Governance Code of the Listing Rules.

INVESTOR RELATIONS AND SHAREHOLDER'S INTEREST

The Board of the Company has formulated a policy of shareholder communication to ensure on-going communication between the Company and shareholders as well as investors.

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 of the Board of the Company and the chairman of all the professional committees will be on hand to answer questions raised by shareholders on the business operations of the Company. In the general meeting, the Company will explain the detailed procedures on poll to the shareholders and answer the questions of shareholders thereon. The Company website also publishes periodically updated financial and other information of the Company, which the shareholders can browse and look through at any time.

GENERAL MEETINGS

In 2012, the Company held 3 general meetings, including the 2011 annual general meeting.

Attendance of the directors on the general meetings is set out below:

Directors	**Annual general meeting**	**Extraordinary general meeting**	**Attendance rate**
Executive directors			
Mr. HE Jiang-Chuan	1/1	2/2	100%
Mr. LI Chang-Li (appointed on 30 July 2012)	1/1	1/1 (Note)	100%
Ms. ZHAO Hui-Zhi	1/1	2/2	100%
Mr. HE Wen-Yu (appointed on 30 July 2012)	1/1	1/1 (Note)	100%
Mr. LIU Jian-Ping	1/1	2/2	100%
Mr. ZENG Jin (appointed on 1 June 2012)	1/1	1/1 (Note)	100%
Mr. CHEN Ji (retired on 31 May 2012)	1/1	1/1 (Note)	100%
Independent non-executive directors			
Mr. LONG Tao	1/1	2/2	100%
Mr. GAN Pei-Zhong	1/1	2/2	100%
Mr. WONG Yik Chung	1/1	2/2	100%

Note: Only 1 extraordinary general meeting was held during the term of office of the relevant directors in the year 2012.

CONSTITUTION

Amendments to the Articles of Association were considered and approved in the 2011 annual general meeting of the Company. The amendments were mainly for the compliance to those of the Listing Rules of Hong Kong. In addition, amendments to the Articles of Association were considered and approved in the second extraordinary general meeting of the Company in 2012. The amendments were mainly for the compliance with the requirements of Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies (Zheng Jian Fa [2012] No. 37) (《關於進一步落實上市公司現金分紅有關事項的通知》(證監發[2012]37號)) issued by the CSRC and the Notice Regarding Further Improvement of Cash Dividends Distribution of Listed Companies (Jing Zheng Gong Si Fa [2012] No. 101) (《關於進一步完善上市公司現金分紅有關事項的通知》(京證公司發[2012]101號)) issued by the CSRC Beijing Bureau and on the amendment of the scope of operation of the Company.

The amended version of the Articles of Association of the Company is available on the websites of the Company and Hong Kong Stock Exchange.

RIGHTS OF SHAREHOLDERS

CONVENING OF AN EXTRAORDINARY GENERAL MEETING OR A CLASS MEETING OF SHAREHOLDERS REQUISITION BY SHAREHOLDERS

Pursuant to Article 97 of the Articles of Association of the Company, shareholders holding more than 10% of the shares of the Company individually or in aggregate shall propose the convening of an extraordinary general meeting or a class shareholders' meeting in accordance with the procedures stipulated in Article 97. Shareholders can submit written requisition to the Board to convene an extraordinary general meeting or a class shareholders' meeting. The written requisition shall state the objects of the meeting and shall be signed by the shareholders and submitted to the secretariat of the Board of the Company.

Article 97 of the Articles of Association is set out in the Articles of Association of the Company.

PUTTING FORWARD PROPOSALS TO THE GENERAL MEETINGS

According to Article 71 of the Articles of Association of the Company, shareholders solely or collectively holding more than 3% of the shares of the Company, may submit in writing interim proposals to the convener ten (10) days before the date of the convening of the shareholders' general meeting.

The convener shall, within two (2) days upon receipt of such proposals, review the proposals and serve a supplementary notice of the shareholders' general meeting to announce the content of the interim proposals.

Except for the circumstances prescribed in the preceding provision, the convener may not change the proposal listed in the notice of the shareholders' general meeting or add new proposal after the notice of the shareholders' meeting has been served.

The proposals that have not been listed in the notice of the shareholders' general meeting or that are not in compliance with Article 71 of the Articles of Association, shall not be voted and resolved on at the shareholders' general meeting.

PROCEDURES FOR DIRECTING PROPOSALS, ENQUIRIES OF SHAREHOLDERS TO THE BOARD

Shareholders can at any time send their proposals, enquiries and concerns to the Board in writing through the secretariat of the Board of the Company. The contact details of the secretariat of the Board are set out in Corporate Information on page 145 of this annual report.

The secretariat of the Board shall forward the proposals, enquiries and concerns of the shareholders to the Board and/or relevant committees under the Board, where as appropriate, to answer the questions of shareholders.

In 2013, the Company will continue to dedicate itself to improving the standards of its corporate governance according to changing regulatory requirements, the Company's latest development and feedbacks from shareholders, so as to ensure stable and healthy growth of the Company while enhancing shareholders' value.

By Order of the Board
GUO Chuan
Company Secretary

Beijing, the PRC, 20 March 2013

Profile of Directors, Supervisors and Senior Management

CHAIRMAN

Mr. HE Jiang-Chuan, aged 49, 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 BNSIGC in November 1994 as the deputy general manager and served as the general manager and now serves as the chairman of BNSIGC. Mr. He 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 June 2012. Mr. He has 25 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

Mr. LI Chang-Li, aged 49, is the vice chairman of the Board of the Company. Mr. Li graduated from Guanghua School of Management, Peking University with a master's degree in business administration and a senior economist. Mr. Li served as manager at the International Trade Department of Beijing General Corporation of Business Materials Trade Group (北京建築材料經貿總公司), deputy general manager and general manager of Beijing General Corporation of Building Materials Trade Group (北京建築材料經貿集團總公司), deputy general manager, general manager and director of BBMG Group Company Limited* (北京金隅集團有限責任公司), executive director and deputy chairman of BBMG Corporation* (北京金隅股份有限公司) (listed on the Hong Kong Stock Exchange, stock code: 2009). Mr. Li joined the Company in 2011 and is currently the vice chairmen of BNSIGC. Mr. Li has accumulated more than 23 years of experience in building materials, investment property operation management and real estate development industries in the PRC. Mr. Li has been a director and the vice chairman of the Board since 2012.

Ms. ZHAO Hui-Zhi, aged 59, 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. Ms. Zhao consecutively served as a director of BNSIGC, chairman of supervisory committee of Changsha North Star Property Development Co., Ltd., the chairman of the Board of Beijing Recreation Centre Co., Ltd. (北京康樂宮有限公司), Beijing North Star Convention Centre Development Co., Limited (北京北辰會議發展有限公司) and Beijing North Star International Convention and Exhibition Co., Ltd (北京北辰國際會展有限公司). She was re-elected as a director of the Company in June 2012. She has 22 years of extensive experience in property management such as hotels, convention centres, apartments and office buildings.

Profile of Directors, Supervisors and Senior Management (Continued)

Mr. HE Wen-Yu, aged 59, is a director and deputy general manager of the Company. Mr. He graduated from Party School of Heilongjiang Provincial Party Committee of the Communist Party of China with a master's degree in business administration of The Open University of Hong Kong. Mr. He joined BNSIGC in August 2006 as deputy secretary of the Communist Party Committee, director and deputy general manager of BNSIGC, responsible for supervising BNSIGC supervisory operations. He was appointed as supervisor and chairman of the supervisory committee of the Company in July 2007 and resigned as a supervisor in 2012. Mr. He is the chairman of supervisory committee of Beijing North Star International Convention and Exhibition Co., Ltd. (北京北辰國際會展有限公司). He has over 20 years of experience in research of market economy theories, marketing and supervisory work. Mr. He has become a director and deputy general manager of the Company since 2012.

Mr. LIU Jian-Ping, aged 58, is a director and the deputy general manager of the Company. Mr. Liu graduated from the Beijing Administration College and has received postgraduate education. He joined BNSIGC in 1988 and served as the standing deputy general manager. He successively served as the general manager of Beijing Continental Grand Hotel and was appointed as a director of the Company in 1997. Mr. Liu serves as the deputy chairman of BNSIGC, chairman of the Board of Beijing Wuzhou Miller Beer Garden Restaurant Joint Venture Co., Limited (北京五洲美樂啤酒餐廳有限公司) and deputy chairman of Beijing North Star International Convention and Exhibition Co., Ltd. (北京北辰國際會展有限公司). Mr. Liu was re-elected as a director of the Company in June 2012 and has become the deputy general manager of the Company since March 2012. Mr. Liu has extensive experience in the hotel and investment property management.

Mr. ZENG Jin, aged 43, is a director and 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, the deputy general manager and general manager of Beijing North Star Property. Mr. Zeng was appointed as the deputy general manager of the Company in 2009 and was the deputy general manager of BNSIGC. He is also currently a director and the chairman and the general manager of Changsha North Star Property Development Co., Ltd. Mr. Zeng has extensive experience in real estate development and management. Mr. Zeng has become a director and the deputy general manager of the Company since 2012.

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, the member of the Company's nomination 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, member of Chinese accounting expert panel for China-Hong Kong Securities Team and the independent non-executive director of Beijing Capital International Airport Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 694). 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 Hong Kong Stock Exchange, stock code: 1122), UBS SDIC, Who' Who Culture Company Limited (中外名人文化傳媒股份有限公司). Mr. Long resigned as the independent non-executive director of AsiaInfo Holdings Inc. (listed on NASDAQ, NASDAQ: ASIA) in 2010 and resigned as the independent non-executive director of China Asset Management Co., Ltd.(華夏基金管理有限公司) and the external director of Beijing Public Transport Holdings (北京公交集團) in 2012. Mr. Long was elected as an independent non-executive director of the Company in 2009 and Mr. Long was re-elected as the independent non-executive director of the Company in June 2012.

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, the member of the Company's nomination 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 2009 and was re-elected as the independent non-executive director of the Company in June 2012.

Mr. WONG Yik Chung, aged 45, 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, the member of the Company's nomination 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), Yangguang Co., Ltd. (listed on the Shenzhen Stock Exchange, securities code: 000608) and Western Securities Co., Ltd. Mr. Wong resigned as the independent non-executive director of CDW Holding Limited (CDW控股有限公司) in 2012. Mr. Wong was elected as an independent non-executive director of the Company in May 2009 and was re-elected as the independent non-executive director of the Company in June 2012.

CHAIRMAN OF SUPERVISORY COMMITTEE

Mr. LIU Yi, aged 60, is the chairman of the supervisory committee. He is a certified consulting (investment) engineer. He graduated with a postgraduate diploma from the Party School of the CPC Central Committee. Mr. Liu served as the deputy chief executive of the People's Government of Xuanwu District of Beijing, the secretary of the Party Committee and general manager of Beijing Municipal Engineering Consulting Corporation, and the bureau-director-level chairman of the Beijing Municipal State-owned Enterprises Supervisory Board (北京市國有企業監事會正局級監事會主席). Having long been engaged in urban infrastructure construction projects and engineering consulting, he has extensive hands-on experience in theories of regional economics and investment and financing. Mr. Liu concurrently serves as the chairman of the supervisory committee of Beijing Capital Highway Development Group Co., Ltd. (北京市首都公路發展集團有限公司), Beijing Highway Connect Line Co., Ltd. (北京市公路聯絡線有限責任公司), Beijing Municipal Waterworks (Group) Company Limited (北京市自來水集團有限責任公司), Beijing Environmental and Sanitary Engineering Group Limited (北京環境衛生工程集團有限公司), Beijing Drainage Group Co., Ltd. (北京城市排水集團有限責任公司) and BBMG Corporation (北京金隅股份有限公司). Mr. Liu has become a supervisor and the chairman of the supervisory committee of the Company since 2012.

