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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)

2014 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 (collectively the "**Group**") for the year ended 31 December 2014 as set out below:

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December **2014** ***RMB'000***	2013 *RMB'000*
Revenue	2	**6,233,623**	5,504,991
Cost of sales	3	**(3,467,106)**	(2,981,734)
Gross profit		**2,766,517**	2,523,257
Selling and marketing expenses	3	**(320,018)**	(252,542)
Administrative expenses	3	**(699,399)**	(633,213)
Fair value gains on investment properties		**161,206**	9,737
Other (losses)/gains — net		**(3,862)**	12,663
Operating profit		**1,904,444**	1,659,902
Finance income	4	**42,362**	36,886
Finance costs	4	**(376,767)**	(340,767)
Finance costs — net	4	**(334,405)**	(303,881)
Share of loss of investments accounted for using the equity method		**(669)**	(712)
Profit before income tax		**1,569,370**	1,355,309
Income tax expenses	5	**(733,013)**	(523,224)
Profit for the year		**836,357**	832,085
Profit attributable to:			
Equity holders of the Company		**779,992**	799,535
Non-controlling interests		**56,365**	32,550
		836,357	832,085
Earnings per share attributable to the equity holders of the Company during the year (basic and diluted) *(expressed in RMB cents per share)*	6	**23.17**	23.75

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit for the year	**836,357**	832,085
Other comprehensive income	**—**	—
Total comprehensive income for the year	**836,357**	832,085
Attributable to:		
Equity holders of the Company	**779,992**	799,535
Non-controlling interests	**56,365**	32,550
	836,357	832,085

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**329,122**	1,011
Investment properties		**11,574,900**	11,339,000
Property, plant and equipment		**2,887,656**	2,074,920
Investments accounted for using the equity method		**28,398**	6,567
Deferred income tax assets		**172,932**	24,574
Trade and other receivables	8	**277,500**	—
		15,270,508	13,446,072
Current assets			
Properties under development		**16,100,770**	18,287,947
Completed properties held for sale		**7,774,754**	2,199,453
Other inventories		**78,527**	77,742
Trade and other receivables	8	**940,103**	1,116,789
Restricted bank deposits		**257,157**	237,703
Cash and cash equivalents		**4,052,623**	3,196,257
		29,203,934	25,115,891
Total assets		**44,474,442**	38,561,963

		As at 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**3,367,020**	3,367,020
Other reserves		**4,261,968**	4,231,264
Retained earnings			
— Proposed final dividend	7	**202,021**	202,021
— Others		**8,163,089**	7,615,822
		15,994,098	15,416,127
Non-controlling interests		**172,566**	78,240
Total equity		**16,166,664**	15,494,367
LIABILITIES			
Non-current liabilities			
Long term borrowings		**13,650,224**	9,504,430
Long term payables		**6,186**	6,935
Deferred income tax liabilities		**1,697,714**	1,614,659
		15,354,124	11,126,024

		As at 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Current liabilities			
Trade and other payables	9	**9,721,868**	8,091,774
Current income tax liabilities		**772,036**	429,623
Current portion of long term borrowings		**1,309,750**	2,170,175
Short term borrowings		**1,150,000**	1,250,000
		12,953,654	11,941,572
Total liabilities		**28,307,778**	23,067,596
Total equity and liabilities		**44,474,442**	38,561,963
Net current assets		**16,250,280**	13,174,319
Total assets less current liabilities		**31,520,788**	26,620,391

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.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap.32) for this financial year and the comparative period.

(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 2014:

Amendment to HKAS 32, "Financial instruments: Presentation" on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendments to HKAS 36, "Impairment of assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13.

Amendment to HKAS 39, "Financial instruments: Recognition and measurement" on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to "over-the-counter" derivatives and the establishment of central counterparties. Under HKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group financial statements as a result.

HK(IFRIC) 21, "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 "Provisions". The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, 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", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one which the management actually use for risk management purposes.

Contemporaneous documentation is still required but is different from that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKAS 9's full impact.

HKFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

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.

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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 investment 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 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 2014 and 31 December 2013 are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Revenue		
Development properties	**3,709,222**	2,957,761
Commercial properties	**288,645**	348,180
Investment properties and hotels	**2,112,147**	2,084,858
	6,110,014	5,390,799
All other segments	**123,609**	114,192
	6,233,623	5,504,991

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 2014 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	**3,711,001**	**288,645**	**2,121,274**	**177,442**	**6,298,362**
Inter-segment revenues	**(1,779)**	**—**	**(9,127)**	**(53,833)**	**(64,739)**
Revenues (from external customers)	**3,709,222**	**288,645**	**2,112,147**	**123,609**	**6,233,623**
Profit before income tax	**687,102**	**5,011**	**555,547**	**(22,910)**	**1,224,750**
Depreciation and amortization	**3,136**	**39,350**	**274,645**	**6,069**	**323,200**
Finance income	**9,963**	**1,129**	**3,713**	**2,602**	**17,407**
Finance costs	**—**	**—**	**—**	**—**	**—**
Share of loss from investments accounted for using the equity method	**—**	**—**	**—**	**—**	**—**
Adjusted income tax expenses	**618,660**	**3,749**	**138,887**	**(3,731)**	**757,565**

The segment information for the year ended 31 December 2013 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	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 investments accounted for using the equity method	—	—	—	—	—
Adjusted income tax expenses	412,907	2,194	164,242	(2,418)	576,925

Sales between segments are carried out on normal commercial 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 2014 and 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*
As at 31 December 2014					
Total segments' assets	**27,603,945**	**1,060,336**	**5,903,706**	**111,163**	**34,679,150**
Total assets include:					
Investments accounted for using equity method	**—**	**—**	**—**	**—**	**—**
Additions to non-current assets (other than deferred tax assets)	**2,564**	**302**	**1,359,688**	**9,088**	**1,371,642**
Total segments' liabilities	**19,247,179**	**193,154**	**3,276,657**	**218,452**	**22,935,442**
As at 31 December 2013					
Total segments' assets	22,745,801	1,104,142	5,923,163	74,727	29,847,833
Total assets include:					
Investments accounted for using equity method	—	—	—	—	—
Additions to non-current assets (other than deferred tax assets)	3,153	50,648	108,120	4,368	166,289
Total segments' liabilities	15,068,807	246,335	3,990,575	184,718	19,490,435

