北京北辰實業股份有限公司

BEIJING NORTH STAR COMPANY LIMITED

(A sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 588)

2013 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Beijing North Star Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 as set out below:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Revenue	2	**5,504,991**	5,735,904
Cost of sales	3	**(2,981,734)**	(3,315,177)
Gross profit		**2,523,257**	2,420,727
Selling and marketing expenses	3	**(252,542)**	(272,220)
Administrative expenses	3	**(633,213)**	(614,000)
Fair value gains on investment properties		**9,737**	265,295
Other gains/(losses) - net		**12,663**	(3,121)
Operating profit		**1,659,902**	1,796,681
Finance income	4	**36,886**	23,472
Finance costs	4	**(340,767)**	(395,783)
Finance costs - net	4	**(303,881)**	(372,311)
Share of loss of an associate and a joint venture		**(712)**	(1,721)
Profit before income tax		**1,355,309**	1,422,649
Income tax expenses	5	**(523,224)**	(476,465)
Profit for the year		**832,085**	946,184
Profit attributable to:			
Equity holders of the Company		**799,535**	970,008
Non-controlling interests		**32,550**	(23,824)
		832,085	946,184
Earnings per share attributable to the equity holders of the Company during the year (basic and diluted) *(expressed in RMB cents per share)*	6	**23.75**	28.81

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit for the year	**832,085**	946,184
Other comprehensive income	**—**	—
Total comprehensive income for the year	**832,085**	946,184
Attributable to:		
Equity holders of the Company	**799,535**	970,008
Non-controlling interests	**32,550**	(23,824)
	832,085	946,184

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2013** *RMB'000*	2012 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**1,011**	1,043
Investment properties		**11,339,000**	11,238,200
Property, plant and equipment		**2,074,920**	2,165,326
Interest in an associate and a joint venture		**6,567**	7,279
Deferred income tax assets		**24,574**	41,311
		13,446,072	13,453,159
Current assets			
Properties under development		**18,287,947**	15,333,378
Completed properties held for sale		**2,199,453**	3,464,188
Other Inventories		**77,742**	99,411
Trade and other receivables	8	**1,116,789**	556,451
Restricted bank deposits		**237,703**	279,121
Cash and cash equivalents		**3,196,257**	2,576,752
		25,115,891	22,309,301
Total assets		**38,561,963**	35,762,460

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**3,367,020**	3,367,020
Other reserves		**4,231,264**	4,196,244
Retained earnings			
— Proposed final dividend		**202,021**	202,021
— Others		**7,615,822**	7,053,189
		15,416,127	14,818,474
Non-controlling interests in equity		**78,240**	86,654
Total equity		**15,494,367**	14,905,128
LIABILITIES			
Non-current liabilities			
Long term borrowings		**9,504,430**	7,255,409
Long term payables		**6,935**	7,745
Deferred income tax liabilities		**1,614,659**	1,569,659
		11,126,024	8,832,813

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
Current liabilities			
Trade and other payables	9	**8,091,774**	7,301,015
Current income tax liabilities		**429,623**	405,615
Current portion of long term borrowings		**2,170,175**	3,117,889
Short term borrowings		**1,250,000**	1,200,000
		11,941,572	12,024,519
Total liabilities		**23,067,596**	20,857,332
Total equity and liabilities		**38,561,963**	35,762,460
Net current assets		**13,174,319**	10,284,782
Total assets less current liabilities		**26,620,391**	23,737,941

Notes:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND 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.

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

- Amendment to 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).

- 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.

- HKFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

- HKFRS 12, ‘Disclosures of interests in other entities’ includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

- 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, which are largely aligned between HKFRSs and the US GAAP, 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.

(b) New and amended standards, and interpretations mandatory for the financial year beginning 1 January 2013 but not currently relevant to the Group (although they may effect the accounting for future transactions and events)

- HKAS 19, ‘Employee benefits’

- Amendment to HKFRS 7, ‘Financial instruments: Disclosures’

(c) New and amended standards relevant to the Group that have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- HKFRS 9, ‘Financial instruments’

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. SEGMENT INFORMATION

Management has determined the operating segments based on the internal reports reviewed by the Board, being the major body in making operation decisions, for assessing the operating performance and resources allocation.

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 the sales of developed properties; commercial properties are the segment which involves the operation of retail business in supermarkets and shopping centers; and investment properties and hotels are the segment which involves the operation of rental apartment, office building, conference center, and hotels.

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

The Board 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 is measured in a manner consistent with that in the financial statements.

Total assets mainly exclude deferred tax assets, corporate cash and entrust loans granted, which are managed on a centralised 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 centralised basis. These are part of the reconciliation to total balance sheet liabilities.