Profile of Directors, Supervisors and Senior Management (Continued)

SUPERVISORS

Mr. LI Guo-Rui, aged 57, is a supervisor of the Company. He is a senior political official. He graduated with a postgraduate diploma from the Party School of the CPC Central Committee. He was a member and deputy director of the office of the Work Committee for the Industry of Beijing Municipal Commission for Discipline Inspection (北京市紀委工業紀工委), deputy head of the Supervision Division of the Economic Commission and the deputy secretary of the Discipline Inspection Commission of Beijing Municipal SASAC. Mr. LI joined the Company in 2011 and takes charge of the discipline inspection and supervision. He has more than 20 years of experience in discipline inspection and supervision. Mr. Li has become the supervisor of the Company since 2012.

Mr. XUE Jian-Ming, aged 48, is a supervisor of the Company. He graduated from Xuanhua Artillery Academy of Conducting with an undergraduate diploma. Mr. Xue served as a deputy-division-head-level ombudsman of the Supervision Division of Beijing Municipal Economic Commission, a deputy-division-head-level discipline inspector of the Work Committee for the Industry of Beijing Municipal Commission for Discipline Inspection (工業紀工委), a deputy-division-head-level ombudsman of Beijing Municipal Bureau of Supervision working at Beijing Municipal SASAC, a deputy-division-head-level discipline inspector of Beijing Municipal SASAC and a division-head-level full-time supervisor of Beijing Municipal State-owned Enterprises Supervisory Board. Mr. Xue has long been engaged in executive administration and business efficiency supervision and holds theories on and extensive hands-on experience in supervision. Mr. Xue concurrently serves as a supervisor of BNSIGC, Beijing Capital Group Co., Ltd. (北京首都創業集團有限公司), Beijing Capital Development Holding (Group) Co., Ltd. (北京首都開發控股(集團)有限公司) and Beijing ENN Group Co., Ltd. (北京新奧集團有限公司). Mr. Xue has become a supervisor of the Company since 2012.

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 21 years of work experience in trade union. Mr. Liu has been a supervisor of the Company since May 2002 and was re-elected as a supervisor of the Company in June 2012.

Mr. ZHANG Wei-Yan, aged 53, is a supervisor of the Company. He graduated with an undergraduate diploma from the Party School of CPC Beijing Municipal Committee. He is a senior accountant. Mr. Zhang joined BNSIGC in 1990 and currently serves as the deputy head of the audit department of the Company. He has extensive experience in corporate financial management and corporate audit. Mr. Zhang has become a supervisor of the Company since 2012.

DEPUTY GENERAL MANAGER

Mr. HE Wen-Yu, aged 59, is a director and deputy general manager of the Company. Mr. He graduated from the Party School of Heilongjiang Provincial Party Committee of the Communist Party of China with a master's degree in business administration of The Open University of Hong Kong. Mr. He joined BNSIGC in August 2006 as deputy secretary of the Communist Party Committee, director and deputy general manager of BNSIGC, responsible for supervising BNSIGC supervisory operations. He was appointed as supervisor and chairman of the supervisory committee of the Company in July 2007 and resigned as a supervisor in 2012. Mr. He is the chairman of the supervisory committee of Beijing North Star International Convention and Exhibition Co., Ltd. (北京北辰國際會展有限公司). He has over 20 years of experience in research of market economy theories, marketing and supervisory work. Mr. He has become a director and deputy general manager of the Company since 2012.

Profile of Directors, Supervisors and Senior Management (Continued)

Mr. LIU Jian-Ping, aged 58, is a director and the deputy general manager of the Company. Mr. Liu graduated from Beijing Administration College and has received postgraduate education. He joined BNSIGC in 1988 and served as the standing deputy general manager. He successively served as the general manager of Beijing Continental Grand Hotel and was appointed as a director of the Company in 1997. Mr. Liu serves as the deputy chairman of BNSIGC, chairman of the Board of Beijing Wuzhou Miller Beer Garden Restaurant Joint Venture Co., Limited (北京五洲美樂啤酒餐廳有限公司) and deputy chairman of Beijing North Star International Convention and Exhibition Co., Ltd. (北京北辰國際會展有限公司). Mr. Liu was re-elected as a director of the Company in June 2012 and has become the deputy general manager of the Company since March 2012. Mr. Liu has extensive experience in the hotel and investment property management.

Mr. Du Jing-Ming, aged 48, is the deputy general manager of the Company. He graduated from Beijing Normal University with a doctor's degree in law. Mr. Tao served as the deputy director of the General Office of the Beijing Municipal Government and deputy director of the Information Network Office of the Beijing Municipal Government. He joined BNSIGC in 2004. He was the deputy general manager of BNSIGC. Mr. Tao has extensive experience in corporate administration and management, enterprise culture and publicity work. Mr. Du has become the deputy general manager of the Company since 2012.

Mr. ZENG Jin, aged 43, is a director and 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, the deputy general manager and general manager of Beijing North Star Property. Mr. Zeng was appointed as the deputy general manager of the Company in 2009 and was the deputy general manager of BNSIGC. He is also the director, chairman and the general manager of Changsha North Star Property Development Co., Ltd.. Mr. Zeng has extensive experience in real estate development and management. Mr. Zeng has become a director and the deputy general manager of the Company since 2012.

Ms. ZHANG Wen-Lei, aged 45, is the deputy general manager of the Company. She graduated from the School of Economics and Management of Northern Jiaotong University and has received postgraduate education and is a senior economist as well as a senior accountant. Ms. Zhang served as the chief economist of the Fourth Office of China Railway 18th Engineering Bureau (中鐵第十八工程局四處) and the deputy-chief economist of China Railway 18th Engineering Bureau. She joined BNSIGC in 2001. She was the chief economist and the chief legal advisor of BNSIGC. Ms. Zhang has extensive experience in construction engineering, tendering, works pricing and works supervision. Ms. Zhang has become the deputy general manager of the Company since 2012.

Mr. LU Jian, aged 53, is the deputy general manager of the Company. He graduated from Qinghua University with a bachelor's degree and is a senior engineer. Mr. Lu served as the deputy general manager of the Fifth Construction Company of Beijing Construction Engineering Group (北京建工集團第五建築公司) and the deputy-chief enginer of Beijing Construction Engineering Group. She joined BNSIGC in 2001 and served as the assistant of general manager and the chief engineer. Mr. Lu has extensive experience in construction infrastructure, construction management and works safety and management. Mr. Lu has become the deputy general manager of the Company since 2012.

Profile of Directors, Supervisors and Senior Management (Continued)

Mr. LIU Huan-Bo, aged 55, 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 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. He is 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), as well as a director and the general manager of Beijing North Star International Convention and Exhibition Co., Limited (北京北辰國際會展有限公司). He has been appointed as the deputy general manager of the Company in 2002.

Mr. LIU Tie-Lin, aged 50, 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 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 the chairman of Beijing North Star Supermarket Chain Co., Limited (北辰超市連鎖有限公司). Mr. Liu was appointed as the deputy general manager of the Company in 2002.

Mr. SI Hai-Qun, aged 58, 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 the chairman of Beijing North Star Real Estate Development Co., Limited, a director of Changsha North Star Real Estate Development Co., Limited and Beijing New Prosperity Co., Ltd. (北京興榮基房地產開發有限公司), the chairman of Beijing North Star Real Estate Investment Fund Management Co., Ltd (北京北極星房地產投資基金管理有限公司), Beijing Tian Cheng Tian Property Co., Limited (北京天成天房地產開發有限公司) and Beijing Jiang Zhuang Hu Property Co., Limited (北京薑莊湖園林別墅開發有限公司). Mr. Si was appointed as the deputy general manager of the Company in 2004.

FINANCIAL CONTROLLER

Mr. CHEN Yuan-Chao, aged 59, is the financial controller of the Company. He graduated from the Beijing Financial College with a bachelor's 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. Mr. Chen was appointed as a supervisor of the Company in 2006 and resigned his position as a supervisor in 2011. Mr. Chan has extensive experience in corporate budgeting management and financial management. Mr. Chen has become the financial controller of the Company since 2012.

COMPANY SECRETARY

Mr. GUO Chuan, aged 44, is company secretary to the board, the chief legal advisor of the Company and also the senior management 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 BNSIGC 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. Guo is concurrently a director of Beijing North Star Real Estate Development Co., Limited (北京北辰房地產開發股份有限公司), Beijing Tian Cheng Tian Property Co., Limited (北京天成天房地產開發有限公司), Beijing North Star Supermarket Chain Co., Limited (北京北辰超市連鎖有限公司) and Beijing North Star Real Estate Investment Fund Management Co., Ltd. (北京北極星房地產投資基金管理有限公司) as well as a supervisor of Beijing New Prosperity Co., Limited (北京興榮基房地產開發有限公司) and Beijing North Star International Convention and Exhibition Co., Ltd. (北京北辰國際會展有限公司).

RESIGNATION

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 re-appointed 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 extensive experience in corporate reform and legal affairs. Mr. Chen was the deputy general manager of BNSIGC. Mr. Chen resigned as a director in 2012.

Mr. HE Wen-Yu, aged 59, is a director and deputy general manager of the Company. Mr. He graduated from Party School of Heilongjiang Provincial Party Committee of the Communist Party of China with a master's degree in business administration of The Open University of Hong Kong. Mr. He joined BNSIGC in August 2006 as deputy secretary of the Communist Party Committee, director and deputy general manager of BNSIGC, responsible for supervising BNSIGC supervisory operations. He was appointed as supervisor and chairman of the supervisory committee of the Company in July 2007 and resigned as a supervisor in 2012. Mr. He is the chairman of the supervisory committee of Beijing North Star International Convention and Exhibition Co., Ltd. (北京北辰國際會展有限公司). He has over 20 years of experience in research of market economy theories, marketing and supervisory work. Mr. He has become a director and deputy general manager of the Company since 2012.

Mr. LI Ji-Shu, aged 53, 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 of work experience in corporate finance management. Mr. Li resigned as a supervisor of the Company in 2012.

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 2012.

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 2012 and the financial positions of the Group and the Company as at 31 December 2012 prepared in accordance with HKFRS are set out on pages 54 to 62 of this annual report.

DIVIDEND

The Board recommends the payment of a final dividend of RMB0.06 per share for the year ended 31 December 2012, totalling RMB202,021,000.

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, 52.67% of the Group's cost of purchase of goods and services was derived from its five largest suppliers, while 21% of the Group's total cost of purchase of goods was derived from its largest supplier.

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 142 to 143 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 2012 amounted to RMB1,451,431,224 (2011: RMB1,231,846,198).

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*	
LI Chang-Li	*Deputy Chairman*	(appointed on 30 July 2012)
ZHAO Hui-Zhi	*Director*	
HE Wen-Yu	*Director*	(appointed on 30 July 2012)
LIU Jian-Ping	*Director*	
ZENG Jin	*Director*	(appointed on 1 June 2012)
CHEN Ji	*Director*	(retired on 31 May 2012)

Independent Non-Executive Directors

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

Supervisors

LIU Yi	*Chairman*	(appointed on 1 June 2012)
LI Guo-Rui	*Supervisor*	(appointed on 1 June 2012)
XUE Jian-Ming	*Supervisor*	(appointed on 30 July 2012)
LIU Yao-Zhong	*Supervisor*	
ZHANG Wei-Yan	*Supervisor*	(appointed on 30 July 2012)
HE Wen-Yu	*Chairman*	(resigned on 31 May 2012)
LI Ji-Shu	*Supervisor*	(resigned on 31 May 2012)

Senior Management

HE Wen-Yu	*Deputy General Manager*
LIU Jian-Ping	*Deputy General Manager*
DU Jing-Ming	*Deputy General Manager*
ZENG Jin	*Deputy General Manager*
ZHANG Wen-Lei	*Deputy General Manager*
LU Jian	*Deputy General Manager*
LIU Huan-Bo	*Deputy General Manager*
LIU Tie-Lin	*Deputy General Manager*
SI Hai-Qun	*Deputy General Manager*
CHEN Yuan-Chao	*Financial Controller*
GUO Chuan	*Company Secretary*
LEE Ka-Sze, Carmelo	*Company Secretary — served by a representative of external service provider*

Mr. LEE Ka-Sze, Carmelo, aged 52, is company secretary of the Company and such office is served by him as a representative of external service provider. 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.