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	
	2014	2013
	RMB'000	*RMB'000*
Profit before income tax for reportable segments	**1,224,750**	1,329,785
Corporate overheads	**(89,459)**	(89,796)
Corporate finance costs	**(366,301)**	(328,619)
Corporate finance income	**24,955**	21,054
Gain on disposal of subsidiaries	**—**	388
Share of loss from investments accounted for using the equity method	**(669)**	(712)
Fair value gains on investment properties	**161,206**	9,737
Reversal of depreciation of investment properties	**167,432**	166,681
Land appreciation tax	**443,876**	243,211
Others	**3,580**	3,580
Profit before income tax	**1,569,370**	1,355,309

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

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Total segments' assets	**34,679,150**	29,847,833
Deferred income tax assets	**172,932**	24,574
Corporate cash	**2,525,613**	1,674,358
Interest in investments accounted for using the equity method	**28,398**	6,567
Loans granted	**277,500**	550,000
Aggregated fair value gains on investment properties	**5,301,646**	5,140,440
Reversal of accumulated depreciation of investment properties	**1,497,296**	1,329,864
Others	**(8,093)**	(11,673)
Total assets per balance sheet	**44,474,442**	38,561,963
Total segments' liabilities	**22,935,442**	19,490,435
Deferred income tax liabilities	**1,697,714**	1,614,659
Corporate borrowings	**3,237,437**	1,755,750
Other corporate liabilities	**437,185**	206,752
Total liabilities per balance sheet	**28,307,778**	23,067,596

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 RMB167,400,000 (2013: RMB166,649,000). 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 years ended 31 December 2014 and 2013.

The reconciliation of reportable segments' income tax expenses and total income tax expenses amounts to RMB24,552,000 (2013: RMB53,701,000), 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 2014 and 31 December 2013, 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 years ended 31 December 2014 and 2013.

3. EXPENSES BY NATURE

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

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Depreciation	**157,038**	153,443
Amortisation	**32**	32
Provision of impairment for receivables	**2,914**	17
Employee benefit expenses	**622,240**	552,949
Advertising costs	**69,941**	45,323
Cost of properties sold		
— Land use rights	**955,869**	515,183
— Finance cost capitalised in cost of properties	**230,197**	105,082
— Development costs	**944,380**	1,098,743
Cost of goods for resale	**168,982**	206,396
Cost of consumables used	**155,342**	151,472
Business tax	**301,890**	258,217
Other taxation	**125,991**	122,176
Office and consumption expenses	**168,382**	185,205
Energy expenses	**129,024**	120,252
Consulting and service expenses	**178,373**	166,547
Repair and maintenance expenses	**146,169**	83,677
Operating leases	**26,476**	22,765
Auditor's remuneration	**7,500**	7,350
Others	**95,783**	72,660
Total cost of sales, selling and marketing expenses and administrative expenses	**4,486,523**	3,867,489

4. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Interest expense		
— bank borrowings wholly repayable within five years	**(507,051)**	(451,422)
— other borrowings wholly repayable within five years	**(281,248)**	(185,615)
— bank borrowings wholly repayable over five years	**(113,393)**	(58,755)
— bond wholly repayable within five years	**(63,875)**	(144,640)
	(965,567)	(840,432)
Less: amounts capitalised in properties under development at a capitalisation rate of 7.07% (2013: of 6.92%) per annum	**599,266**	511,813
Finance costs	**(366,301)**	(328,619)
Bank charges and others	**(10,466)**	(12,148)
Finance income — Interest income on short-term bank deposits	**42,362**	36,886
Net finance costs	**(334,405)**	(303,881)

5. INCOME TAX EXPENSES

The Group is subject to the PRC income tax according to the relevant laws and regulations in the PRC at the rate of 25% (2013: 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	
	2014	2013
	RMB'000	*RMB'000*
Current income tax		
— PRC enterprise income tax	**354,440**	218,276
— PRC land appreciation tax	**443,876**	243,211
Deferred income tax	**(65,303)**	61,737
	733,013	523,224

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	
	2014	2013
	RMB'000	*RMB'000*
Profit before income tax	**1,569,370**	1,355,309
Add: share of loss of investments accounted for using the equity method	**669**	712
	1,570,039	1,356,021
Tax calculated at the statutory tax rate of 25% (2013: 25%)	**392,510**	339,005
Expenses not deductible for tax purposes	**3,138**	1,719
Tax losses not recognized	**3,741**	133
Utilisation of previous unrecognised tax losses	**—**	(41)
Effect of higher tax rate for the appreciation of land in the PRC	**332,907**	182,408
Reversal of deferred tax which could not be realised	**717**	—
Income tax expenses	**733,013**	523,224

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 ordinary 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 2014 and 2013.

	Year ended 31 December	
	2014	2013
Profit attributable to equity holders of the Company *(RMB'000)*	**779,992**	799,535
Number of ordinary shares in issue *(thousands)*	**3,367,020**	3,367,020
Earnings per share (basic and diluted) *(RMB cents per share)*	**23.17**	23.75

7. DIVIDEND

The dividends paid for the years ended 31 December 2014 and 2013 were RMB202,021,000 and RMB202,021,000 respectively. Proposed dividends of 2014 and 2013 were as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
2014 proposed RMB0.06 per share final dividend (2013: RMB0.06 per share)	**202,021**	202,021

8. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**72,588**	52,560
Less: provision for impairment of receivables	**(1,156)**	(107)
Trade receivables — net	**71,432**	52,453
Other receivables	**127,866**	604,374
Less: provision for impairment of receivables	**(14,723)**	(12,858)
Other receivables — net	**113,143**	591,516
Prepaid tax	**660,237**	365,459
Receivables due from a related party	**277,500**	—
Other prepayments	**83,052**	102,152
Notes receivables	**—**	3,781
Interest receivables	**12,239**	1,428
	1,217,603	1,116,789
Less: non-current portion		
Receivables due from a related party	**(277,500)**	—
Current portion	**940,103**	1,116,789

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 2014 and 2013, the ageing analysis of the trade receivables were as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
0 — 30 days	**18,991**	25,789
31 — 90 days	**41,374**	5,277
Over 90 days	**12,223**	21,494
	72,588	52,560

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 has 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 2014 and 2013, the ageing analysis of the other receivables were as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
0 — 12 months	**99,733**	577,107
12 — 24 months	**7,189**	2,629
Over 24 months	**20,944**	24,638
	127,866	604,374

9. TRADE AND OTHER PAYABLES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Advances from customers *(Note a)*	**5,401,732**	4,919,312
Trade payables	**2,085,977**	1,108,619
Dividends payable to non-controlling interests of a subsidiary	**1,162**	1,162
Accrued construction costs	**857,810**	1,073,431
Amount due to Beijing North Star Industrial Group Limited Liabilities Company	**—**	5,163
Accrued interest	**65,383**	55,205
Other payables	**1,309,804**	928,882
	9,721,868	8,091,774

(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.