Turnover consists of sales from development properties, commercial properties and investment properties and hotels segments. Revenues recognised during the years ended 31 December 2013 and 31 December 2012 are as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Revenue		
Development properties	**2,957,761**	3,205,908
Commercial properties	**348,180**	379,836
Investment properties and hotels	**2,084,858**	2,038,593
	5,390,799	5,624,337
All other segments	**114,192**	111,567
	5,504,991	5,735,904

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 for the reportable segments for the year ended 31 December 2013 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	**2,957,761**	**348,180**	**2,096,085**	**160,286**	**5,562,312**
Inter-segment revenues	**—**	**—**	**(11,227)**	**(46,094)**	**(57,321)**
Revenues (from external customers)	**2,957,761**	**348,180**	**2,084,858**	**114,192**	**5,504,991**
Profit before income tax	**675,306**	**8,757**	**656,698**	**(10,976)**	**1,329,785**
Depreciation and amortisation	**3,319**	**39,889**	**269,736**	**6,109**	**319,053**
Finance income	**9,196**	**1,106**	**3,235**	**2,295**	**15,832**
Finance costs	**—**	**—**	**—**	**—**	**—**
Share of loss from an associate and a joint venture	**—**	**—**	**—**	**—**	**—**
Adjusted income tax expenses	**412,907**	**2,194**	**164,242**	**(2,418)**	**576,925**

The segment information 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 joint venture	—	—	—	—	—
Adjusted income tax expenses	323,687	1,900	150,976	(2,170)	474,393

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 is measured in a manner consistent with that in the consolidated income statement.

The segment information as at 31 December 2013 and 31 December 2012 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*
As at 31 December 2013					
Total assets	**22,745,801**	**1,104,142**	**5,923,163**	**74,727**	**29,847,833**
Total assets include:					
Interest in an associate and a joint venture	**—**	**—**	**—**	**—**	**—**
Additions to non-current assets (other than deferred tax assets)	**3,153**	**50,648**	**108,120**	**4,368**	**166,289**
Total liabilities	**15,068,807**	**246,335**	**3,990,575**	**184,718**	**19,490,435**
As at 31 December 2012					
Total assets	20,969,332	1,111,754	6,282,492	85,198	28,448,776
Total assets include:					
Interest in an associate and a joint venture	—	—	—	—	—
Additions to non-current assets (other than deferred tax assets)	2,223	2,178	39,187	2,790	46,378
Total liabilities	12,486,991	280,870	4,226,046	196,830	17,190,737

The amounts provided to the Board 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 assets.

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

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit before income tax for reportable segments	**1,329,785**	1,273,841
Corporate overheads	**(89,796)**	(76,294)
Corporate finance costs	**(328,619)**	(382,717)
Corporate finance income	**21,054**	9,723
Gain on disposal of subsidiaries	**388**	—
Share of loss from an associate and a joint venture	**(712)**	(1,721)
Fair value gains on investment properties	**9,737**	265,295
Reversal of depreciation of investment properties	**166,681**	179,951
Land appreciation tax	**243,211**	150,991
Others	**3,580**	3,580
Profit before income tax	**1,355,309**	1,422,649

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

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Total segments' assets	**29,847,833**	28,448,776
Deferred income tax assets	**24,574**	41,311
Corporate cash	**1,674,358**	986,461
Interest in an associate and a joint venture	**6,567**	7,279
Entrust loan granted	**550,000**	—
Aggregated fair value gains on investment properties	**5,140,440**	5,130,703
Reversal of accumulated depreciation of investment properties	**1,329,864**	1,163,183
Others	**(11,673)**	(15,253)
Total assets per balance sheet	**38,561,963**	35,762,460
Total segments' liabilities	**19,490,435**	17,190,737
Deferred income tax liabilities	**1,614,659**	1,569,659
Corporate borrowings	**1,755,750**	1,894,855
Other corporate liabilities	**206,752**	202,081
Total liabilities per balance sheet	**23,067,596**	20,857,332

The reconciliation of the Group's depreciation and amortisation for reportable segments and corresponding amount per disclosure for property, plant and equipment and land use rights are mainly reversal of depreciation of investment properties and other related adjustments amounting to RMB166,649,000 (2012: RMB179,919,000). The Company and its subsidiaries were incorporated in the People's Republic of China (the "PRC") and all the revenue from external customers of the Group are derived in the PRC for the year ended 31 December 2013 and 2012.

The reconciliation of reportable segments' income tax expenses and total income tax expenses is amounting to RMB53,701,000 (2012: RMB2,072,000), 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 2013 and 31 December 2012, 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 2013 and 2012.

3. EXPENSES BY NATURE

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Depreciation	**153,443**	157,377
Amortisation	**32**	32
Privision of impairment for receivables	**17**	17
Employee benefit expense	**552,949**	500,976
Advertising costs	**45,323**	41,661
Cost of properties sold		
— Land use rights	**515,183**	663,070
— Finance cost capitalised in cost of properties	**105,082**	125,151
— Development costs	**1,098,743**	1,240,797
Cost of goods for resale	**206,396**	219,580
Cost of consumables used	**151,472**	168,594
Business tax	**258,217**	268,817
Other taxation	**122,176**	127,581
Office and consumption expenses	**185,205**	199,204
Energy expenses	**120,252**	110,444
Consulting and service expenses	**166,547**	178,348
Repair and maintenance expenses	**83,677**	93,344
Operating leases	**22,765**	26,851
Auditor's remuneration	**7,350**	7,500
Others	**72,660**	72,053
Total cost of sales, selling and marketing expenses and administrative expenses	**3,867,489**	4,201,397

4. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Interest expense:		
— bank and other borrowings wholly repayable within five years	**(637,037)**	(560,193)
— bank borrowings wholly repayable over five years	**(58,755)**	(51,541)
— bond wholly repayable within five years	**(144,640)**	(210,372)
	(840,432)	(822,106)
Less: amounts capitalised in properties under development at a capitalisation rate of 6.92% (2012: of 6.72%) per annum	**511,813**	439,389
Finance costs	**(328,619)**	(382,717)
Bank charges and others	**(12,148)**	(13,066)
Finance income – Interest income	**36,886**	23,472
Net finance costs	**(303,881)**	(372,311)

5. 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% (2012: 25%).