The biographical details of directors, supervisors and senior management are set out on pages 31 to 37 of this annual report.

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

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

ELECTION OF DIRECTORS AND SUPERVISORS UPON COMPLETION OF A TERM

The existing directors and supervisors of the Company were re-elected in the 2011 annual general meeting held on 1 June 2012. Directors Mr. HE Jiang-Chuan, Ms. ZHAO Hui-Zhi, Mr. LIU Jian-Ping, Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung of the last session were re-elected, and Mr. HE Jiang-Chuan was re-elected as the chairman of the Company. Mr. CHEN Ji retired as executive director. Mr. ZENG Jin served as executive director of the new session. Mr. LIU Yao-Zhong, supervisor of the last session was re-elected, Mr. HE Wen-Yu and Mr. LI Ji-Shu retired from office as supervisors representing the shareholders. Mr. LIU Yi and Mr. LI Guo-Rui served as supervisors representing the shareholders in the new session. Mr. LIU Yi was appointed as the chairman of supervisory committee.

In addition, as the resolution on the amendment of the Articles of Association of the Company passed in the 2011 annual general meeting, Mr. LI Chang-Li and Mr. HE Wen-Yu were elected as new executive directors. Mr. XUE Jian-Ming was elected as new supervisor representing the shareholders and Mr. ZHANG Wei-Yan was elected in a democratic way by the association of the representatives of the staff and workers of the Company as a new supervisor representing the staff and workers.

EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of directors, supervisors and senior management's emoluments are set out in note 27 to the consolidated financial statements.

INDIVIDUALS WITH THE HIGHEST PAY

During the year, two of the five individuals with the highest emolument in the Group were directors 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 2012, 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 Hong Kong Stock Exchange pursuant to the Model Code. 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 2012 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 2012, 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 Limited Liabilities Company ("BNSIGC")	A shares	1,161,000,031	—	Beneficial owner	Corporate interest	43.647%	34.482%

Beijing North Star Industrial Group Company, the controlling shareholder of the Company (holding 34.482% of the shares in the Company), has changed its system as wholly state-owned company with limited liability and its name officially changed to Beijing North Star Industrial Group Limited Liabilities Company upon the approval from Beijing Administration for Industry and Commerce. The Beijing Administration for Industry and Commerce has issued a new enterprise legal person business license.

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 2012.

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

As at 31 December 2012, 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:	294,638 holders

Shareholdings of top ten shareholders of the Company as at 31 December 2012

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	20.328	684,442,498
Beijing Wangfujing Department Store (Group) Co., Ltd.	A shares	4.069	137,000,000
Zhong Hang Xin Gang Guarantee Co., Ltd.	A shares	2.185	73,573,353
Zhejiang Haiyue Co., Ltd.	A shares	0.802	27,000,000
China 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	0.485	16,327,556
Chen Hui (陳惠)	A shares	0.402	13,550,000
Agricultural Bank of China Limited — New China Selected Dividend Mixed Securities Investment Fund	A shares	0.302	10,170,075
China Construction Bank — China AMC Dividend Mixed Open-end Securities Investment Fund	A shares	0.297	9,999,950
China Industrial International Trust Limited (興業國際信託有限公司) — Single Capital Trust Project on New Shares Subscription (Phase I (phase 23) CCB Wealth)) (新股申購單一資金信託項目（建行財富第一期（23期））)	A shares	0.242	8,158,571

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.

DESIGNATED DEPOSITS AND DUE FIXED DEPOSITS

As at 31 December 2012, the Group had no designated deposits placed with financial institutions in the PRC. All of the Group's cash deposits are placed with commercial banks in the PRC and are in compliance with 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 2012, the Company had 4,951 employees. The employee remuneration policy of the Company is that the total salary is paid with reference to its economic efficiency. Save from the remuneration policy disclosed above, the Company does not maintain any share option scheme for its employees. The Company regularly provides its administrative personnel trainings on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. The training is provided in different forms, such as seminars, site visits, study tours and survey tours.

STAFF HOUSING QUARTERS

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

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 36 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules and/or Listing Rules of Shanghai Stock Exchange. 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) 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 2012, representing 0.04% of the leases of the Company. Such transaction was settled by cash.

CONNECTED TRANSACTIONS *(Continued)*

(2) Renting Properties from Others

In 2012, 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 2012 and ended at 31 December 2012. The rental for the 12 months ended 31 December 2012 was RMB900,000, representing 3.89% of the leases of the Company. Such transaction was settled by cash.

(3) 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 12 months ended 31 December 2012 was RMB14,259,099, representing 61.61% of the leases of the Company. Such transaction was settled by cash once per year. 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.

(4) Leasing Properties to Others

According to the Supplementary Agreement to the Lease Contract entered into between the Company and Kingpower Company on 28 June 2011 after negotiation, and the Lease Contract entered into 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 transparency, fairness and justice at fair market prices. During the reporting period, the rental for the above two connected transactions was RMB13,592,815, representing 0.67% of the income generated from investment properties (including hotels) of the Company. Such transaction was settled by cash.

(5) Receipt of Designated Borrowings

On 29 May 2012, the Company received designated borrowings of RMB150 million in aggregate from BNSIGC for a term of 2 years, which was settled by cash and represented 75% of the Company's designated borrowings received from BNSIGC for the reporting period and 15% of the Company's designated borrowings received from BNSIGC as at the end of the reporting period. The interest rate was 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.

On 27 July 2012, the Company received designated borrowings of RMB50 million in aggregate from BNSIGC for a term of 2 years, which was settled by cash and represented 25% of the Company's designated borrowings received from BNSIGC for the reporting period and 5% of the Company's designated borrowings received from BNSIGC as at the end of the reporting period. The interest rate was 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)*

(6) The Interest Expenses of Designated Borrowings

① During the reporting period, the payable interest expenses of the Company for the designated borrowings of RMB800 million from BNSIGC (please refer to the relevant disclosure in the 2011 annual report) amounted to RMB52,853,839, representing 88.3% of the payable interest expenses for designated borrowings of the Company. Such transaction was settled by cash.

② During the reporting period, the payable interest expenses of the Company for the designated borrowings of 150,000,000 from BNSIGC (as mentioned in (5)) amounted to RMB5,680,208, representing 9.5% of the payable interest expenses for designated borrowings of the Company. Such transaction was settled by cash.

③ During the reporting period, the payable interest expenses of the Company for the designated borrowings of 50,000,000 from BNSIGC (as mentioned in (5)) amounted to RMB1,306,925 representing 2.2% of the payable interest expenses for designated borrowings of the Company. Such transaction was settled by cash.

During the reporting period, the aggregate interest expenses actually paid by the Company for the above three designated loans were RMB59,840,972, representing 7.28% of the total interest expenses of the Company for the year.

The independent non-executive directors of the Company have reviewed the transactions above 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 paragraphs from (1) to (3) above, which transactions constituted continuing connected transactions for the year ended 31 December 2012 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 (3) above.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2012, 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 2012, the equity attributable to equity holders of the Company increased by 6.23% compared to 31 December 2011. The increase was mainly due to additional profit attributable to equity holders of the Company of RMB970,008,000 during the period.

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

Current assets of the Group, which mainly comprised cash at bank and on hand, completed properties held for sale and properties under development, amounted to RMB22,309,301,000, whereas the Group's current liabilities amounted to RMB12,024,519,000. As at 31 December 2012, balances of cash at bank and on hand amounted to RMB2,576,752,000 (excluding restricted bank deposits) and none of the bonds in issue were exposed to redemption and payment risks. During the year, the Company did not engage in any transaction on financial products or derivative instruments.

As at 31 December 2012, the Group had secured bank borrowings of RMB4,386,337,000 with certain investment properties, hotels, properties under development and completed properties held for sale as the collaterals. The gearing ratio for the Group was 58.32% (calculated by dividing total liabilities by total assets) during the end of the reporting period.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiries with 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.

CORPORATE GOVERNANCE CODE

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

REVIEW ON ANNUAL RESULTS

The audit committee has reviewed the annual results and the financial statements of the Group for the year ended 31 December 2012 according to its terms of reference.

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 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于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. Please refer to the Board's Discussion and Analysis on the Company's Operation During the Reporting Period in this report for the progress in the Changsha North Star Delta Project. During the reporting period, the Company paid RMB500 million and RMB350 million in May and October respectively, altogether RMB850 million, as a land premium for the acquisition of part of the remaining land in Changsha North Star Delta Project. 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 Changsha North Star Delta Project has been handed over. Therefore, the delayed settlement for the remaining land will not have a material impact on the specific development plan.

3. The Company held the 44th meeting of the fifth session of the Board and 12th meeting of the fifth session of the supervisory committee on 21 March 2012, the Resolution in Relation to Election of the Board and Appointment of Additional Directors, Resolution on the Appointment of Deputy General Manager and Financial Controller and Resolution in Relation to Election of Supervisory Committee and Appointment of Additional Supervisors.

   Details of the aforesaid resolutions are set out on 22 March 2012 in the Notice on the Resolutions of the 44th meeting of the fifth session of the Board of Beijing North Star Company Limited and the Notice on the Resolutions of the 12th meeting of the fifth session of the supervisory committee of the Beijing North Star Company Limited published on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of the Shanghai Stock Exchange (www.sse.com.cn).

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 LLP and PricewaterhouseCoopers as the Company's PRC and international auditors will be proposed at the 2012 AGM.

By Order of the Board

HE Jiang-Chuan
Chairman

Beijing, the PRC, 20 March 2013

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 2012, the Supervisory Committee met 5 times in total and the supervisors attended the Board meetings, 2011 annual general meeting as well as the first and second extraordinary general meetings of 2012 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) and the cash dividends of the previous year 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. And the cash dividend policy of the Company was implemented effectively under the Articles of Association and the resolutions of general meetings. 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 self-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 2012 and has great confidence to the future of the Company.