At 31 December 2014 and 2013, the ageing analyses of the trade payables (including amounts due to related parties of trading in nature) were as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
0 – 180 days	**639,137**	247,183
181 – 365 days	**991,793**	236,113
Over 365 days	**455,047**	625,323
	2,085,977	1,108,619

Reconciliation of consolidated financial statements

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2014 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 equity holders of the Company as at 31 December**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As stated in accordance with CAS	**530,825**	664,535	**10,900,954**	10,572,150
Impact of HKFRS adjustments				
1. Reversal of depreciation of investment properties under CAS	**125,575**	125,011	**1,122,973**	997,398
2. Fair value adjustment of investment properties under HKFRS	**120,906**	7,303	**3,976,234**	3,855,328
3. Difference on revaluation of certain assets upon the reorganisation in 1997	**2,686**	2,686	**(6,063)**	(8,749)
As stated in accordance with HKFRS	**779,992**	799,535	**15,994,098**	15,416,127

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2014 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 increased by 13.24% to RMB6,233,623,000. The Group's profit attributable to equity holders for the year ended 31 December 2014 decreased by 2.44% as compared with the same period of last year to RMB779,992,000.

The Board has recommended the payment of a final dividend of RMB0.06 per share (2013: RMB0.06 per share) for the year ended 31 December 2014, totalling RMB202,021,000 to those shareholders whose names appear on the register of shareholders on Tuesday, 9 June 2015. 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 Monday, 27 July 2015.

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 Monday, 27 April 2015 to Thursday, 28 May 2015 (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 2014 annual general meeting. In order to be eligible to attend and vote at the 2014 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 Friday, 24 April 2015.

Subject to the approval of the shareholders at the 2014 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 Tuesday, 9 June 2015. The register of shareholders of the Company will be closed from Wednesday, 3 June 2015 to Tuesday, 9 June 2015 (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 Tuesday, 2 June 2015.

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

1. OPERATING ENVIRONMENT

In 2014, in face of the complex economic environment within and outside the country, the PRC government insisted on the keynote of "proceeding while maintaining stability". Proactive fiscal policies and stable monetary policies have been promoted continuously, which highlighted new drivers, strengthened risk control and accelerated the change of models and adjustments on structure, realizing an enhancement in the quality and efficiency of economic development. As such, the economy ran healthily and smoothly with a growth rate of GDP of 7.4% for the year.

1) Property Development

In the first three quarters of 2014, affected by the moderately tight monetary policy of the macro-economic operation of the PRC, the property industry experienced a weak trend, wait-and-see sentiment pervaded the market, transaction volume dropped significantly and the growth in transaction prices slowed down gradually. In the fourth quarter, the market picked up due to the effect of easing restrictions on purchase and lending. However, for the year as a whole, as the property inventory level remained high, the entire market was still facing the pressure from excess supply, which further deepened the difference between cities. According to National Bureau of Statistics (the same applied hereafter), sale areas of commodity residential units in the property market of the country for the year of 2014 decreased by 9.1% over the same period last year to 1,051,820,000m^2. Average trading price of commodity residential units increased by 1.4% over the previous year to RMB5,932 per m^2.

In the first-tier cities, Beijing was affected by the wait-and-see sentiment and increasing supply in its property market, transaction volume decreased significantly and rapid increase in prices stopped. In the fourth quarter, as the policy of restriction on lending eased, the transaction volume picked up, but the price rose at a slower pace. As the land prices increased rapidly in the land market, the total revenue from land transfer reached a record high. In 2014, sales areas and sales amount of commodity residential units in Beijing decreased by 16.3% and 13.6% as compared to the same period last year to 11,410,000m^2 and RMB210,200,000,000 respectively. The average trading price was RMB18,422 per m^2, representing an increase of 3.2% as compared to the same period last year.

In the second-tier cities, as the policy of restriction on purchase and lending eased in the second half of the year, a series of measures such as the policy of purchasing house for registered permanent residence, fiscal subsidy, provident fund adjustment, deduction and exemption of deed tax and so forth were introduced, and policy environment became more favourable, transaction volume in certain cities recovered gradually. However, since the situation of excess supply still existed, de-stocking was still a core problem in some cities. In particular, sales areas and sales amount of commodity residential units in Changsha's property market decreased by 19.8% and 24.0% from the same period last year to 13,310,000m^2 and RMB72,700,000,000, respectively. The average trading price of commodity residential units was RMB5,458 per m^2, representing a decrease of 5.2% as compared to that in 2013. Sales areas and sales amount of commodity residential units in the Hangzhou property market decreased by 1.7% and 6.0% from the same period last year to 9,530,000m^2 and RMB133,700,000,000, respectively. The average trading price of commodity residential units was RMB14,035 per m^2, representing a decrease of 4.4% as compared to that in 2013. Sales areas and sales amount of commodity residential units in the Wuhan property market increased by 13.1% and 15.6% from the same period last year to 19,790,000m^2 and RMB146,400,000,000, respectively. The average trading price of commodity residential units reached RMB7,399 per m^2, representing a rise of 2.2% as compared to that in 2013.

2) Investment Properties (including hotels)

As a result of the changes in the supply and demand relationship and the market, the development of each segment of the investment properties (including hotels) market throughout the country was diverse. As for investment properties (including hotels) market in Beijing, the demand for office buildings was robust, which resulted in the continuous modest growth of the rental fee and pushed the net absorption rate in the fourth quarter to record high in the past three years. The high-grade hotels and catering segment saw different degrees of decline in both industry performance and the operating results due to the changes in market demand, leading to the gradual appearance of structural contradictions. As Beijing strived to construct and establish a new type of city functional area of national-level for convention and exhibition service, culture and sports, and promoted the construction of itself into an international convention and exhibition industry central city, the convention and exhibition market played a more significant driving role for related industries and the convention and exhibition economy enjoyed a more prominent position. The demand for long-term lease in the apartment market rebounded gradually, which drove the steady growth of the occupancy rate and the level of the rental fee.

3) Commercial Properties

The growth of transaction size of online shopping in the total retail sales of consumer goods throughout the country in 2014 was 10.7%, representing an increase of 2.9 percentage points from 2013, which indicated that online shopping has become a new engine to drive the growth of consumption. Facing the more and more intense competition in the industry, traditional commerce is gradually enhancing its development of integration with the e-commerce to promote structural adjustment and business transformation of the commerce model.

2. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD

In 2014, facing the changes of situation and severe competitions, the Company adjusted its marketing strategies in a flexible manner, grasped the market development opportunities and made full use of the regional advantages of its properties to reinforce the construction and interactive development of North Star conventional functional areas. Meanwhile, focusing on the implementation of the three major expansion strategies, namely capital expansion, brand expansion and low-cost expansion as well as innovative development, it made remarkable progress in low-cost expansion and brand expansion, and opened up the new innovative financing situation, thus enhancing its sustainable development capability.