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current income tax		
— PRC enterprise income tax	**218,276**	204,955
— PRC land appreciation tax	**243,211**	150,991
Deferred income tax	**61,737**	120,519
	523,224	476,465

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit before income tax	**1,355,309**	1,422,649
Add: share of loss of an associate and a joint venture	**712**	1,721
	1,356,021	1,424,370
Tax calculated at the statutory tax rate of 25% (2012: 25%)	**339,005**	356,093
Expenses not deductible for tax purposes	**1,719**	6,660
Tax losses not recognized	**133**	38
Utilisation of previous unrecognised tax losses	**(41)**	(56)
Effect of higher tax rate for the appreciation of land in the PRC	**182,408**	113,243
Reversal of deferred tax which could not be realised	**—**	487
Income tax expenses	**523,224**	476,465

6. 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 2013 and 2012.

	Year ended 31 December	
	2013	2012
Profit attributable to equity holders of the Company *(RMB'000)*	**799,535**	970,008
Number of ordinary shares in issue *(thousands)*	**3,367,020**	3,367,020
Earnings per share (basic and diluted) *(RMB cents per share)*	**23.75**	28.81

7. DIVIDEND

The dividends paid in 2013 is RMB 202,021,000 (2012: RMB 101,011,000) . Proposed dividends of 2013 and 2012 were as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
2013 proposed RMB 0.06 per share final dividend (2012: RMB0.06 per share)	**202,021**	202,021

8. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**52,560**	51,402
Less: provision for impairment of receivables	**(107)**	(90)
Trade receivables – net	**52,453**	51,312
Other receivables	**604,374**	95,346
Less: provision for impairment of receivables	**(12,858)**	(12,858)
Other receivables – net	**591,516**	82,488
Prepaid tax	**365,459**	344,294
Other prepayments	**102,152**	78,357
Notes receivables	**3,781**	—
Interest receivables	**1,428**	—
	1,116,789	556,451

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.

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 2013 and 2012, the ageing analysis of the trade receivables were as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
0 – 30 days	**25,789**	24,691
31 – 90 days	**5,277**	5,592
Over 90 days	**21,494**	21,119
	52,560	51,402

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.

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 2013 and 2012, the ageing analysis of the other receivables were as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
0 – 12 months	**577,107**	52,030
12 – 24 months	**2,629**	6,657
Over 24 months	**24,638**	36,659
	604,374	95,346

9. TRADE AND OTHER PAYABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Advances from customers *(Note a)*	**4,919,312**	3,983,169
Trade payables	**1,108,619**	972,157
Dividends payable to non-controlling interests of a subsidiary	**1,162**	1,162
Accrued construction costs	**1,073,431**	1,508,568
Amount due to Beijing North Star Industrial Group Limited Liabilities Company ("BNSIGC") *(Note b)*	**5,163**	20,332
Accrued interest	**55,205**	115,072
Other payables	**928,882**	700,555
	8,091,774	7,301,015

(a) The balance mainly represents advances received from purchasers of the Group's properties to be delivered in the 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 2013 and 31 December 2012, the ageing analyses of the trade payables (including amounts of trading nature due to related parties) were as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
0 – 180 days	**247,183**	586,365
181 – 365 days	**236,113**	48,348
Over 365 days	**625,323**	337,444
	1,108,619	972,157

Reconciliation of consolidated financial statements

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2013 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**	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As stated in accordance with CAS	**664,535**	633,388	**10,572,150**	10,109,497
Impact of HKFRS adjustments				
1. Reversal of depreciation of investment properties under CAS	**125,011**	134,963	**997,398**	872,387
2. Fair value adjustment of investment properties under HKFRS	**7,303**	198,971	**3,855,328**	3,848,025
3. Difference on revaluation of certain assets upon the reorganisation in 1997	**2,686**	2,686	**(8,749)**	(11,435)
As stated in accordance with HKFRS	**799,535**	970,008	**15,416,127**	14,818,474

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed upon by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. 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 this preliminary results announcement.

RESULTS AND DIVIDEND

The Group's revenue decreased by 4.03% to RMB5,504,991,000. The Group's profit attributable to equity holders for the year ended 31 December 2013 decreased by 17.57% as compared with the same period of last year to RMB799,535,000.