In 2013, 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
Liu Yi
Chairman of the Supervisory Committee

Beijing, the PRC, 20 March 2013

pwc

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 54 to 140, which comprise the consolidated and company balance sheets as at 31 December 2012, 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 view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

PricewaterhouseCoopers, 22/F, Price's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

羅兵咸永道

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 2012 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, 20 March 2013

Consolidated balance sheet

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Land use rights	6	**1,043**	1,075
Investment properties	7	**11,238,200**	11,142,400
Property, plant and equipment	8	**2,165,326**	1,848,726
Interest in an associate and a jointly controlled entity	10	**7,279**	—
Deferred income tax assets	24	**41,311**	49,623
		13,453,159	13,041,824
Current assets			
Properties under development	13	**15,333,378**	14,461,894
Completed properties held for sale	14	**3,464,188**	3,297,804
Other Inventories	15	**99,411**	122,560
Trade and other receivables	16	**556,451**	531,575
Restricted bank deposits	17	**279,121**	79,285
Cash and cash equivalents	18	**2,576,752**	2,808,106
		22,309,301	21,301,224
Total assets		**35,762,460**	34,343,048
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	19	**3,367,020**	3,367,020
Other reserves	20	**4,196,244**	4,160,622
Retained earnings			
— Proposed final dividend	20, 32	**202,021**	101,011
— Others	20	**7,053,189**	6,320,824
		14,818,474	13,949,477
Non-controlling interests in equity		**86,654**	110,478
Total equity		**14,905,128**	14,059,955

Consolidated balance sheet (Continued)

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
LIABILITIES			
Non-current liabilities			
Long term borrowings	23	**7,255,409**	9,033,793
Long term payables		**7,745**	8,666
Deferred income tax liabilities	24	**1,569,659**	1,457,452
Deferred income		**—**	2,550
		8,832,813	10,502,461
Current liabilities			
Trade and other payables	21	**7,301,015**	7,218,885
Current income tax liabilities	22	**405,615**	282,747
Current portion of long term borrowings	23	**3,117,889**	1,579,000
Short term borrowings	23	**1,200,000**	700,000
		12,024,519	9,780,632
Total liabilities		**20,857,332**	20,283,093
Total equity and liabilities		**35,762,460**	34,343,048
Net current assets		**10,284,782**	11,520,592
Total assets less current liabilities		**23,737,941**	24,562,416

The financial statements on pages 54 to 62 were approved by the Board of Directors on 20 March 2013 and were signed on its behalf.

Director   *Director*

The notes on pages 63 to 140 are an integral part of these financial statements.

Balance sheet

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Investment properties	7	**4,987,100**	4,892,800
Property, plant and equipment	8	**1,752,160**	1,251,025
Investments in subsidiaries	9	**3,511,793**	3,491,793
Interest in an associate and a jointly controlled entity	10	**7,279**	—
Deferred income tax assets	24	**16,312**	11,425
		10,274,644	9,647,043
Current assets			
Loans to subsidiaries	9	**13,228,731**	10,732,909
Properties under development	13	**1,999,410**	2,074,748
Completed properties held for sale	14	**2,247,852**	3,212,617
Other inventories	15	**56,143**	59,402
Trade and other receivables	16	**215,340**	263,449
Restricted bank deposits	17	**11,930**	22,278
Cash and cash equivalents	18	**1,112,165**	1,963,274
		18,871,571	18,328,677
Total assets		**29,146,215**	27,975,720
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	19	**3,367,020**	3,367,020
Other reserves	20	**4,207,148**	4,171,526
Retained earnings			
— Proposed final dividend	20, 32	**202,021**	101,011
— Others	20	**4,225,941**	3,899,448
Total equity		**12,002,130**	11,539,005

Balance sheet (Continued)

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
LIABILITIES			
Non-current liabilities			
Long term borrowings	23	**7,255,409**	9,033,793
Long term payables		**7,745**	8,666
Deferred income tax liabilities	24	**877,136**	807,830
		8,140,290	9,850,289
Current liabilities			
Trade and other payables	21	**4,426,936**	4,119,443
Current income tax liabilities	22	**258,970**	187,983
Current portion of long term borrowings	23	**3,117,889**	1,579,000
Short term borrowings	23	**1,200,000**	700,000
		9,003,795	6,586,426
Total liabilities		**17,144,085**	16,436,715
Total equity and liabilities		**29,146,215**	27,975,720
Net current assets		**9,867,776**	11,742,251
Total assets less current liabilities		**20,142,420**	21,389,294

The financial statements on pages 54 to 62 were approved by the Board of Directors on 20 March 2013 and were signed on its behalf.

Director *Director*

The notes on pages 63 to 140 are an integral part of these financial statements.

Consolidated income statement

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Revenue	5	**5,735,904**	3,968,933
Cost of sales	25	**(3,315,177)**	(2,007,383)
Gross profit		**2,420,727**	1,961,550
Selling and marketing expenses	25	**(272,220)**	(180,424)
Administrative expenses	25	**(614,000)**	(525,481)
Fair value gains on investment properties		**265,295**	767,499
Other losses — net	26	**(3,121)**	(694)
Operating profit		**1,796,681**	2,022,450
Finance income	28	**23,472**	28,400
Finance costs	28	**(395,783)**	(340,382)
Finance costs — net	28	**(372,311)**	(311,982)
Share of loss of an associate and a jointly controlled entity	10	**(1,721)**	(6,592)
Profit before income tax	5	**1,422,649**	1,703,876
Income tax expenses	29	**(476,465)**	(509,229)
Profit for the year		**946,184**	1,194,647
Profit attributable to:			
Equity holders of the Company	31	**970,008**	1,172,525
Non-controlling interests		**(23,824)**	22,122
		946,184	1,194,647
Earnings per share attributable to the equity holders of the Company during the year (basic and diluted) *(expressed in RMB cents per share)*	31	**28.81**	34.82

The notes on pages 63 to 140 are an integral part of these financial statements.

Consolidated statement of comprehensive income

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

The notes on pages 63 to 140 are an integral part of these financial statements.

Consolidated statement of changes in equity

		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 2012		3,367,020	4,160,622	6,421,835	13,949,477	110,478	14,059,955
Comprehensive income							
Profit		—	—	970,008	970,008	(23,824)	946,184
Other comprehensive income		—	—	—	—	—	—
Total comprehensive income		—	—	970,008	970,008	(23,824)	946,184
Transactions with owners							
2011 final dividends		—	—	(101,011)	(101,011)	—	(101,011)
Transfer from retained earnings	20	—	35,622	(35,622)	—	—	—
Total transactions with owners		—	35,622	(136,633)	(101,011)	—	(101,011)
Balance at 31 December 2012		3,367,020	4,196,244	7,255,210	14,818,474	86,654	14,905,128
Representing:							
Proposed final dividend at 31 December 2012				202,021			
Retained earnings — others				7,053,189			
				7,255,210			

Consolidated statement of changes in equity (Continued)

	Note	Attributable to equity holders of the Company					
		Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 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		—	24	—	24	(4,964)	(4,940)
Others		—	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

The notes on pages 63 to 140 are an integral part of these financial statements.

Consolidated cash flow statement

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash generated from operations	33	679,895	426,668
Interest received	28	23,472	28,400
Interest paid		(808,807)	(666,945)
PRC income tax paid		(229,829)	(387,336)
Net cash used in operating activities		(335,269)	(599,213)
Cash flows from investing activities			
Purchase of property, plant and equipment		(47,597)	(81,792)
Increase of investment properties	7	(1,131)	(1,079)
Decrease/(Increase) in three months bank deposit		7,970	(10,000)
Proceeds from sale of property, plant and equipment	33 (a)	3,652	179
Acquisition of additional interest in a subsidiary from non-controlling interests		—	(4,940)
Increase of investment in an associate	10	(9,000)	—
Net cash used in investing activities		(46,106)	(97,632)
Cash flows from financing activities			
Proceeds from bank borrowings		3,162,711	2,525,763
Repayments of bank borrowings		(2,911,679)	(1,473,618)
Dividends paid to the equity holders of the Company	32	(101,011)	(67,340)
Net cash generated from financing activities		150,021	984,805
Net increase in cash and cash equivalents		(231,354)	287,960
Cash and cash equivalents at beginning of year		2,808,106	2,520,146
Cash and cash equivalents at end of year		2,576,752	2,808,106

The notes on pages 63 to 140 are an integral part of these financial statements.

1. GENERAL INFORMATION

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

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

On 25 September 2006, the Company issued 1,500,000,000 A shares at RMB 2.4 per share and these shares were listed on the Shanghai Stock Exchange on 16 October 2006. Since then, the Company's shares have been jointly listed on the Main Board of The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange.

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

These consolidated financial statements are presented in Renminbi, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 20 March 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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

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

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

(b) New and amended standards, and interpretations mandatory for the financial year beginning 1 January 2012 but not currently relevant to the Group (although they may effect the accounting for future transactions and events)

- HKFRS 1, 'First time adoption', on hyperinflation and fixed dates, effective on or after 1 July 2011. The first amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to HKFRSs', thus eliminating the need for companies adopting HKFRSs for the first time to restate derecognition transactions that occurred before the date of transition to HKFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with HKFRSs after a period when the entity was unable to comply with HKFRSs because its functional currency was subject to severe hyperinflation.

- HKFRS 7, 'Financial instruments: Disclosures', on transfer of financial assets, effective on or after 1 July 2011. These amendments are as part the IASBs comprehensive review of off balance sheet activities. The amendments 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 asset.

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

2.1 Basis of preparation *(Continued)*

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

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

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

- HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKFRS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

- 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.

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

2.1 Basis of preparation *(Continued)*

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

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

- 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.

- 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.

- 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, 'Financial statement presentation' regarding other comprehensive income. 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 amendments do not address which items are presented in OCI. The Group is yet to assess HKAS 1's full impact and intends to adopt HKAS 1 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

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

2. 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 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.

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.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

(a) Business combinations *(Continued)*

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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.

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

2.2 Subsidiaries *(Continued)*

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. 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.

2.3 Associates and jointly controlled entities

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. 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 associates and 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.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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 associate or a jointly controlled entity equals or exceeds its interest in the associate or the jointly controlled entity, 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 associate or the jointly controlled entity.

The Group determines at each reporting date whether there is any objective evidence that the investment in associates and 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 associate and the jointly controlled entity and its respective carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate and a jointly controlled entity' in the income statement.

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

2.3 Associates and jointly controlled entities *(Continued)*

Profits and losses resulting from upstream and downstream transactions between the Group and its associate and jointly controlled entity are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associate and jointly controlled entity respectively. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associate and jointly controlled entity have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates and 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.

2.5 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 (losses)/gains — net'.

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

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.

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)/gains — net', in the consolidated income statement.

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings, the cost of plant and machinery, installation, testing and other direct costs incurred during the development period. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. The carrying amount of a construction-in-progress is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8). When the assets concerned get ready for their intended use, the costs are depreciated in accordance with the policy as stated above.

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

2.7 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.

(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 'fair value gains on investment properties'.

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as investment property and measured at fair value if its fair value becomes reliably determinable or construction is completed (whichever is earlier).

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

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

2.8 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.

2.9 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 consolidated 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.

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

2.14 Trade and other payables

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

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

2.15 Borrowings

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

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

2.16 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, associate 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.

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

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.

(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.

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

2.20 Revenue recognition *(Continued)*

(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.

2.23 Government Grants

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

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

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.24 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 2012, if interest rates of borrowings issued at variable rates had increased/decreased by 10% (approximately 70 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 RMB 14,038,000 (2011:RMB 10,981,000).

(b) Credit risk

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

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.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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.

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.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Group					
At 31 December 2012					
Borrowings (including interest)	**5,039,027**	**2,852,950**	**4,483,258**	**1,042,121**	**13,417,356**
Trade and other payables *(Note 11)*	**3,167,157**	**—**	**—**	**—**	**3,167,157**
Total	**8,206,184**	**2,852,950**	**4,483,258**	**1,042,121**	**16,584,513**
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
Company					
At 31 December 2012					
Borrowings (including interest)	**5,039,027**	**2,852,950**	**4,483,258**	**1,042,121**	**13,417,356**
Trade and other payables *(Note 11)*	**3,305,099**	**—**	**—**	**—**	**3,305,099**
Total	**8,344,126**	**2,852,950**	**4,483,258**	**1,042,121**	**16,722,455**
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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital risk management

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

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

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

The gearing ratios at 31 December 2012 and 2011 were as follows:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Total borrowings *(Note 23)*	**11,573,298**	11,312,793
Less: Cash and cash equivalents *(Note 18)*	**(2,576,752)**	(2,808,106)
Net debt	**8,996,546**	8,504,687
Total equity	**14,905,128**	14,059,955
Total capital	**23,901,674**	22,564,642
Gearing ratio	**38%**	38%

In 2012, 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.