In 2014, the Company recorded an operating revenue of RMB6,233,623,000, representing a year-on-year increase of 13.24%. Influenced by the growth in gains generated from changes in fair value of investment properties in last year, the profit before income tax increased by 15.79% to RMB1,569,370,000. Influenced by the higher settlement amounts for the non-wholly owned subsidiaries of the Company in the real estate projects as compared with that of last year, the profit attributable to equity holders amounted to RMB779,992,000, representing a decrease of 2.44%. Influenced by the transformation and renovation of certain projects of the investment property segment and increase in preliminary expenses of newly-added projects of the Company, the core operating results after tax from the Company's principal business (excluding gains from change in fair value) decreased by 16.81% over the same period last year to RMB659,086,000. The gains from changes in fair value on investment properties (after tax) amounted to RMB120,906,000 during the period. Earnings per share was RMB0.23, representing a year-on-year decrease of 2.44%.

1) Property Development

During the reporting period, the Company speeded up the turnover of property development and shortened substantially the development circle of new projects. Meanwhile, based on the market changes and project positioning, the Company carried out marketing interaction with the clients through several channels, and promoted the recognition and cost performance of its products.

In the Beijing region, by virtue of its elaborate design and construction and preliminary client reserve preparation, the sales of North Star Red Oak Villa (北辰紅橡墅) ranked top among the villas in North Olympic Area. North Star Fudi enhanced its whole sales of commercial properties, entered into a whole sale agreement for A09 group and achieved a contractual sales amount of RMB810,000,000. Bihai Fangzhou continued the work of contract signing and recorded a sales amount of RMB370,000,000. The overall structure of Shunyi Mapo project was completed and laid a solid foundation for being put into the market for sale when appropriate in 2015.

In terms of Changsha area, the Company is actively pressing ahead the construction and sale of Changsha North Star Delta Project, the biggest urban complex in the country. As at the end of 2014, the project recorded area commencing construction of 3,070,000m^2 and completed gross floor area of 1,640,000m^2, representing 56% and 30% of the gross floor area respectively. While vigorously pressing ahead the construction of project, the Changsha North Star Delta Project effectively integrated with the existing resources in the area and satisfied the multi-level demand of different people through the business operation model combining residence, education, recreation, business, commerce, social contact and other aspects. As the cost performance and attraction of the project improved continuously, it has become the first in both the sales area and sales amount of general business of the Changsha property market in 2014. During the reporting period, the Changsha North Star Delta Project achieved sales areas of 179,000m^2 with 1,382 units sold in total and contracted sales (including car parks) of RMB2,158,520,000. The average sales price of residential units of this project reached RMB8,770 per m^2. As another masterpiece of the Company in South City of Changsha, the North Star Central Park project is located in the Tianxin Ecological New Town near the provincial government. From acquisition of land to opening for sale, it marked a record speed for development and construction of real estate projects of the Company. Moreover, its sales results have been ranked top among the villas in the area. While consolidating the smooth progress of Beijing and Changsha area projects, the Company firmly implemented low-cost expansion strategy, proactively expanded the land reserve through measures such as cooperation and developement and acquisition of projects. During the reporting period, the Company obtained additional land reserve of 1,680,000m^2 through 4 transactions.

In 2014, the operating revenue of the development properties segment of the Company recorded RMB3,709,222,000 (including car parks), representing a year-on-year increase of 25.4%. The profit before tax was RMB687,102,000, representing a year-on-year increase of 1.7%. During the reporting period, in the property development segment, the Company achieved area under construction of 2,850,000m^2 and completed area of 760,000m^2. The contracted sales (including car parks) amounted to RMB4,091,420,000 with sale areas of 265,000m^2.

Table 1: Summary table of the sales of the Company's real estate projects in 2014

Project	Location	Equity	Total measured investment (RMB in 100 million)	Total gross construction area ('0,000 m^2)	Total area available for sale ('0,000 m^2)	Areas sold in the current period ('0,000 m^2)	Cumulative sales area ('0,000 m^2)	Amount gained from sales in the current period (RMB in 100 million)	Settlement area in the current period ('0,000 m^2)	Cumulative settlement area ('0,000 m^2)	Amount settled in the current period (RMB in 100 million)
North Star Xianglu	Haidian District, Beijing	100%	26.1	31.2	21.6	1.1	14.6	2.9	1.9	13.6	4.4
North Star Fudi	Chaoyang District, Beijing	100%	27.5	45.9	38.9	4.5	35.2	9.2	3.6	33.3	6.7
Shunyi Mapo Project	Shunyi District, Beijing	100%	24.4	21.3	13.3	—	—	—	—	—	—
Bihai Fangzhou	Chaoyang District, Beijing	50.5%	17.4	7.7	4.7	0.4	4.5	3.7	0.6	3.9	5.9
North Star Red Oak Villa	Changping District, Beijing	99.1%	27.6	21.4	13.8	0.4	3.2	1.4	—	2.7	—
Changsha North Star Delta	Changsha, Hunan	100%	330.0	549.0	392.0	17.9	89.5	21.6	17.1	56.1	19.5
North Star Central Park	Changsha, Hunan	51%	48.0	90.6	71.1	1.4	1.4	1.1	—	—	—
Remaining sale of other projects	—	—	—	—	—	0.8	—	1.1	0.5	—	0.6

Note: "Changhe Yushu" was renamed as "North Star Red Oak Villa".

2) *Investment Properties (including hotels)*

In 2014, the Company recorded operating revenue from investment properties (including hotels) of RMB2,112,147,000, representing a year-on-year increase of 1.3%. Influenced by the renovation and reformation of certain projects and early stage of operation of new projects, and without taking into account the amortization of interest expenses, profit before tax amounted to RMB555,547,000, representing a year-on-year decrease of 15.4%. With changes in market, the Company adjusted operating measures and expanded management concept in a timely manner. On one hand, the Company took full advantages of diversified businesses and strong correlation of investment properties (including hotels) to effectively diversify operation risks from changes in market; on the other hand, the Company expedited brand expansion and management output. While proactively exploring the entrusted operation of convention and exhibition centres, the Company successfully achieved a new breakthrough in management output of exhibition and hotel brand, laying a solid foundation for parallel development of asset-oriented investment and service businesses which involve fewer assets of the Company.