The Board has recommended the payment of a final dividend of RMB0.06 per share (2012: RMB0.06 per share) for the year ended 31 December 2013, totalling RMB202,021,000 to those shareholders whose names appear on the register of shareholders on Thursday, 5 June 2014. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the final dividend is expected to be payable on or before Thursday, 31 July 2014.

CLOSURE OF REGISTER OF SHAREHOLDERS

According to the Law on Corporate Income Tax of the People's Republic of China and the relevant implementing rules which came into effect on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders as appearing on the H share register of shareholders of the Company. Any shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore the dividend payable therein will be subject to the withholding of the corporate income tax.

The register of shareholders of the Company will be closed from Wednesday, 23 April 2014 to Friday, 23 May 2014 (both days inclusive), during which no transfer of the Company's shares will be registered for the purpose of ascertaining the shareholders' entitlement to attend and vote at the 2013 annual general meeting. In order to be eligible to attend and vote at the 2013 annual general meeting, all completed transfer documents relating to H shares, accompanied by the relevant share certificates, must be lodged with the H share registrar of the Company, Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 22 April 2014.

Subject to the approval of the shareholders at the 2013 annual general meeting, the proposed final dividend will be payable to the shareholders whose names appear on the register of shareholders of the Company on Thursday, 5 June 2014. The register of shareholders of the Company will be closed from Thursday, 29 May 2014 to Thursday, 5 June 2014 (both days inclusive), during which no transfer of the Company's shares will be registered for the purpose of ascertaining the shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all completed transfer documents relating to H shares, accompanied by the relevant share certificates, must be lodged with the H share registrar of the Company in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 28 May 2014.

THE BOARD'S DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATION DURING THE REPORTING PERIOD

I. Operating Environment

In 2013, in face of the worsening international economic environment, the Chinese government adhered to the principles of scientific development and the acceleration of the change in economic development mode, with a view to make steady progress and timely strengthened and improved macro control with more importance attached to steady growth. The economic development made steady progress with the GDP growth for the year reaching 7.7%.

1. Development Properties

In 2013, the environment of investment in the domestic real estate market fully rebounded under the continuous release of rigid demand and demand for better housing, among which the markets in the first and second-tier cities were fully recovered. The housing prices in the residential market of major cities generally rose. The transaction volume continued to rebound and both the transaction volume and price in the land market escalated. According to the data of the National Bureau of Statistics (same as below), in 2013, the sales areas of commodity residential units in the domestic housing market increased by 17.5% as compared to the previous year to 1,157,230,000 m^2. Average trading price of commodity residential units increased by 7.7% as compared to the previous year to RMB5,850 per m^2.

Although the increase in transaction volume and price slowed down after the promulgation and implementation of the Five Beijing Property Market Regulation Rules （國五條） in the Beijing property market, the year-on-year decrease in new supply made it difficult to change the situation of over demand. The housing prices continued to rise and the transaction volume and price in the land market hit record high. During the year, sales areas and sales amount of commodity residential units in Beijing decreased by 8.1% and 0.8% as compared to the same period last year to 13,640,000 m^2 and RMB243,500,000,000, respectively. The average trading price was RMB17,854 per m^2, representing a rise of 7.9% as compared to the same period last year.

The property market in Changsha, driven by the release of rigid demand, continued to see a large amount of trading and a steady increase in the selling prices. In addition, along with the rapid growth of the economy output, the office building market in Changsha has been experiencing a high-speed development. The rental market of prime office buildings has been active with its absorption volume reaching record high. In 2013, sales ares and sales amount of commodity residential units in the Changsha property market increased by 19.8% and 23.1% over the same period last year to 16,600,000 m^2 and RMB95,600,000,000, respectively. The average trading price of commodity residential units was RMB5,759 per m^2, representing a rise of 2.8% as compared to the same period in 2012.

2. *Investment Properties (including hotels)*

The segments of investment properties (including hotels) market in Beijing developed in different ways. Among them, the occupancy rate of office buildings declined slightly even though rental fees still stood at a high level under the pressure brought about by the slower growth in macro-economy. The high-grade hotels and catering segment saw a certain degree of decline in the operating results due to the changes in demand. Along with the efforts of Beijing to strengthen its functional position as an “International Communication Centre”, the catalytic effects of convention and exhibition market on the relevant industries became more and more prominent, demonstrating the increasing importance of convention and exhibition economy. The occupancy rate and rental fees of the apartment market continued to rise due to the imbalance between supply and demand attributable to the slowdown in the growth of new projects and the continuously strong demand.

3. Commercial Properties

Owing to the dual factors of numerous projects already existing in the market and new supply gradually entering into the market, it was difficult for the phenomenon of excessive supply over demand to disappear within a short period of time. In addition, the online shopping industry continued to boom. All of these contributed to more intensive competition. In the short run, the traditional retail industry is facing a turning point of transformation and innovation. In the long run, the experimental consumption and the development mode of the two-way interaction of online and offline marketing may become the main focus of commercial development in the future.