5. SEGMENT INFORMATION *(CONTINUED)*

Turnover consists of sales from development properties, commercial properties and investment properties and hotels segments. Revenues recognised during the years ended 31 December 2012 and 31 December 2011 are as follows:

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

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

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

5. SEGMENT INFORMATION *(CONTINUED)*

The segment information for the year ended 31 December 2011 is as follows:

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

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

5. SEGMENT INFORMATION *(CONTINUED)*

The segment information as at 31 December 2012 and 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*
As at 31 December 2012					
Total segments' assets	**20,969,332**	**1,111,754**	**6,282,492**	**85,198**	**28,448,776**
Total assets include:					
Interest in an associate and a jointly controlled entity	**—**	**—**	**—**	**—**	**—**
Additions to non-current assets (other than deferred tax assets)	**2,223**	**2,178**	**39,187**	**2,790**	**46,378**
Total segments' liabilities	**12,486,991**	**280,870**	**4,226,046**	**196,830**	**17,190,737**
As at 31 December 2011					
Total segments' assets	19,026,758	602,766	6,882,555	70,499	26,582,578
Total assets include:					
Interest in an associate and a jointly controlled entity	—	—	—	—	—
Additions to non-current assets (other than deferred tax assets)	5,121	1,976	33,942	1,667	42,706
Total segments' liabilities	11,932,698	275,751	4,563,624	207,421	16,979,494

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.

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

5. SEGMENT INFORMATION *(CONTINUED)*

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

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

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

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Total segments' assets	**28,448,776**	26,582,578
Deferred income tax assets *(Note 24)*	**41,311**	49,623
Corporate cash	**986,461**	1,881,040
Interest in an associate and a jointly controlled entity	**7,279**	—
Aggregated fair value gains on investment properties	**5,130,703**	4,865,408
Reversal of accumulated depreciation of investment properties	**1,163,183**	983,232
Others	**(15,253)**	(18,833)
Total assets per balance sheet	**35,762,460**	34,343,048
Total segments' liabilities	**17,190,737**	16,979,494
Deferred income tax liabilities *(Note 24)*	**1,569,659**	1,457,452
Corporate borrowings	**1,894,855**	1,673,851
Other corporate liabilities	**202,081**	172,296
Total liabilities per balance sheet	**20,857,332**	20,283,093

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 RMB 179,919,000 (2011: RMB 167,216,000). The Company and its subsidiaries were incorporated in the PRC and all the revenue from external customers of the Group are derived in the PRC for the year ended 31 December 2012 and 2011.

The reconciliation of reportable segments' income tax expenses and total income tax expenses is maily the income tax expenses amounting to RMB 2,072,000 (2011: RMB 144,211,000), impacted by aforementioned reconciliation items including corporate overheads, corporate financial costs, corporate financial income, fair value gains on investment properties, reversal of depreciation of investment properties and others.

At 31 December 2012 and 31 December 2011, all the Group's non-current assets other than deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) are located in the PRC.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the year ended 31 December 2012 and 2011.

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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
In the PRC held on:				
Leases of between 10 to 50 years	**1,043**	1,075	**—**	—

7. INVESTMENT PROPERTIES — GROUP AND COMPANY

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At fair value				
At 1 January 2012	**11,142,400**	10,375,600	**4,892,800**	4,714,600
Fair value gains	**265,295**	824,335	**97,658**	248,498
Additions	**1,131**	1,079	**1,131**	1,079
Transfer from property, plant and equipment *(Note 8)*	**—**	12,763	**—**	—
Deduction (i)	**(166,137)**	(71,377)	**—**	(71,377)
Disposals	**(4,489)**	—	**(4,489)**	—
At 31 December 2012	**11,238,200**	11,142,400	**4,987,100**	4,892,800

(i) Certain investment properties were recognized in the year ended 31 December 2011 based on management's best estimates of costs. In 2012, the estimated costs have been adjusted based on the final settlement verified by independent third party.

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

	Group and Company	
	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Rental income	**1,359,264**	1,141,941
Direct operating expenses arising from investment properties that generate rental income	**291,774**	259,703
Direct operating expenses that did not generate rental income	**258,989**	213,603

(b) Valuation basis

The investment properties were revalued at 31 December 2012 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 rental 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 2012, certain investment properties with fair value of RMB 11,110,000,000 (2011: RMB 11,008,000,000) 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		Company	
	As at 31 December		As at 31 December	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
In Beijing, the PRC, held on:				
Leases of over 50 years	**1,587,100**	1,524,800	**1,587,100**	1,524,800
Leases between 10 years and 50 years	**9,651,100**	9,617,600	**3,400,000**	3,368,000
	11,238,200	11,142,400	**4,987,100**	4,892,800

As at 31 December 2012, property ownership certificate of certain completed investment property with fair value of RMB 6,190,000,000 has not been obtained. It's expected to be obtained in 2013.

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 2011						
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
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

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 2012						
Opening net book amount	201,102	1,380,458	114,719	152,216	231	1,848,726
Additions	337	—	17,067	30,487	4,135	52,026
Transfer from property held for sale *(Note 14)*	573,575	—	57,900	—	—	631,475
Disposals	—	—	(3,972)	(878)	—	(4,850)
Transfer	—	(63,834)	57,956	8,365	(2,487)	—
Other deduction (i)	—	(184,281)	(14,634)	(5,759)	—	(204,674)
Depreciation *(Note 25)*	(28,151)	(34,112)	(51,654)	(43,460)	—	(157,377)
Closing net book amount	746,863	1,098,231	177,382	140,971	1,879	2,165,326
At 31 December 2012						
Cost	928,431	1,544,159	372,155	366,406	1,879	3,213,030
Accumulated depreciation and impairment	(181,568)	(445,928)	(194,773)	(225,435)	—	(1,047,704)
Net book amount	746,863	1,098,231	177,382	140,971	1,879	2,165,326

(i) Certain property, plant and equipment were recognized in the year ended 31 December 2011 based on management's best estimates of costs. In 2012, the estimated costs have been adjusted based on the final settlement verified by independent third party.

Depreciation expense of RMB 97,040,000 (2011: RMB 100,529,000) has been charged in cost of sales, RMB 5,401,000 (2011: RMB 2,765,000) in selling and marketing expenses and RMB 54,936,000 (2011: RMB 37,482,000) in administrative expenses in the consolidated income statement.

As at 31 December 2012, certain hotel properties with net book value of RMB 782,277,000 (2011: RMB 1,054,095,000) are pledged as securities for long term bank borrowings (Note 23).

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

As at 31 December 2011, property ownership certificates of certain hotel properties with net book value of RMB 747,746,000 has not been obtained. It's expected to be obtained in 2013.

	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 2011						
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
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

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 2012						
Opening net book amount	193,064	828,902	82,577	146,251	231	1,251,025
Additions	—	—	11,109	29,349	4,135	44,593
Transfer from property held for sale	573,575	—	57,900	—	—	631,475
Disposals	—	—	(2,560)	(819)	—	(3,379)
Transfer	—	—	2,182	305	(2,487)	—
Other deduction	—	—	(14,635)	(5,759)	—	(20,394)
Depreciation	(27,751)	(34,112)	(48,565)	(40,732)	—	(151,160)
Closing net book amount	738,888	794,790	88,008	128,595	1,879	1,752,160
At 31 December 2012						
Cost	905,938	1,223,412	276,977	341,681	1,879	2,749,887
Accumulated depreciation and impairment	(167,050)	(428,622)	(188,969)	(213,086)	—	(997,727)
Net book amount	738,888	794,790	88,008	128,595	1,879	1,752,160

9. INVESTMENTS IN AND LOANS TO SUBSIDIARIES — COMPANY

(a) Investments in subsidiaries

	Company As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Unlisted investments, at cost	**3,511,793**	3,491,793

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

(b) Loans to subsidiaries

	Company As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Loans to subsidiaries	**13,228,731**	10,732,909

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. The fair values of loans to subsidiaries approximate to their book values.

The following is a list of the principal subsidiaries at 31 December 2012. 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	RMB 500,180,000	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	RMB 1,000,000	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	RMB 5,000,000	80%	20%
Beijing North Star Convention Centre Development Co., Limited 北京北辰會議發展有限公司 ("BNSCCD") *(Note c) (Note e)*	Property development	RMB 1,700,000,000	100%	—
Beijing Jiang Zhuang Hu Property Co., Limited 北京姜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	RMB 11,000,000	5%	95%

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
Beijing New Prosperity Co., Limited 北京興榮基房地產開發有限公司 *(Note c)*	Property development	RMB 30,000,000	—	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	RMB 20,000,000	100%	—
Changsha North Star Real Estate Development Co., Limited 長沙北辰房地產開發有限公司("CNSRE") *(Note c)*	Property development	RMB 1,200,000,000	100%	—
Beijing North Star Supermarket Chain Co., Limited 北京北辰超市連鎖有限公司 *(Note c)*	Retail	RMB 10,000,000	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	RMB 500,000	100%	—
Beijing North Star International Convention Centre Com., Limited 北京北辰國際會展有限公司 ("BNSICC") *(Note c) (Note d)*	Convention and exhibition	RMB 20,000,000	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.

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

(c) These companies are limited liability companies.

(d) On 25 July 2012, the Company established a subsidiary BNSICC, by investing RMB 20,000,000 or 100% of the total paid in capital of BNSICC. BNSICC is a limited company incorporated in the PRC and engaged mainly in convention and exhibition business in the PRC.

(e) On 24 November 2011, the Board of the Company approved the merger of BNSCCD by the Company. Subsequent to completion of the merger, the qualification of BNSCCD 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. As at the date of the issuance of the financial statements, the relevant transaction is still in progress.

10. INTEREST IN AN ASSOCIATE AND A JOINTLY CONTROLLED ENTITY — GROUP

(a) Interest in an associate — Group

	Group Year ended 31 December 2012 *RMB'000*	 2011 *RMB'000*
At 1 January	—	—
Establishment of a new associate *(Note i)*	9,000	—
Share of loss of an associate		
— loss after taxation	(1,721)	—
At 31 December	7,279	—

(i) On 17 July 2012, the Company established an associate, Beijing North Star Real Estate Investment Fund Management Company Limited ("BNSREIFMC"), together with other investor by investing RMB 9,000,000, or 30% of the total paid in capital of BNSREIFMC, and the Company holds 40% in voting power and BNSREIFMC is accounted for as an associate of the Group. BNSREIFMC is a limited liability company incorporated in the PRC and engaged mainly in investment management and advisory business in the PRC. The total paid in capital of BNSREIFMC is RMB 30,000,000 as at 31 December 2012.

The following amounts represent the Group's 30% share of the aggregated assets and liabilities, and results of the associate in 2012.

Year	Assets *RMB'000*	Liabilities *RMB'000*	Revenue *RMB'000*	Net loss *RMB'000*
2012	25,785	1,522	—	(5,737)

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

10. INTEREST IN AN ASSOCIATE AND A JOINTLY CONTROLLED ENTITY — GROUP *(CONTINUED)*

(b) Interest in a jointly controlled entity — Group

	Group Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
At 1 January	—	6,592
Share of loss of a jointly controlled entity		
— loss after taxation	—	(6,592)
At 31 December	—	—

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 2012 and 2011.