As the center of the functional areas of North Star Convention and Exhibition, National Convention Centre and Beijing International Convention Centre received 1,646 conventions and exhibitions in total during the reporting period. Under the Company's strategy of "combining convention and exhibition" and with joint effort of relevant investment property including hotels entities, the service assurance tasks for the significant national foreign affair, forum of Asia-Pacific Economic Cooperation (APEC) as well as CIFTIS (京交會) and Beijing NPC and CPPCC (兩會) were satisfactorily completed. In particular, during the seven-day APEC meeting, the Company undertook meeting, accommodation, catering and other services for six days. State and regional leaders from 21 economic entities attended the meeting. The services provided by the Company guaranteed the success of 210 meetings and 165 catering events including the fourth Concluding Senior Officials' Meeting, Meeting of Ministers of Foreign Affairs and Trade, and CEO Summit of APEC. The Company has accumulatively provided accommodation for representatives attending the meeting, media reporters and meeting personnel for over 13,000 persons and meeting service for over 90,000 persons. All the above were spoken highly of by the government and relevant departments and received wide acclaim from domestic and overseas media. It was another successful reception of high-standard material comprehensive international activity after the successful reception of 1990 Asian Games and 2008 Olympic Games, which created a new beginning for North Star Convention and Exhibition to receive foreign affairs for the State, and became a new milestone in the development history of the Company. Beijing National Convention Centre actively adjusted meeting marketing strategy, continuously subdivided market, flexibly applied price leverage and improved utility efficiency of meeting sites to keep operating results stable while accomplishing the reception work of APEC forum.

In respect of office building business, the Company continuously adhered to differential positioning of market, implemented multi-project co-sale, adjusted and upgraded customer structure and fully explored high-end customer resources, so as to continuously and steadily improve occupancy rate and rental, which has become an important source of profit from investment properties (including hotels) segment.

Proactive response was taken to cope with the changing demands of the market and customers in the hotel business. The Company endeavoured to adjust marketing strategies, to improve service satisfaction of customers, and to explore channels to new customers with advantages in brand and resources, thus room rates and occupancy rate were higher than average level in the industry.

With the operating characteristics of differential products and diversified customers in apartment business, the Company increased efforts in marketing and promotion in the market and optimized structure of customer source, so as to remain high in occupancy rate and to raise room rates steadily.

Table 2: Summary table of the operation of the Company's holding properties in 2014

Classification of business	**Gross floor area** *('0,000 m^2)*	**Area for lease** *('0,000 m^2)*	**Occupancy rate** *(%)*	**Average rental**
Convention centres	32.6	12.5	60	RMB16–50/m^2/day
Office buildings	32.1	21.4	90	RMB180–240/m^2/month
Apartments	18.0	10.1	89	RMB6/m^2/day
Hotels	21.2	(Number of guest rooms: 1,766)	70	RMB550–1,100/room/night

Note: Changsha North Star InterContinental Hotel, with 74,000m^2 of GFA and 391 guest rooms, started operation at the end of 2014 and was not included in the table above.

3) Commercial Properties

In respect of commercial properties, faced with the impact of e-commerce on physical retail industry and people's constant changing needs for consumption, the Company actively changed marketing ways to continuously carry out brand replacement and business layout adjustment, carried out in-depth study of and explored interaction and integration of e-commerce and entity operation, and endeavoured to satisfy the one-stop service needs of the customers.

In 2014, the commercial properties segment recorded an operating revenue of RMB288,645,000, representing a year-on-year decrease of 17.1%. Profit before tax was RMB5,011,000.

Table 3: Summary table of the operation of the Company's commercial properties in 2014

Classification of business	GFA (‘0,000 m^2)	Operation forms	Mode of operation	Area for lease (‘0,000 m^2)	Occupancy rate (%)	Average rental
North Star Shopping Centre (Asian Sports Village Store)	3.0	Department store, supermarket, leasing	Joint operation, supplemented by leasing and self operation	0.08	100	
North Star Shopping Centre Life Square (生活廣場)	1.5	Supermarket ,leasing	Leasing supplemented by self operation	0.56	95	Rental for retail leasing: RMB5.46-10/m^2/day
North Star Shopping Centre (Beiyuan Branch)	6.5	Department store, supermarket, leasing	Joint operation, supplemented by leasing and self operation	0.54	96	
The Legend	2.9	Leasing	Leasing	1.73	100	Rental for whole leasing: RMB4.11/m^2/day

Note: Joint operation means that the Company and suppliers jointly carry out marketing and settle at a deduction rate according to contracts;

Self operation includes two operation modes of distributions and consignments.

4) Overall Strength and Brand Building

In recent years, the Company has been committed to intensification of brand building and development of North Star. The Company focused on general frame of brand plan outline and promotion work continuously surged ahead, which not only strengthened influence of the Company in the industry, but also improved comprehensive competitive strength, laying a foundation for brand expansion of convention and exhibition centres and hotels. In the reporting period, 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 8 consecutive years by China Property Top 10 Research Group comprising Development Research Centre of the State Council, Tsinghua University and China Index Research Institute. In addition, the Company also gained the "Urban Development Motive Force Award (城市發展推動力大獎)" appraised and elected by the China Real Estate News (中國房地產報) and CIHAF (住交會).

5) Investor Relations

The Company highly values the establishment and enhancement of the mutual communication system of the capital market. The Company has established a wide range of channels for communicating with investors such as roadshows, field research of domestic and foreign investors, teleconference, the investor relations column on the Company's website and hotlines to communicate with investors in a timely manner, and closely monitor the movement of the capital market. As a result, investors can easily access the Company's information and the up-to-date industry trend, and the Company's business principle can be conveyed effectively. In addition, the Company and its subsidiaries strive to enhance the coverage and effectiveness of the communication channels with investors by various technologies and platforms.

6) *Environmental Protection Efforts*

The Company has attached great importance to the balance of environmental protection and economic benefits. Through implanting the concept of environmental protection into the procedures of current construction projects and strengthening environmental protection measures, the Company has established a positive image of social responsibility. Thus, the Company's soft strength is improved, and a positive interaction among the corporate, government and the society is formed, which creates a favorable external environment for the Company's sustainable development. During the reporting period, among the developing construction projects, the environmental friendly features of offices in the A1 Area of Changsha North Star Delta Project, such as high-performance heat insulation system with protection structures and high-performance glass curtain wall, were awarded the "LEED-CS Golden certificate" by the U.S. Green Building Council, and the "Two-Star Green Building Design Label Certificate" by the Ministry of Housing and Urban-Rural Development.