II. Review of operations during the reporting period

In 2013, the Company, under the guidance of the three major expansion strategies, namely capital expansion, brand expansion and low-cost expansion, took the initiatives to fit into the changes in the market while seizing development opportunities accurately and adjusting its marketing strategies in a timely manner, through which the operation level was promoted constantly, representing an continuous enhancement in the capability of sustainable development. In addition, during the reporting period, the Company imposed strict control over the costs and expenditure of various items to maintain costs and expenses to be on par with the budget benchmark.

In 2013, the Company recorded an operating revenue of RMB5,504,991,000, representing a year-on-year decrease of 4.03%. Influenced by the relatively significant decrease in the gain on changes in fair value of investment properties as compared with last year, the gain before tax and the profit attributable to equity holders of the Company decreased by 4.73% and 17.57% respectively to RMB1,355,309,000 and RMB799,535,000. However, as the gross profit margin of the settled products in real estate development projects for the period increased as compared with the same period last year, and the operating results of projects such as the office building, National Convention Centre and other projects of the investment properties improved, the core operating results of the Company's principal business after tax (exclusive of the gain on changes in fair value) was RMB792,232,000, representing a year-on-year increase of 2.75%. The gain on changes in fair value of investment properties (after tax) for the period was RMB7,303,000. Earnings per share amounted to RMB0.24, representing a year-on-year decrease of 17.57%.

1. Development Properties

During the reporting period, the Company continuously increased the velocity rate of developing its projects. While the scale of development was unprecedentedly large, the Company adopted targeted marketing strategies to boost the sale of major projects. In respect of the projects in Beijing, North Star Xianglu enhanced its marketing promotion through taking advantage of the residential property market recovery. As a result, it sold 237 units in the whole year, recording contracted sales (including car parks) of RMB821,460,000. Bihai Fangzhou was completed and delivered as scheduled, which vigorously contributed to the achievement of the annual operating target. Changhe Yushu Project and Shunyi Mapo Project commenced full-scale construction, laying the foundation for launching new projects sales to the market when opportunities arise.

Apart from the smooth operation of the projects in Beijing, the development and sales of Changsha North Star Delta Project, the largest urban complex in the PRC, always led its peers in the region. As at the end of 2013, the scale of development of Changsha North Star Delta Project reached 2,570,000 m^2, representing 47% of the total construction area. Development and construction of the project had fully commenced. Yali Middle School (雅禮中學) (branch school) and Qingshuitang Primary School (清水塘小學) (branch school) which are key point schools in Changsha were delivered and put into operation as scheduled. The attraction and cost performance of the project were further enhanced by such great educational resources. During the reporting period, Changsha North Star Delta Project achieved sales areas of 237,000 m^2 with 1,723 units sold in total and contracted sales (including car parks) of RMB2,546 million. The average sales price of residential units was RMB9,060 per m^2 and that of commercial units amounted to RMB31,700 per m^2, among which the project ranked first on the performance ranking list of Changsha's real estate market in terms of residential sales amount.

In 2013, operating revenue of the development properties segment amounted to RMB2,957,761,000 (including car parks), representing a year-on-year decrease of 7.74%. Profit before tax of the development properties segment was RMB675,306,000, representing a year-on-year increase of 0.44%, which was attributable to the year-on-year increase in the gross profit margin of the settled products in the real estate development projects. During the reporting period, in the development properties segment, the Company recorded new areas having commenced construction of 774,000 m^2, area under construction of 2,515,000 m^2 and area completed construction of 512,000 m^2. The development properties segment achieved contracted sales and sales areas of RMB3,805,390,000 (including car parks) and 288,000 m^2, respectively.

2. *Investment Properties (including hotels)*

The Company actively responded to the changes in the market by adjusting its operating measures on a timely basis. It fully capitalised on the advantages of situating at the geographically preferred Asian Games core district and the comprehensive edges in diversified businesses and strong correlation to further develop its potentials, thereby achieving continuous increase in the operating revenue. In 2013, the Company recorded operating revenue from investment properties (including hotels) of RMB2,084,858,000, representing a year-on-year increase of 2.27%. Without taking into account the amortisation of interest expenses, profit before tax amounted to RMB656,698,000, posting a year-on-year growth of 8.74%. In particular, the operational efficiency of North Star Times Tower, North Star Century Centre and National Convention Centre delivered steady growth and recorded a year-on-year increase of RMB58,015,000 in profit before tax, laying a solid foundation for the continuous improvement in the profit of investment properties (including hotels) segment, and these projects also had outstanding performance in their operations.

As the central bodies in the functional areas of North Star Convention and Exhibition, National Convention Centre and Beijing International Convention Centre not only developed a new pattern for the scale development of our convention and exhibition business, but also vigorously supported the brand expansion of North Star Convention and Exhibition. As a leading enterprise and a flagship brand in Beijing and even the whole nation, two convention centres received a total of 1,603 conventions and 91 exhibitions during the reporting period, representing an increase of 182 and 5 as compared to last year respectively. Through operating measures such as market segmentation, differential positioning and characteristic marketing, Beijing International Convention Centre placed emphasis on intensifying the development of new projects and maintained stable operating results. In addition, after signing contracts regarding two trustee administered conference centre projects outside Beijing in 2012, the Company achieved new breakthrough in its branding expansion in 2013. By leveraging its soft strength in technology consultation, it provided advisory and consultancy services for convention centres in Nanchang, Sanya, Wuhan and other places, which not only established a new model of brand output for North Star Convention and Exhibition, but also created a new channel for the exploration and expansion of our service business of innovative light assets.