Year	**Assets**	**Liabilities**	**Revenue**	**Net loss**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2012	**92,664**	**170,970**	**31,484**	**(39,415)**
2011	115,720	138,637	23,728	(41,228)

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 RMB 14,189,000 (2011: 8,250,000) for the jointly controlled entity. The accumulated losses not recognized were RMB 22,439,000 (2011: 8,250,000). 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 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 2012		
Trade and other receivables excluding prepaid tax and other prepayments *(Note 16)*	**133,800**	**106,210**
Loan to subsidiaries *(Note 9(b))*	**—**	**13,228,731**
Restricted bank deposits *(Note 17)*	**279,121**	**11,930**
Cash and cash equivalents *(Note 18)*	**2,576,752**	**1,112,165**
	2,989,673	**14,459,036**
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

11. FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY *(CONTINUED)*

	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 2012		
Trade and other payables (a)	**3,167,157**	**3,305,099**
Borrowings *(Note 23)*	**11,573,298**	**11,573,298**
	14,740,455	**14,878,397**
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

(a) The above trade and other payables comprise trade payables, dividends payable to non-controlling interests 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 As at 31 December		Company As at 31 December	
	2012	2011	**2012**	2011
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Trade receivables that are neither past due nor impaired				
Counterparties without external credit rating				
— Group 1	**9,780**	14,019	**9,780**	14,019
— Group 2	**18,809**	11,436	**15,053**	10,840
	28,589	25,455	**24,833**	24,859

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

None of the financial assets that are fully performing has been renegotiated in 2012 (2011: Nil).

13. PROPERTIES UNDER DEVELOPMENT — GROUP AND COMPANY

	Group Year ended 31 December		Company Year ended 31 December	
	2012	2011	**2012**	2011
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
As at 1 January	**14,461,894**	10,865,895	**2,074,748**	1,851,862
Addition	**3,841,898**	3,595,999	**291,926**	222,886
Transfer to completed properties for sale *(Note 14)*	**(2,970,414)**	—	**(367,264)**	—
As at 31 December	**15,333,378**	14,461,894	**1,999,410**	2,074,748

	Group As at 31 December		Company As at 31 December	
	2012	2011	**2012**	2011
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Land use rights	**9,810,110**	9,871,253	**1,262,428**	1,309,215
Development costs and capitalised expenditure	**4,063,243**	3,378,223	**587,290**	641,756
Finance costs capitalised	**1,460,025**	1,212,418	**149,692**	123,777
	15,333,378	14,461,894	**1,999,410**	2,074,748

	Group As at 31 December		Company As at 31 December	
	2012	2011	**2012**	2011
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Land use rights:				
In PRC, held on leases of:				
Between 40-50 years	**1,907,626**	1,987,340	**89,188**	173,774
Over 50 years	**7,902,484**	7,883,913	**1,173,240**	1,135,441
	9,810,110	9,871,253	**1,262,428**	1,309,215

As at 31 December 2012, certain properties under development with net book value of RMB 4,398,332,000 (2011: RMB 4,104,245,000) are pledged as securities for long term bank borrowings (Note 23).

As at 31 December 2012, 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 RMB 12,965,249,000. 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	
	Year ended 31 December		Year ended 31 December	
	2012	2011	**2012**	2011
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
As at 1 January	**3,297,804**	4,163,588	**3,212,617**	4,006,562
Transfer from properties under development *(Note 13)*	**2,970,414**	—	**367,264**	—
Transfer to Property , plant and equipment *(Note 8)*	**(631,475)**	—	**(631,475)**	—
Others (a)	**(143,537)**	(759)	**(139,686)**	(1,314)
Properties sold	**(2,029,018)**	(865,025)	**(560,868)**	(792,631)
As at 31 December	**3,464,188**	3,297,804	**2,247,852**	3,212,617

(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	
	2012	2011	**2012**	2011
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Land use rights	**994,519**	616,083	**600,131**	610,357
Development costs and capitalised expenditure	**2,265,665**	2,550,899	**1,518,792**	2,473,304
Finance costs capitalised	**204,004**	130,822	**128,929**	128,956
	3,464,188	3,297,804	**2,247,852**	3,212,617

14. COMPLETED PROPERTIES HELD FOR SALE — GROUP AND COMPANY *(CONTINUED)*

	Group As at 31 December		Company As at 31 December	
	2012	2011	**2012**	2011
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Land use rights:				
In PRC, held on leases of:				
Between 40-50 years	**230,085**	149,554	**230,085**	149,554
Over 50 years	**764,434**	466,529	**370,046**	460,803
	994,519	616,083	**600,131**	610,357

As at 31 December 2012, certain completed properties held for sale with net book value of RMB 327,167,000 (2011: RMB 858,771,000) are pledged as securities for long term bank borrowings (Note 23).

15. OTHER INVENTORIES — GROUP AND COMPANY

	Group As at 31 December		Company As at 31 December	
	2012	2011	**2012**	2011
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Goods for resale	**67,605**	88,817	**43,076**	48,637
Consumables	**32,050**	34,262	**13,311**	11,284
Less: provision for inventories	**(244)**	(519)	**(244)**	(519)
	99,411	122,560	**56,143**	59,402

The cost of inventories recognised as expense and included in cost of sales amounted to RMB 388,175,000 (2011: RMB 404,066,000).

16. TRADE AND OTHER RECEIVABLES — GROUP AND COMPANY

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**51,402**	36,241	**44,550**	26,901
Less: provision for impairment of receivables	**(90)**	(628)	**(90)**	(628)
Trade receivables — net	**51,312**	35,613	**44,460**	26,273
Other receivables	**95,346**	69,097	**74,608**	63,249
Less: provision for impairment of receivables	**(12,858)**	(12,876)	**(12,858)**	(12,876)
Other receivables — net	**82,488**	56,221	**61,750**	50,373
Prepaid tax	**344,294**	351,125	**51,210**	119,811
Other prepayments	**78,357**	88,616	**57,920**	66,992
	556,451	531,575	**215,340**	263,449

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

	Group As at 31 December		Company As at 31 December	
	2012 ***RMB'000***	2011 *RMB'000*	**2012** ***RMB'000***	2011 *RMB'000*
0–30 days	**24,691**	23,021	**21,458**	22,508
31–90 days	**5,592**	5,803	**5,069**	3,358
Over 90 days	**21,119**	7,417	**18,023**	1,035
	51,402	36,241	**44,550**	26,901

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 2012 and 2011, the following trade receivables were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group As at 31 December		Company As at 31 December	
	2012 ***RMB'000***	2011 *RMB'000*	**2012** ***RMB'000***	2011 *RMB'000*
Trade receivables past due but not impaired				
0–90 days	**1,677**	3,369	**1,677**	924
Over 90 days	**21,046**	6,789	**17,950**	490
	22,723	10,158	**19,627**	1,414

16. TRADE AND OTHER RECEIVABLES — GROUP AND COMPANY (CONTINUED)

As at 31 December 2012 and 2011, 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		Company	
	As at 31 December		As at 31 December	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables impaired				
0–90 days	**17**	—	**17**	—
Over 90 days	**73**	628	**73**	628
Less: provision of impairment of receivables	**(90)**	(628)	**(90)**	(628)
	—	—	**—**	—

Other receivables

The Group does not have formal contractual credit terms agreed with the counterparties but the other receivables are usually settled within 12 months. As a result, the Group regards any receivable balance within a 12-month credit period as not overdue. At 31 December 2012 and 2011, the ageing analysis of the other receivables were as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0–12 months	**52,030**	30,581	**9,623**	44,611
12–24 months	**6,657**	11,632	**47,034**	4,879
Over 24 months	**36,659**	26,884	**17,951**	13,759
	95,346	69,097	**74,608**	63,249

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 2012 and 2011, 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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other receivables past due but not impaired				
12–24 months	**6,657**	11,632	**47,034**	4,879
Over 24 months	**23,801**	14,008	**5,093**	883
	30,458	25,640	**52,127**	5,762

As at 31 December 2012 and 2011, 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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other receivables impaired				
Over 24 months	**12,858**	12,876	**12,858**	12,876
Less: provision of impairment of receivables	**(12,858)**	(12,876)	**(12,858)**	(12,876)
	—	—	**—**	—

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		Company	
	Year ended 31 December		Year ended 31 December	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January 2012	**628**	3,873	**628**	3,873
Provision for impairment of receivables	**17**	21	**17**	21
Receivables written off during the year as uncollectible	**(555)**	(3,195)	**(555)**	(3,195)
Unused amounts reversed	**—**	(71)	**—**	(71)
At 31 December 2012	**90**	628	**90**	628

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

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January 2012	**12,876**	15,609	**12,876**	15,609
Provision for impairment of receivables	**—**	186	**—**	186
Receivables written off during the year as uncollectible	**(18)**	(2,919)	**(18)**	(2,919)
At 31 December 2012	**12,858**	12,876	**12,858**	12,876

The creation and release of provision for impaired receivables net amounting to RMB 17,000 created (2011: RMB 136,000 created) 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 As at 31 December		Company As at 31 December	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and on hand	**1,951,182**	2,242,106	**486,595**	1,497,274
Short-term bank deposits *(a)*	**625,570**	566,000	**625,570**	466,000
	2,576,752	2,808,106	**1,112,165**	1,963,274
Maximum exposure to credit risk	**2,575,936**	2,788,640	**1,111,402**	1,948,983

(a) The deposits are repayable with seven days notice, without loss of interest earned. The effective interest rate on short-term bank deposits was 1.35% (2011: 1.49%) per annum.

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

	Group As at 31 December		Company As at 31 December	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Renminbi	**2,572,744**	2,804,546	**1,108,157**	1,959,714
US dollar	**2,536**	2,089	**2,536**	2,089
HK dollar	**1,472**	1,471	**1,472**	1,471
	2,576,752	2,808,106	**1,112,165**	1,963,274

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 2011 *RMB'000*	Movement *RMB'000*	**As at 31 December 2012** ***RMB'000***
Registered, issued and fully paid			
Liquid shares subject to sales restrictions			
150,000,000 (2011: 150,000,000) shares of RMB1 each held by state owned legal person	150,000	—	**150,000**
Listed shares			
2,510,000,000 (2011: 2,510,000,000) shares of RMB1 each listed in the Mainland (A shares)	2,510,000	—	**2,510,000**
707,020,000 (2011: 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 2012, 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 — 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 2012	**3,420,976**	**578,178**	**161,468**	**4,160,622**	**6,421,835**
Profit for the year	—	—	—	—	**970,008**
2011 final dividends	—	—	—	—	**(101,011)**
Transfer from retained earnings	—	**35,622**	—	**35,622**	**(35,622)**
At 31 December 2012	**3,420,976**	**613,800**	**161,468**	**4,196,244**	**7,255,210**

	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	24	—	—	24	—
Transfer from retained earnings	—	48,028	—	48,028	(48,028)
Others	42,627	—	—	42,627	—
At 31 December 2011	3,420,976	578,178	161,468	4,160,622	6,421,835

20. RESERVES — GROUP AND COMPANY (CONTINUED)

Company

	Capital reserve RMB'000	Statutory reserve fund RMB'000	Discretionary reserve fund RMB'000	Subtotal RMB'000	Retained earnings RMB'000
		Other reserves			
At 1 January 2012	**3,490,025**	**517,838**	**163,663**	**4,171,526**	**4,000,459**
Profit for the year	—	—	—	—	564,136
2011 final dividends	—	—	—	—	(101,011)
Transfer from retained earnings	—	35,622	—	35,622	(35,622)
At 31 December 2012	**3,490,025**	**553,460**	**163,663**	**4,207,148**	**4,427,962**

	Capital reserve RMB'000	Statutory reserve fund RMB'000	Discretionary reserve fund RMB'000	Subtotal RMB'000	Retained earnings RMB'000
		Other reserves			
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

(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 2012 and 2011.