For holding properties, the Company has continued to reinforce the innovation of technology and the renewal and transformation for energy saving and consumption reduction. During the reporting period, the Company replaced three lithium bromide refrigerators, respectively, to convert the previous steam refrigeration into electrical refrigeration, which improved the operation efficiency of machines and further reduced energy consumption. The project was recommended by the National Development and Reform Commission of Chaoyang District of Beijing to be listed as a municipal key project for demonstration of clean production. In addition, the Company focused on energy saving and reduction in consumption and continued to advance the "LED Light Promotion Plan (LED燈推廣計劃)" for Asian Games core district. During the reporting period, an aggregate of 18,000 LED lights were updated, and the annual conservation of electricity was estimated to be over 2,000,000 kWh.

7) Implementation of development strategy of the Company

The Company relied on the business model integrating "property development and sales" and "property ownership and operations" to speed up the implementation of three expansion strategies, i.e. low-cost expansion, brand expansion and capital expansion.

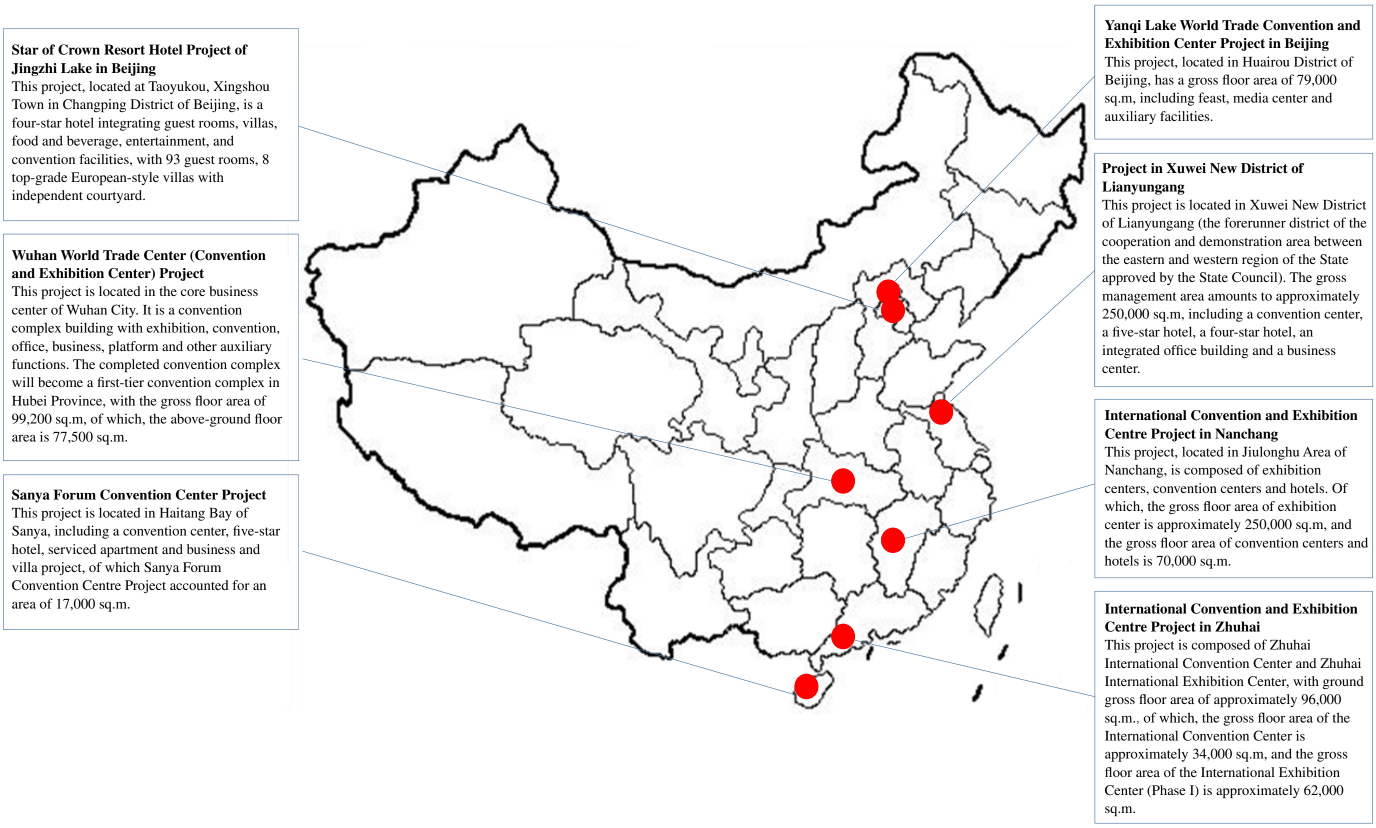
In 2014, the Company focused on the low-cost expansion strategy. On the one hand, by way of increasing efforts in project cooperation and development, merger and acquisition, it rapidly increased land reserves in the first and second-tier cities and strategic cities at a relatively low cost in the land market, achieving the objective of developing large-scale properties with a relatively low capital investment. On the other hand, it continuously optimised the standardized management construction for projects from the perspectives of cost management, product design management, marketing management and customer service to promote project development efficiency and improve corporate competitive strength.

Table 4: Summary table of the operation of the Company's new property projects in 2014

Project	**Land reserves** *(0'000m²)*	**Land reserves in which the Company has interests** *(0'000m²)*
North Star Central Park	90.6	46.2
Beichen Modern Wuhan Guanggu Project (北辰當代武漢光谷項目)	32.5	14.6
Hangzhou Beichen Zhiguang Project (杭州北辰之光項目)	31.5	22.1
Modern Beichen Yue MOMA (當代北辰悅MOMA)	13.1	6.6
Total	167.7	89.5

As for brand expansion strategies, by enhancing management outsourcing for holding properties, the Company accumulatively entered into contracts for over seven consulting and entrusted operation projects with the basic administrative expenses summing up to approximately RMB8 million (exclusive of reward commission). Meanwhile, the Company actively studied to expand to the upstream of convention and exhibition industry by way of capital and merger and acquisition based on the features and yield level of the convention and exhibition industry, thereby achieving comprehensive expansion for the convention and exhibition brand of North Star.

Table 5: Summary table of the entrusted operation projects and consulting projects of the Company in 2014



With a focus placed on capital expansion strategy, the Company utilized the platform of "corporate financing" to explore multi-channel financing methods. During the reporting period, the Company completed the financing of RMB1,700 million from Taikang Life Insurance and the financing of RMB800 million from Pacific Insurance. In particular, the financing from Pacific Insurance is the first domestic insurance loan scheme financing to improve credit rating by way of pledge of assets.