In respect of office building business, the Company enhanced the business strategy of multi-project co-sale and optimised the marketing philosophy of differential positioning of customers. The prices for contract renewal with existing customers were adjusted scientifically while the introduction of new customers was greatly strengthened. Our projects recorded high occupancy rate and steady increase in rent, both of which were higher than the average level in the Grade A office building market in Beijing, resulting in continuous improvement in operating results.

Proactive response was taken to cope with the changing market in the hotel business. Although the room rates and occupancy rate declined to a certain extent, with increasing efforts in market development, increase in variety of services, feature marketing and promotion with specific targets as well as new growth points, the room rates and occupancy rate of our hotel business still performed better than the average level of five-star and four-star hotel market in Beijing.

Driven by the great demand, the apartment business achieved increase both in the price and occupancy rate through optimising customer structure and increasing the proportion of permanent customers, and thereby recorded a continuous growth in operating results.

3. Commercial Properties

Commercial properties business maintained stable operating results amidst severe competition in the market and the impact of e-commerce by adjusting and enriching commodity structures on a continuous basis as well as intensifying the joint promotion and marketing among different projects.

In 2013, the commercial properties segment recorded an operating revenue of RMB348,180,000, representing a year-on-year decrease of 8.33%. Profit before tax was RMB8,757,000.

4. Financing

In 2013, the major financing channels of the Company included bank loans, credit financing and insurance loan financing. The balance of the above financing channels amounted to RMB10,080,500,000, RMB350,000,000 and RMB1,000,000,000 as at the end of the reporting period. During the reporting period, the capitalised expenditure for borrowings amounted to RMB511,810,000, at a capitalisation ratio of 6.92%, and a weighted average interest rate for borrowings of 6.96%. During the reporting period, apart from the guarantees by the Company in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers according to business practices, there was no other form of external guarantees. During the reporting period, the Company endeavoured to explore and expand financing methods that had multiple channels and were diversified. It successfully launched the loan investment plan of commercial real estate in cooperation with Taikang Asset Management Co., Ltd. (泰康資產管理有限責任公司), which marked the first introduction of funding from the insurance industry of the Company.

5. Overall Strength and Brand Building

In 2013, the Company further boosted its brand value and its influence in the industry through the implementation of the Brand Planning Guideline. The Company has been honoured as the "Leading Brand of China's Integrated Property Industry (中國複合地產專業領先品牌)" for 7 consecutive years 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. This demonstrated that the Company's operating mode and corporate image as a composite property developer integrating property development and sales as well as property ownership and operations had been well acknowledged by the consumers and the society.

In addition, in the "Sixth Annual Beijing Influence （第六屆北京影響力）" jointly organized by BTV and major media, "North Star Convention and Exhibition" won the "Top 10 Most Influential Brands（最具影響力十大品牌）" award. Such award not only made North Star Convention and Exhibition an important window for presenting Beijing to the world during significant business and national activities, but also added impetus to the brand expansion of the Company.

6. Investor Relations

Maintaining and enhancing investor relations is a key component of the Company's strategy of capital operation. The Company has established a wide range of channels for communicating with investors such as the results presentations, field research of domestic and foreign investors, teleconference, the investor relations column on the Company's website and hotlines. In addition, the Company continued to refine the work standards and process in relation to the management of investor relations, actively listened to the recommendations and advice from the investors, which built a good corporate image in the capital market.

7. Environmental Protection Efforts

The Company highly values the synergistic development of the environmental and economic benefits by taking scientific and environmental-protection measures concerning green buildings and facilitating the energy saving and emission reduction. The Company has not only performed its responsibility for the environment and the society, but also achieved harmonious uniformity between the sustainable development of the Company and environmental protection. During the construction of projects, the Company has improved the technique with a lower energy consumption and pollutant emission. The drainage from construction shall be deposited before the discharge so as to prevent the contamination of water due to the sediment. Offices in the A1 Area of Changsha North Star Delta Project have adopted the high-performance heat insulation system with protection structures and high-performance glass curtain wall for the purpose of minimizing the burden of air-conditioning supply. The project was recognized by Hunan Provincial Department of Construction (湖南省建設廳) as the "Green Building Construction Project in Hunan Province (湖南省綠色建築創建項目).

For holding properties, the Company reinforced the energy management in the energy saving and consumption reduction by innovating the techniques and transforming the equipments and facilities. In particular, the comprehensive energy consumption of the Company's investment properties was 1,646 tonnes standard coals lower than the planned target requested by the relevant departments. The energy consumption per unit of output value was 17.3% lower than the planned target requested by the relevant government departments. To improve the management and the use of energy, National Convention Centre has started to replace the original fluorescent lamps and halogen lamps with LED. It is estimated that a total of approximately 672,000 kWh electricity can be saved every year, contributing to the construction of "Green Beijing".