21. TRADE AND OTHER PAYABLES — GROUP AND COMPANY

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Advances from customers *(Note a)*	**3,983,169**	3,664,701	**1,026,020**	1,109,321
Trade payables	**972,157**	909,524	**412,325**	586,675
Dividends payable to non-controlling interests of a subsidiary	**1,162**	1,162	**—**	—
Accrued construction costs	**1,508,568**	1,849,136	**845,079**	857,759
Amount due to BNSIGC *(Note 36) (Note b)*	**20,332**	5,163	**—**	—
Accrued interest	**115,072**	115,295	**115,072**	115,295
Amount due to subsidiaries	**—**	—	**1,500,006**	865,036
Other payables	**700,555**	673,904	**528,434**	585,357
	7,301,015	7,218,885	**4,426,936**	4,119,443

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

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0–180 days	**586,365**	374,233	**186,259**	261,449
181–365 days	**48,348**	118,635	**44,460**	43,579
Over 365 days	**337,444**	416,656	**181,606**	281,647
	972,157	909,524	**412,325**	586,675

22. CURRENT INCOME TAX LIABILITIES — GROUP AND COMPANY

	Group As at 31 December		Company As at 31 December	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Income tax payable	**81,225**	32,037	**11,800**	—
Land appreciation tax payable	**324,390**	250,710	**247,170**	187,983
	405,615	282,747	**258,970**	187,983

23. BORROWINGS — GROUP AND COMPANY

	Group and Company As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Non-current		
Long term borrowings		
— Secured bank borrowings *(a)*	**4,386,337**	4,665,305
— Unsecured bank borrowings	**1,000,000**	1,970,000
— Other borrowings *(i)*	**1,800,000**	800,000
— 10 year bonds *(b)*	**1,491,822**	1,489,637
— 5 year bonds *(c)*	**1,695,139**	1,687,851
	10,373,298	10,612,793
Less: current portion of long term borrowings	**(3,117,889)**	(1,579,000)
	7,255,409	9,033,793
Current		
Short term bank borrowings		
— Unsecured short term borrowings	**1,200,000**	700,000
— Current portion of long term borrowings	**3,117,889**	1,579,000
	4,317,889	2,279,000
Total borrowings	**11,573,298**	11,312,793

23. BORROWINGS — GROUP AND COMPANY (CONTINUED)

(i) Other borrowings

	Group and Company As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Entrust loans from BNSIGC *(Note 36)*	**1,000,000**	800,000
Loan from a trust company *(d)*	**800,000**	—
	1,800,000	800,000

(a) As at 31 December 2012, long term bank borrowings of RMB 4,386,337,000 (2011: RMB 4,665,305,000) 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 RMB 1,478,980,000 (net of issuance costs of RMB 21,020,000) and were raised as part of the consideration for the construction of National Convention Centre. The bond carries a fixed annual interest rate of 4.1%, the interest of which would be paid annually and the principal is fully repayable on 29 May 2016.

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

(c) On 18 July 2008, the Company issued bonds with an aggregate principal amount of RMB 1,700,000,000 and a maturity period of 5 years ("5 year bonds"). The net proceeds were RMB 1,667,510,000 (net of issuance costs of RMB 32,490,000) and were raised as repayment of bank loans for the amount of RMB 800,000,000 and the remaining amount is used for operating. The bond carries a fixed annual interest rate of 8.2%, the interest of which will be paid annually and the principal is fully repayable on 18 July 2013. The bond holders have the right to re-sell all or part of the bond at its face value to the Company on 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.

(d) Such loans bear interests rate of 12.5% per annum, and are repayable after 24 months from the inception date of the loan, and are guaranteed by BNSIGC (Note 36)

23. BORROWINGS — GROUP AND COMPANY (CONTINUED)

(e) The Group's bank borrowings mature until 2021 and bonds mature until 2016. At 31 December 2012, the Group's borrowings were repayable as follows:

	Group and Company					
	Bank borrowings As at 31 December		Other borrowings As at 31 December		Long term bonds As at 31 December	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Within 1 year	**1,822,749**	2,279,000	**800,000**	—	**1,695,139**	—
Between 1 and 2 years	**1,433,542**	915,428	**1,000,000**	800,000	**—**	1,687,851
Between 2 and 5 years	**2,398,796**	2,190,877	**—**	—	**1,491,822**	1,489,637
Over 5 years	**931,250**	1,950,000	**—**	—	**—**	—
	6,586,337	7,335,305	**1,800,000**	800,000	**3,186,961**	3,177,488

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

	Group and Company As at 31 December	
	2012	2011
Bank and other borrowings	**7.10%**	6.37%
10 year bonds	**4.28%**	4.28%
5 year bonds	**8.69%**	8.69%

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

	Group and Company As at 31 December	
	2012 RMB'000	2011 RMB'000
At floating rates:		
— expiring within one year	**—**	—
— expiring between two and five years	**836,663**	699,374

23. BORROWINGS — GROUP AND COMPANY (CONTINUED)

(h) 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	
	2012	2011
	RMB'000	*RMB'000*
6 months or less	**4,462,711**	4,102,000
6-12 months	**5,618,765**	4,033,305
1-5 years	**1,491,822**	3,177,488
	11,573,298	11,312,793

(i) 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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-current bank borrowings	**5,763,587**	5,856,305	**5,763,587**	5,856,305
10 year bonds	**1,491,822**	1,489,637	**1,356,241**	1,327,330
5 year bonds	**—**	1,687,851	**—**	1,731,790
	7,255,409	9,033,793	**7,119,828**	8,915,425

The fair values of 10 years bonds are based on cash flows discounted using rates based on the borrowing rate of 6.4% (2011: 6.9%).

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.

(j) 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	
	2012	2011	**2012**	2011
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Deferred tax assets:				
— To be recovered after more than 12 months	**2,640**	16,103	**390**	390
— To be recovered within 12 months	**38,671**	33,520	**15,922**	11,035
	41,311	49,623	**16,312**	11,425
Deferred tax liabilities:				
— To be settled after more than 12 months	**(1,569,659)**	(1,457,452)	**(877,136)**	(807,830)
Deferred tax liabilities-net	**(1,528,348)**	(1,407,829)	**(860,824)**	(796,405)

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

	Group Year ended 31 December		Company Year ended 31 December	
	2012	2011	**2012**	2011
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
At 1 January 2012	**(1,407,829)**	(1,160,180)	**(796,405)**	(742,874)
Recognised in the income statement *(Note 29)*	**(120,519)**	(233,440)	**(64,419)**	(53,531)
Recognised in other reserve *(Note 20)*	**—**	(14,209)	**—**	—
At 31 December 2012	**(1,528,348)**	(1,407,829)	**(860,824)**	(796,405)

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:

Deferred tax liabilities:	Group Investment properties revaluation RMB'000	Tax depreciation allowances RMB'000	Total RMB'000
At 1 January 2011	(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)**
Recognised in the income statement	**(67,219)**	**(44,988)**	**(112,207)**
At 31 December 2012	**(1,169,988)**	**(399,671)**	**(1,569,659)**

Deferred tax assets:	Provisions RMB'000	Deductible loss RMB'000	Accrued expense and others RMB'000	Total RMB'000
At 1 January 2011	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**
(Credited)/recognised in the income statement	**(211)**	**(12,149)**	**4,048**	**(8,312)**
At 31 December 2012	**3,306**	**17,316**	**20,689**	**41,311**

24. DEFERRED INCOME TAX — GROUP AND COMPANY (CONTINUED)

Deferred tax liabilities:	Company Investment properties revaluation *RMB'000*	Tax depreciation allowances *RMB'000*	Total *RMB'000*
At 1 January 2011	(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)**
Recognised in the income statement	**(24,414)**	**(44,892)**	**(69,306)**
At 31 December 2012	**(522,151)**	**(354,985)**	**(877,136)**

Deferred tax assets:	Provisions *RMB'000*	Accrued expense *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2011	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**
(Credited)/recognised in the income statement	**(211)**	**5,098**	**—**	**4,887**
At 31 December 2012	**3,306**	**12,616**	**390**	**16,312**

(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 RMB 212,000 (2011: 407,000) in respect of losses amounting to RMB 848,000 (2011: 1,626,000) that can be carried forward against future taxable income; these tax losses will expire in the period from 2013 to 2017 as follows:

Year ended 31 December 2013 *RMB'000*	2014 *RMB'000*	2015 *RMB'000*	2016 *RMB'000*	2017 *RMB'000*	Total *RMB'000*
80	76	66	474	152	848

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	
	2012	2011
	RMB'000	*RMB'000*
Depreciation *(Note 8)*	**157,377**	140,776
Amortisation	**32**	32
Provision of impairment for receivables *(Note 16)*	**17**	136
Employee benefit expense *(Note 27)*	**500,976**	434,964
Advertising costs	**41,661**	35,986
Cost of properties sold		
— Land use rights	**663,070**	53,262
— Finance cost capitalised in cost of properties	**125,151**	29,859
— Development costs	**1,240,797**	781,904
Cost of goods for resale	**219,580**	237,596
Cost of consumables used	**168,594**	166,470
Business tax	**268,817**	187,827
Other taxation	**127,581**	102,993
Office and consumption expenses	**199,204**	175,246
Energy expenses	**110,444**	110,068
Consulting and service expenses	**178,348**	94,602
Repair and maintenance expenses	**93,344**	67,665
Operating leases	**26,851**	27,726
Auditor's remuneration	**7,500**	9,470
Others	**72,053**	56,706
Total cost of sales, selling and marketing expenses and administrative expenses	**4,201,397**	2,713,288

26. OTHER LOSSES — NET

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment	**(5,687)**	(982)
Donation	**(1,076)**	(231)
Government Grants	**2,550**	—
Others	**1,092**	519
	(3,121)	(694)

27. EMPLOYEE BENEFIT EXPENSE

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Wages and salaries	**373,609**	327,691
Social security costs	**110,006**	94,587
Retirement benefit costs — defined contribution plans	**63,642**	53,680
Termination and other benefits	**—**	—
	547,257	475,958
Less: capitalised in properties under development	**(46,281)**	(40,994)
	500,976	434,964

(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% (2011: 20%) of the employees' basic salary for the year ended 31 December 2012.

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 2012 (2011: Nil) to reduce future contributions.

Contribution totaling RMB 9,856,000 (2011: RMB 8,481,000) were payable to the fund at the year end.

27. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(b) Directors, supervisors and senior management's emoluments

The remuneration of every director and supervisor for the year ended 31 December 2012 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	—	503	44	547
Ms. Zhao Hui Zhi	—	421	44	465
Mr. Li Chang Li	—	359	40	399
Mr. He Wen Yu (i)	—	347	44	391
Mr Zeng Jing	—	1,048	44	1,092
Mr. Liu Jian Ping	—	317	44	361
Mr. Long Tao	86	—	—	86
Mr. Huang Yi Zhong	86	—	—	86
Mr. Gan Pei Zhong	86	—	—	86
	258	2,995	260	3,513

Name of Supervisor	Fees	Salary	Employer's contribution to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Liu Yi	—	—	—	—
Mr. Li Guo Rui	—	311	44	355
Mr. Xue Jian Ming	—	—	—	—
Mr. Liu Yao Zhong	—	290	44	334
Mr. Zhang Wei Yan	—	321	44	365
Mr. He Wen Yu (i)	—	347	44	391
Mr. Li Ji Shu	—	351	44	395
	—	1,620	220	1,840

(i) Mr. He Wen Yu resigned from supervisor of the Company on May 31, 2012, and was appointed as board director of the Company on July 30, 2012.

27. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(b) Directors, supervisors and senior management's emoluments *(Continued)*

The remuneration of every director and supervisor 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

Name of Supervisor	Fees	Salary	Employer's contribution to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. He Wen Yu	—	—	—	—
Mr. Chen Yuan Chao	—	—	—	—
Mr. Li Ji Shu	—	—	—	—
Mr. Liu Yao Zhong	—	—	—	—
	—	—	—	—

For the years ended 31 December 2011 and 2012, Ms. ZHAO Hui Zhi, the General Manager of the Company, also serves as the Company's board director. Her emoluments have been included and disclosed in directors' emoluments.

In addition to the emoluments disclosed above, certain directors and supervisors of the Company receive emoluments from BNSIGC, amounting to RMB 660,000 (2011: RMB 3,852,000), 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 two (2011: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2011: four) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Basic salaries and other allowances	**1,604**	2,672
Employer's contribution to retirement benefit scheme	**131**	160
	1,735	2,832

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2012	2011
Emolument bands		
RMB nil — RMB 810,900 (equivalent to HK$ Nil — HK$1,000,000)	**3**	3
Over RMB 810,901 — RMB 1,216,350 (equivalent to HK$ 1,000,000 — HK$1,500,000)	**—**	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	
	2012	2011
	RMB'000	*RMB'000*
Interest expense:		
— bank and other borrowings wholly repayable within five years	**(560,193)**	(277,828)
— bank borrowings wholly repayable over five years	**(51,541)**	(190,088)
— bond wholly repayable within five years	**(210,372)**	(209,700)
	(822,106)	(677,616)
Less: amounts capitalised in properties under development at a capitalisation rate of 6.72% (2011: of 6.40%)per annum	**439,389**	352,480
Finance costs	**(382,717)**	(325,136)
Bank charges and others	**(13,066)**	(15,246)
Finance income — Interest income on short-term bank deposits	**23,472**	28,400
Net finance costs	**(372,311)**	(311,982)

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% (2011: 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	
	2012	2011
	RMB'000	*RMB'000*
Current income tax		
— PRC enterprise income tax	**204,955**	175,384
— PRC land appreciation tax	**150,991**	100,405
Deferred income tax *(Note 24)*	**120,519**	233,440
	476,465	509,229

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Profit before income tax	**1,422,649**	1,703,876
Add: share of loss from an associate and a jointly controlled entity *(Note 10)*	**1,721**	6,592
	1,424,370	1,710,468
Tax calculated at the statutory tax rate of 25% (2011: 25%)	**356,093**	427,617
Expenses not deductible for tax purposes	**6,660**	2,550
Tax losses not recognized	**38**	121
Utilisation of previous unrecognised tax losses	**(56)**	—
Effect of higher tax rate for the appreciation of land in the PRC	**113,243**	75,304
Reversal of deferred tax which could not be realised	**487**	3,637
Income tax expenses	**476,465**	509,229

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 RMB 356,217,000 (2011: 480,284,000), 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 2012 and 2011.

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

32. DIVIDEND

The dividends paid in 2012 is RMB 101,011,000 (2011: RMB 67,340,000). Proposed dividends of 2012 and 2011 were as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
2012 proposed RMB 0.06 per share final dividend (2011: RMB 0.03 per share)	**202,021**	101,011

33. CASH USED IN OPERATIONS

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Profit before income tax	**1,422,649**	1,703,876
Adjustments for:		
— Provision of impairment for receivables *(Note 16)*	**17**	136
— Depreciation *(Note 8)*	**157,377**	140,776
— Amortisation	**32**	32
— Fair value gain on investment properties *(Note 7)*	**(265,295)**	(767,499)
— loss on disposal of investment properties and property, plant and equipment *(a)*	**5,687**	982
— Interest income *(Note 28)*	**(23,472)**	(28,400)
— Interest expense *(Note 28)*	**382,717**	325,136
— Share of loss of an associate and a jointly controlled entity *(Note 10)*	**1,721**	6,592
Operating profit before working capital changes	**1,681,433**	1,381,631
Changes in working capital:		
— Increase in restricted bank deposits	**(207,806)**	(30,297)
— Decrease /(Increase) in inventories	**23,149**	(3,258)
— Increase in properties under development and completed properties held for sale	**(1,164,633)**	(2,377,735)
— Increase in trade and other receivables	**(37,832)**	(113,343)
— Decrease in long term payables	**(921)**	(970)
— Increase in trade and other payables	**386,505**	1,570,640
Cash generated from operations	**679,895**	426,668

33. CASH USED IN OPERATIONS *(CONTINUED)*

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Net book amount *(Note 7) (Note 8)*	**9,339**	1,161
Loss on disposal *(Note 26)*	**(5,687)**	(982)
Proceeds from disposal	**3,652**	179

(b) Non cash transactions

Nil dividend payables due to the minority interest has been settled with the receivables due from the same counterparty (2011: RMB 80,191,000).

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 614,940,000 as at 31 December 2012 (2011: RMB 1,403,421,000).

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	
	2012	2011	**2012**	2011
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Investment property and property, plant and equipment				
Authorised but not contracted for	**—**	92,744	**—**	—

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

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	**2012**	2011
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Properties under development				
Contracted but not provided for	**2,506,938**	3,721,812	**362,914**	260,573
Authorised but not contracted for	**6,100,090**	1,840,867	**218,181**	435,724
	8,607,028	5,562,679	**581,095**	696,297

35. COMMITMENTS *(CONTINUED)*

(c) At 31 December 2012 and 31 December 2011, the Group had future aggregate minimum rental receivables and payables under non-cancellable operating leases as leasor and lease respectively as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	**2012**	2011
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
As leasor:				
Rental receivables in respect of investment properties				
Not later than one year	**615,688**	577,326	**611,088**	575,362
Later than one year and not later than five years	**876,480**	1,048,026	**871,480**	1,047,267
Later than five years	**499,613**	574,794	**499,613**	574,794
	1,991,781	2,200,146	**1,982,181**	2,197,423
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**	57,036	**57,036**	57,036
Later than five years	**285,182**	299,441	**285,182**	299,441
	357,647	371,906	**356,477**	370,736

36. 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 2012 and 2011, 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	
	2012	2011
	RMB'000	*RMB'000*
Electricity and Others	—	248
Rental	**13,593**	25,968
	13,593	26,216

The Company entered into certain lease agreements ("the agreements") with BNSIGC on 25 January 2011 and 1 February 2011 respectively. Starting from 1 January 2012, the agreements was early terminated, for which BNSIGC ceased to rent the properties of the Company as its office. Accordingly, the Company no longer provides any rental or related services to BNSIGC.

36. RELATED-PARTY TRANSACTIONS (CONTINUED)

(ii) Purchases of goods and services

	Group Year ended 31 December 2012 RMB'000	 2011 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 Year ended 31 December		Company Year ended 31 December	
	2012 ***RMB'000***	2011 *RMB'000*	**2012** ***RMB'000***	2011 *RMB'000*
At 1 January	**801,404**	—	**801,404**	—
Proceeds from entrust loans	**200,000**	800,000	**200,000**	800,000
Repayments of entrust loans	**—**	—	**—**	—
Interest accrued	**60,400**	10,899	**60,400**	10,899
Interest paid	**(59,841)**	(9,495)	**(59,841)**	(9,495)
At 31 December	**1,001,963**	801,404	**1,001,963**	801,404

During the years ended 31 December 2011 and 2012, the Group obtained unsecured borrowings from BNSIGC, including: RMB 400,000,000 with the borrowing period from 26 September 2011 to 25 September 2013 and the interest rate similar to national benchmark interest rate; RMB 200,000,000 from 27 September 2011 to 26 September 2013 and interest rate similar to national benchmark interest rate; RMB 200,000,000 from 27 November 2011 to 26 November 2013 and interest rate similar to national benchmark interest rate; RMB 150,000,000 from 29 May 2012 to 28 May 2014 and interest rate similar to national benchmark interest rate; RMB 50,000,000 from 27 July 2012 to 26 July 2014 and interest rate similar to national benchmark interest rate.

36. 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	
	2012	2011	**2012**	2011
	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	**20,332**	5,163	**—**	—
Entrust loans from related parties				
BNSIGC	**1,000,000**	800,000	**1,000,000**	800,000
Interest payable of entrust loans from related parties				
BNSIGC	**1,963**	1,404	**1,963**	1,404

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

At 31 December 2012, there were no provisions for impairment of receivables from related parties (2011: Nil) and there were no provisions for impairment of receivables from related parties charged to income statement for the year ended 31 December 2012 (2011: Nil).

36. RELATED-PARTY TRANSACTIONS (CONTINUED)

(v) Key management compensation

	Group Year ended 31 December	
	2012 *RMB'000*	2011 *RMB'000*
Salaries and other short-term employee benefits	10,321	6,834
Post-employment benefit	1,003	519
	11,324	7,353

(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.

Pursuant to an agreement signed by BNSIGC, BNSIGC provides joint liability counter — guarantee for the loans from the trust company.

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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	120,100	Residential, commercial (completed)	100%
2 Beichen • Xianglu (Hot Spring Project)	Wen Quan Town, Hai Dian District, Beijing	190,500	Residential (completed)	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	15,000	Villa, apartment (under construction)	50.4%
2 Changhe Yushu Garden Villas	Xiao Tang Shang Town, Chang Ping District, Beijing	168,400	Residential (under construction)	98.9%
3 Beichen • Fudi (Chang Ying Project)	Chang Ying Xiang, Chao Yang District, Beijing	104,700	Residential, commercial (under construction)	100%
4 Shunyi Mapo Project	Mapo Town, Shunyi District, Beijing	213,000	Residential (under construction)	100%
5 Beichen Delta Project	Kaifu District, Changsha, Hunan Province	4,656,700	Residential, commercial office and hotel (under construction)	100%

INVESTMENT PROPERTIES AND HOTELS *(NOTE 1)*

	Name	Location	Gross floor area *(sq. m.)*	Type of property	Interest attributable to the Group
1	Beijing Continental Grand Hotel	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	42,613	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	61,867	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%
2	Beichen Shopping Centre (Beiyuan Store (北苑店))	A13 Beiyuan Road, Beijing	65,000	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 2012 (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 2012

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 20 March 2013, proposed that the appropriation of profit of the Company for the year of 2012 be as follows:

I. 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.

II. A final dividend of RMB0.06 per share in cash (Note) is proposed to be paid to the shareholders whose names appear on the register of shareholders on Wednesday, 19 June 2013. If the proposal is approved by the shareholders at the 2012 annual general meeting, the final dividend is expected to be paid on or before Wednesday, 31 July 2013. Further announcement will be made as to the exact form of payment.

III. This proposal is subject to the approval by the shareholders at the 2012 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 obliged 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 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 their dividends entitled 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
Enquiry unit for Company information disclosure:	Secretariat of the Board

COMPANY INFORMATION ENQUIRY

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

REGISTRATION

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

Corporate Information (Continued)

AUDITORS

PRC auditor:	PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Address:	11th Floor, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Luwan District, Shanghai, the PRC
Postal code:	200021
Telephone:	(8621) 6123 8888
Fax:	(8621) 6123 8800
International auditor:	PricewaterhouseCoopers
Address:	22/F, Prince's Building, Central, Hong Kong
Telephone:	(852) 2289 8888
Fax:	(852) 2810 9888

LEGAL ADVISERS

PRC lawyer:	Beijing Da Cheng Solicitors Office
Address:	12-15/F, Guohua Plaza, 3 Dongzhimennan Avenue, Dongcheng District, Beijing, the PRC
Postal code:	100007
Telephone:	(8610) 5813 7799
Fax:	(8610) 5813 7788
Hong Kong lawyer:	Woo, Kwan, Lee & Lo
Address:	26/F, Jardine House, 1 Connaught Place, Central, Hong Kong
Telephone:	(852) 2847 7999
Fax:	(852) 2845 9225