In 2014, the major financing channels of the Company included bank loans (entrusted loans inclusive), credit financing and insurance loan scheme financing. The balance of the above financing channels amounted to RMB10,063,500,000, RMB2,050,000,000 and RMB2,500,000,000 respectively as at the end of the reporting period. During the reporting period, the capitalised expenditure for borrowings amounted to RMB599,270,000, at an annual capitalisation rate of 7.07%, and a weighted average interest rate for borrowings of 6.76%. 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.

8) *Analysis of core competitiveness*

After over twenty years of development, the real estate industry in China has shown the characteristics of rapid size expansion and remarkable promotion of industrial concentration ratio. The 2013 and 2014 Research Reports on China Top 100 Real Estate Developers show that: firstly, the regional scale and asset size of China top 100 real estate developers continued to expand. As at 2012, the average number of cities in which China top 100 real estate developers had entered exceeded 15 and the asset size underwent an explosive growth. The average value of total assets in 2013 amounted to RMB66,390,000,000 which was approximately seven times of that in 2006; the sales volume saw a substantial growth. The average sales amount of China top 100 real estate developers in 2013 was RMB25,038,000,000, representing an increase of 34% as compared to last year. Seven companies recorded a sales amount of RMB100,000,000,000 or above. The average sales amount of Top 10 enterprises in respect of comprehensive strength among the China top 100 real estate developers reached RMB97,960,000,000. Secondly, the size of land reserve of China top 100 real estate developers was increasing. As at 2012, the average land reserve of China top 100 real estate developers reached 12,094,000 square metres which were in a balanced distribution and injected sufficient power for the subsequent growth of asset size of enterprises. Thirdly, the operation level of China top 100 real estate developers was in continuous enhancement. In 2013, the turnover rates of total assets, inventory and stock assets of China top 100 real estate developers were 0.41, 0.48 and 0.60, respectively, representing an increase of 0.02, 0.04 and 0.08, respectively, as compared to last year. Efficient operation has become an important guarantee for the performance growth of real estate enterprises.

For the future development of real estate industry in China, under the general keynote of making progress while maintaining stability of China's economy, the national macroeconomic policy and monetary policy will maintain stable and it is highly unlikely for the government to promulgate a large number of stimulus policies. Meanwhile, with the continuous enhancement of urbanization rate and GDP per capita, the future ten years of China will still be a period of health and fast development for the real estate industry. Real estate industry (particularly residential development) still has a development period of 10 to 20 years and the real estate industry will enter a stage laying equal stress on development and holding.

Under the aforementioned backdrop of the industry, the Company's advantages and core competitiveness are mainly represented by its composite capacity of real estate operation and brand effects. The unique business mode integrating "property development and sales" and "property ownership and operations" of the Company can achieve both earnings growth through real estate development and long-term stable earnings through leasing and operation of properties, and has the anti-risk capability superior to that of real estate enterprises which are solely engaged in development. The Company's comprehensive capacity of operation of integrated real estate allowed it to have obvious advantages in the development of large and integrated real estate projects. Ever since 2007, the Company has won the "Leading Brand of China's Integrated Property Industry (中國複合地產專業領先品牌)" rated by China Index Academy for eight consecutive years. In addition, in the Asian-Olympic core district in Beijing, investment properties (including hotels) owned and operated by the Company exceed 1,200,000 m^2, mainly comprising the integrated properties in Asian Games Village with a total gross floor area of 600,000 m^2, National Convention Centre and the integrated properties under its ancillary projects with a total gross floor area of up to 530,000 m^2 and large-scale commercial facilities in the residential area of Beichen Green Garden. The Company is at a leading position in the domestic real estate industry and has strong anti-risk capability.

In the future, the Company will continue to expand the business size and asset size of integrated property, expand the regional scale for real estate development following the policy of "based in Beijing and develop to the outside of Beijing", improve operation efficiency and expand financing channels in many ways.

II. DISCUSSION AND ANALYSIS OF THE BOARD ON THE FUTURE DEVELOPMENT OF THE COMPANY

(I) Competition Landscape and Development Trend in the Industry

In 2015, China will continue to adhere to the general principle of progressing while maintaining stability, focus on improving the quality and effectiveness of economy development, adapt to the "new normal" state of the economy development proactively and shift its focus of economic work to pattern change and structural adjustment. It will gradually strengthen the support for strategic new industries and service sector. Meanwhile, China will also promote the stable and healthy development of the Chinese economy and proactively explore new point of economy growth.

For property development, the current real estate market is still in the circle of adjustment with fluctuations within a narrow band on the market. The real estate market is expected to develop steadily and healthily under the macro policy implemented by the central government that supports demands for owner-occupied and upgraded housing and exercising region-specific measures with classified guidance.

For investment properties (including hotels), while strengthening its urban functional positioning as a "Cultural Centre" and an "International Communication Centre", Beijing also seized the opportunity of successfully hosting the APEC, a substantial foreign affairs activity of the PRC, to gradually turn itself into a central city of international convention and exhibition industry with multiple functions such as the exchange on Chinese and foreign culture and sports under the guidance of the "Plan of the Construction and Development of Cultural and Creative Industries Zone in Beijing 2014–2020 (北京市文化創意產業功能區建設發展規劃 (2014–2020年)). This further provided a larger room for the development of convention and exhibition industry in Beijing. For commercial properties, as the government continuously implemented economic reformation and gave full play to the fundamental function of consumption, and accelerated the gradual adjustment and upgrade of consumption structure. With further increase in consumers' purchasing power, the potential of consumer market will be released.

(II) The Company's Development Strategy

Amid the new normal and new reform situation of China's economy, the Company will focus on three strategic principles of expansion, i.e. low-cost expansion, brand expansion and capital expansion, actively address the situation and develop innovatively, continue to increase land reserve in a timely manner and make a breakthrough towards upstream industry in brand expansion. Meanwhile, the Company will carry out in-depth study on the impact and integration of new economy especially big data of internet on the Company's traditional businesses. While developing traditional and innovative businesses, and asset-oriented investment business and service businesses which involve fewer assets at the same pace, the Company will also pay close attention to new hot regions and industrial layout arising from the collaborative development of Beijing-Tianjin-Hebei region, identify business opportunities and achieve sustainable development and great leap-forward expansion of the company. In 2015, the Company will still strictly control its cost, expenses and expenditure, continuously reduce expenses, strengthened budget rigidity and regulate budget execution.

1. Property Development

The Company will give due consideration to the risk of short-term adjustment of the market and the long-term development strategy of the Company, in order to precisely seize the "window period" of the sales of projects. It will also speed up turnover rate of projects and development by applying the internet platform, internet concepts and innovative marketing strategy. Meanwhile, through merger and acquisition and collaborative development, the Company will further expand its land reserve in the first and second tier cities as and when appropriate to promote the growth potential of property development. Within Beijing, the Company will strengthen management and control of cost and expenses, and expedite sales of remaining properties of several on-sale projects. Meanwhile, it will actively prepare for launching Shunyi Mapo Project (順義馬坡項目) and Modern Beichen • Yue MOMA Project (當代北辰•悅MOMA) sales to the market, in order to speed up fund return for supporting the development of forthcoming business.