III. Competitions and Development in the Industry

In 2014, with the world economy continuing to grow at a low speed and the downward pressure for the growth of domestic economy becoming greater, China will continue to adhere to the general principle of progressing while maintaining stability. It will deepen the reform of economic system through carrying out reform in all fields and sectors of economic and social development so as to promote innovation and development. It will also accelerate the adjustment of economic structure, especially the change of economic development mode, so as to foster the steady and sound development for the economy based on expanding the domestic demand.

For property development, the property markets tend to differentiate, which will differentiate the level of supervision of the real estate market. In the short run, the curb over the investment and speculation demand in first and second-tier cities will continue. In the middle and long-run, the reform in the land policy, the establishment of long-term mechanism and the introduction of the overall layout of a new type of urbanisation will all become strong support to the coordinated development between regions, the more balanced demand and supply in the market and ultimately the continuous and sound development of the property industry.

For investment properties (including hotels) and commercial properties, although fierce competition and oversupply still exist in some operations, the total number of domestic and international meetings received increases every year due to Beijing's efforts in strengthening its urban functional position as a "Cultural Centre" and an "International Communication Centre", which has not only created a historic opportunity for the fast development of the convention economy and service-based economy in Beijing, but also provided a sound external environment for the Company's business in the investment properties (including hotels). In addition, in order to achieve a quality, efficient and sustainable economic growth, the nation and the government will place the strategic focus on expanding the domestic demand, which will foster effective consumption growth points and enhance the fundamental role of consumption in the economic growth. The said measures will provide a larger market for the development of commercial properties.

IV. The Company's Development Strategies

Amid the complex and ever-changing business environment, the Company will focus on improving its capability of understanding the direction of policies and the prediction of market changes under the new circumstances. It will take a firm grip on opportunities and continue to enhance the implementation and innovative development of the three strategies, being capital expansion, brand expansion and low-cost expansion. It will continue to improve its human resources management and strengthen corporate culture and brand development and continuously add fresh impetus to the development of the enterprise in the spirit of innovation and exploration. With these measures in place, it aims to develop a new layout of North Star's business development and steer a new path for the sustainable development of North Star. In 2013, the Company adhered to the principle of diligence and economy, as well as opposition to extravagance and wasting. It strictly controlled its cost expenses and expenditure, continuously reduced expenses, strengthened budget rigidity and regulated budget execution.

1. Property Development

The Company will thoroughly study the industrial policies and market conditions. Based on the demand of clients and the principle of constructing quality buildings and enhancing gains, it will aspire to speed up the turnover of projects. In addition, the Company will also seek market opportunities to increase its land reserve through ways such as open trading, acquisition, merger and cooperative development. It will strive to study and explore new types of real estate businesses and encourage low-cost expansion of development properties and the continuous improvement of its sustainability. In terms of the projects in Beijing, the Company will capture the opportunities brought about by the market recovery and accelerate the development and construction of projects such as Changhe Yushu and Shunyi Mapo. Through targeted systematic marketing strategies, the Company will make efforts to achieve the continuous boom in sales since the launch of the projects.

Changsha North Star Delta Project as the largest city conglomerate in China, will have an area under construction of 2,320,000 m^2 in 2014, a record high since the commencement of construction. By ensuring that the construction of each team of the project progresses in an orderly manner as planned and that Changsha North Star InterContinental Hotel opens successfully during the year, the Company will improve the cost performance of the project and its attraction to high-end clients and maintain the popular sales of the project and its leading position in the area through leveraging on the optimisation of educational resources, mature business atmosphere and the brand new positioning of "innovative commercial center in Central China".

In 2014, the Company anticipates area commencing construction of 976,800m^2, area under construction of 2,970,600m^2 and completed construction area of 824,800m^2. It will also strive to accomplish sale area of 425,600m^2 and contracted sales of RMB6.385 billion (including car parks).

2. Investment Properties (including hotels)

Beijing will strengthen its urban functional positioning as a "Cultural Centre" and an "International Transaction Centre". Taking this opportunity, the Company will actively respond to the changes in market conditions and adjust its business strategies in a timely manner. Fully tapping into the comprehensive advantages of diversification in businesses and strong co-movement and synergy, the investment properties (including hotels) segment will strive to minimize the influence of amortization of initial expenses for assets renovation and newly-added projects. Moreover, with the rare opportunity of hosting the 2014 APEC, the Company will strive to establish and improve the brand and image of North Star Convention and Exhibition and reinforce its industrial influence. It will also promote its brand expansion and the extension of the industrial chain in a bid to explore and expand the room for the development of innovative light-asset service businesses.

3. Commercial Properties

In respect of commercial properties, the Company will increase its efforts in attracting investments and marketing activities according to the changes in the retail market. It will also strive to enhance its operation capability, comprehensive service capability and asset operating efficiency by adjusting and optimising its product mix.

4. Financing and Capital Expenditure

The Company will accelerate project development, marketing and turnover rate, strengthen the overall management of capital operation, lower the financing cost and raise the efficiency of capital use by taking advantage of the mode of "corporate financing". In addition, in response to the changes in the financial market, the Company will continue to deepen efforts in bringing more innovative modes by drawing upon the advanced experience in the industry and establish diversified financing with various channels. By incorporating the research on new categories of real estate business for purposes such as elderly care and cultural tourism and the study on low-cost expansion, the Company aims to further increase its sustainability.