For projects outside Beijing, the overall quality and absorption affinity of North Star Delta Project in Changsha (長沙北辰三角洲項目) are becoming outstanding due to the excellent municipal infrastructure, the unique waterfront scenery, rare educational resources and salient business and commercial atmosphere. Therefore, the Company will, on the basis of continuing to speed up project construction, and the new development of C1 region, innovate continuously the marketing strategies. It will expedite advancement of project sales to continuously take the lead in Changsha market. In addition, the Company will accelerate the pace of the development of new projects in Wuhan and Hangzhou regions, carry out earlier the marketing and promotion and secure customers and lay a solid foundation for launching hot sales campaigns.

In 2015, the Company anticipates area commencing construction of 930,000m^2, area under construction of 3,020,000m^2 and completed gross floor area of 660,000m^2. It will also strive to accomplish sales area of 620,000m^2 and contracted sales of RMB7,600,000,000 (including car parks).

2. Investment Properties (including hotels)

The Company will continue to rely on the comprehensive advantages of the urban functional positioning of a "Cultural Centre" and an "International Communication Centre", and diversification in businesses and strong co-movement and synergy of the investment properties (including hotels) segment. The Company will improve operating and services abilities of its investment properties in accordance with the high standard of hosting APEC forum. Furthermore, the Company will also fully utilise new technologies and new economy to vigorously enhance the development of innovative businesses, strengthen its brand expansion on the upstream and downstream industry chains of the convention and exhibition business, and actively foster the new growth momentum.

3. Commercial Properties

The commercial properties will keep in line with the development trend of the industry to deeply study the differentiated operation of physical stores. Guided by the internet thinking model, the Company will pay attention to the integration and presentation of experience interaction and service upgrade in consumption, so as to establish the business form of experience service.

4. *Financing and Capital Expenditure*

Giving full play to the advantage of the mode of "headquarter financing", the Company will increase the effectiveness of capital use and safety, and continue to innovate the financing model. We will spare no effort in developing and constructing the new-type financing platform. Furthermore, the Company will promote the combination between industry and finance and continue to optimize the corporate capital structure, so as to lay a solid foundation for the sustainable development of the Company.

In 2015, the Company anticipates an investment of RMB270 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.

(III) Possible Risks

1. *Market Risk*

While the real estate industry is anticipated to maintain a healthy and stable trend of development in the next 10 years or so, in face of the complex and ever-changing market environment, the contradictions between the supply and demand in the real estate market are expected to persist, and the competition will be more intense. Meanwhile, amid the rise of a new model of economic development, the economy will rely less gradually on the traditional pattern of investment to promote economic growth. As a result, the developing pace and profitability of the real estate industry will be hindered, thus bringing 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 operations such as elderly care and cultural tourism, and the study on low-cost expansion. It will accelerate the development and turnover of projects, perfect and optimize product structures and innovate the mode of sales and marketing in order to further enhance the core competitiveness and sustainability of the Company.

2. Policy Risks

To guide and facilitate a sustainable, stable and healthy development of the property industry, the State and government authorities adopted a series of macro-control measures in recent years to regulate and control supply and demand of property industry with a view from finance, tax, land and housing supply structure through monetary, fiscal policy and industrial policies, which pose certain risks for property enterprises in respect of land acquisition, project development and construction, sales and financing.

In response to the above risks, the Company will accurately grasp the macro situation, actively adjust operating strategy, take the initiative to follow the direction to which government policies are heading, actively allocate more resources to expand its business to cover products of rigid demand and better housing in a way that it acts in line with the state government's policies, accelerate turnover rate of projects and improve the ability of sustainable development under the general background of macro control.

3. Risks Associated with Sales

Real estate development is a systematic project with a long cycle involving many stages and large investments. As the wait-and-see sentiment spreads, the purchasing power and demand of potential customers will be to a certain extent influenced. In addition, as the operational cycle of real estate projects is relatively long, if the Company cannot correctly pinpoint the changes in consumers' needs and make timely responses in such areas as project positioning, planning and designing, it may affect the sales of the products.

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

4. *Risks Associated with Geographical Concentration of Operations*

At present, operating revenue of the Company was mainly generated from Beijing and Changsha. If material unfavorable changes occurred in Beijing and Changsha, operation and management of the Company may be affected.

In response to the above risks, the Company will apply the existing brand edge and business experiences to expedite selection and development of projects in other regions. In 2014, the Company successfully entered Wuhan and Hangzhou cities, and will launch presale campaigns in 2015 to obtain sales funds. In the future, it will also accelerate overall allocation in each region throughout the country and diversify operating risk, so as to achieve the strategic target of creating a large nationwide first-class integrated real estate operating enterprise.

(IV) 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 6,480,000m^2 of land reserve (area of attributable land reserve is 5,700,000m^2) 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 1,270,000m^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 in the operation level of the additional assets of the investment properties, acceleration of the turnover of property project development and nationwide layout, 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 2014, the equity attributable to equity holders of the Company increased by 3.75% compared to 31 December 2013. The increase was mainly due to additional profit attributable to equity holders of the Company of RMB779,992,000 during the period.

The Group's bank and other borrowings as at 31 December 2014 amounted to RMB14,613,500,000. Net value of the Group's 10-year corporate bonds was RMB1,496,474,000 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 RMB29,203,934,000, whereas the current liabilities amounted to RMB12,953,654,000. As at 31 December 2014, balances of cash at bank and on hand amounted to RMB4,052,623,000 (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 2014, the Group had secured borrowings from banks and other financial institutions of RMB12,363,500,000 with certain investment properties, hotels, properties under development and completed properties held for sale as the collaterals. The asset-liability ratio calculated by total liabilities divided by total assets for the Group was 63.65% as at the end of the reporting period (31 December 2013: 59.82%).

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 2014, 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 2014, the Company had 4,765 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 to 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 to 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 jointly reviewed the accounting principles and major policies adopted by the Group and have discussed matters on auditing, internal control and financial reporting, as well as reviewing the unaudited interim financial report and the audited annual financial statements of the Group. The audit committee has also reviewed the annual results and draft financial statements of the Group for the year ended 31 December 2014.

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

Beijing, the PRC, 18 March 2015

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. ZENG Jin, Mr. LIU Jian-Ping and Mr. LIU Huan-Bo are executive directors and Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung are independent non-executive directors.