In 2014, the Company anticipates an investment of RMB280 million in fixed asset investment which will be paid according to the progress of construction. The investment will be financed by the Company's own capital.

V. Risks that the Company May Face

1. Market Risks

The contradictions between the supply and demand in the real estate market are expected to persist in the long run driven by accelerating urbanisation and the bonus effect of the population. What's more, various management initiatives targeting the real estate industry will persist for a sustained period in order to guide and facilitate the sustainable, stable and sound development of the real estate industry which is integral to the national economy, therefore, they will bring certain risks to the overall operation of the real estate projects of the Company.

To address the above risks, the Company will take a flexible approach towards market changes through the research on new categories of real estate for purposes such as elderly care and cultural tourism and the study on low-cost expansion. It will perfect and optimise product structures, innovate the mode of sales and marketing, and further enhance the core competitiveness and sustainability of the Company.

2. Risks with Sales

Real estate development is a systematic project with a long cycle involving many stages and large investment. As a series of regulations such as restrictions on purchase and lending, and the restraints on investment and speculative demand have sustained, the purchasing power and wish of potential customers will be somewhat influenced. In addition, as the operational cycle of real estate projects is relatively long, if the Company cannot correctly pinpoint the changes of consumers' need and make timely responses in areas such as project positioning, planning and designing, it may affect the sales of the products.

In response to the above risks, the Company will stress on the changes of market needs. Guided by consumers' needs, it will enhance the research and development of the products with rigid demand whilst accelerating the turnover of projects to avert the sales risks brought about by market changes.

VI. Analysis of the Company's Sustainable Development Capability

The Company's business 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 5,200,000 m^2 of land reserve which matches the current development capability of the development properties is a prerequisite for the Company's sustainable development. Under the continuous adjustment of the real estate industry, the stable cash flows generated from the ongoing operation of properties held of 1,200,000 m^2 are the strong support for the Company's sustainable development. Its integrated operation mode as a composite property developer, together with the strong risk resistant capability during market fluctuations, provides a foundation for the Company's sustainable development. With continuous improvement of the operation of the additional assets of the investment properties, sustaining hot sales of the Changsha North Star Delta Project, solid progress for the principal business of the Company and the continuous expansion of its scale of operation, the Company's sustainable development capability will be enhanced continuously as well.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2013, the equity attributable to equity holders of the Company increased by 4.03% compared to 31 December 2012. The increase was mainly due to additional profit attributable to equity holders of the Company of RMB799,535,000 during the period.

The Group's bank and other borrowings as at 31 December 2013 amounted to RMB11,430,506,000. Net value of the Group's 10-year corporate bonds was RMB1,494,099,000 as at the end of the year.

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 RMB25,115,891,000, whereas the Group's current liabilities amounted to RMB11,941,572,000. As at 31 December 2013, balances of cash at bank and on hand amounted to RMB3,196,257,000 (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 2013, the Group had secured from banks and Taikang Asset Management Co., Ltd. （泰康資產管理有限責任公司） borrowings of RMB7,830,506,000 with certain investment properties, hotels, properties under development and completed properties held for sale as the collaterals. The gearing ratio for the Group was 59.82% as at the end of the reporting period.

All of 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 during the year.

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.

DESIGNATED DEPOSITS AND DUE FIXED DEPOSITS

As at 31 December 2013, 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 applicable laws and regulations. The Group has not experienced any incidents of not being able to withdraw bank deposits upon maturity.

EMPLOYEES

As at 31 December 2013, the Company had 4,987 employees. The employee remuneration policy of the Company is that the total salary is paid with reference to its economic efficiency. Save for the remuneration policy disclosed above, the Company does not provide any share option scheme for its employees. The Company regularly provides its management 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.

CORPORATE GOVERNANCE CODE

The Company strives to maintain and establish a high level of corporate governance and has fully complied with the codes and provisions as set out in the "Corporate Governance Code" contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has established an audit committee since September 2004. The audit committee comprises three independent non-executive directors, namely Mr. LONG Tao as the Chairman, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung. Their duties include reviewing and supervising the Company's financial reporting process and internal control systems. The audit committee and the management have reviewed the accounting principles and major policies adopted by the Group and have discussed matters on auditing, internal control and financial reporting, as well as reviewing the unaudited interim financial report and the audited annual financial statements of the Group. The audit committee has also reviewed the annual results and draft financial statements of the Group for the year ended 31 December 2013.

By Order of the Board
BEIJING NORTH STAR COMPANY LIMITED
HE Jiang-Chuan
Chairman

Beijing, the PRC, 12 March 2014

At as the date of this announcement, the Board of the Company comprises 9 directors, of which Mr. HE Jiang-Chuan, Mr. LI Chang-Li, Ms. ZHAO Hui-Zhi, Mr. HE Wen-Yu, Mr. LIU Jian-Ping and Mr. ZENG Jin are executive directors and Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung are independent non-executive directors.