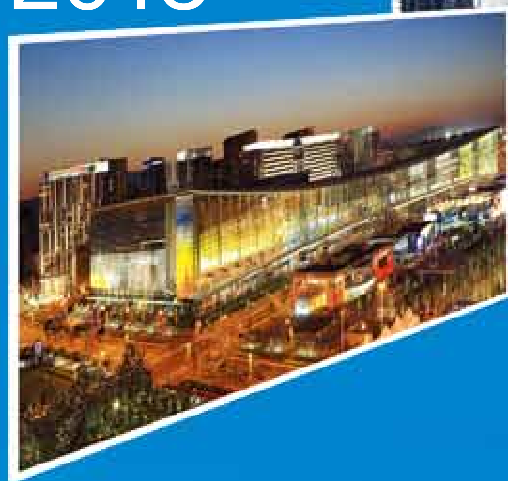
北辰实业
BEIJING NORTH STAR

HKEx Stock Code: 0588
SSE Stock Code: 601588

Annual Report 2013



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Corporate Profile

Beijing North Star Company Limited (the "Company") was established by its sole promoter, Beijing North Star Industrial Group Limited Liabilities Company on 2 April 1997. The shares of the Company were listed on the Hong Kong Stock Exchange in May in the same year. In October 2006, the Company's A shares were issued and listed on the Shanghai Stock Exchange.

The Company's total registered capital is 3,367,020,000 shares, of which 2,660,000,000 shares (representing 79.002% of the total share capital) are A shares and 707,020,000 shares (representing 20.998% of the total share capital) are H shares.

The Company is principally engaged in development properties, investment properties (including hotels) and commercial properties.

At present, the development properties business mainly set foot in Beijing and Changsha, Hunan and consists of the development and sales of houses, apartments, villas and offices of different classes and features which provide for commercial purposes. Current major development projects of the Company include North Star Green Garden, Olympic Media Village, Shunyi Mapo Project, Fragrant Hill Qingqin Villas, North Star Changhe Yushu Garden Villas, North Star Bihai Fangzhou Garden Villas, North Star · Xianglu, North Star · Fudi and North Star Delta Project in Changsha.

Corporate Profile (Continued)

In the Asian-Olympic core district in Beijing, investment properties (including hotels) owned and operated by the Company exceed 1,200,000 m2, mainly comprising the integrated properties in Asian Games Village with a total gross floor area of 600,000 m2, National Convention Centre and the integrated properties under its ancillary projects with a total gross floor area of up to 530,000 m2 and large-scale commercial facilities in the residential area of Beichen Green Garden.

Investment properties (including hotels) and commercial properties involve convention, hotel, office, apartment business and shopping malls, which formed a characteristic functional area of "North Star Convention and Exhibition". Taping on convention business to bring into full play, the Company adopts a business strategy of "co-sale of convention and exhibition". Its operating items mainly include the National Convention Centre, Beijing International Convention Centre, InterContinental Beijing North Star, Crowne Plaza Park View Wuzhou Beijing, Beijing Continental Grand Hotel, National Convention Centre Hotel, Hui Bin Offices, Hui Xin Offices, North Star Times Tower, North Star Century Center, Hui Yuan Apartment, North Star Shopping Centre (Asian Sports Villiage Store (亞運村店)), North Star Shopping Centre (Beiyuan Branch (北苑店)) and etc.

Persisting to the principle of maximizing shareholders' profit and on a historic mission to "create property value, build a century's foundation", the Company is committed to building up a unique business model featuring integrated real estate, striving to meet the strategic target of building a "top national large-scale real estate enterprise with integrated operation".

Integrated properties in Asian Games Village

Financial Highlights

RESULTS

Year ended 31st December	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Continuing operations					
Revenue	**5,504,991**	5,735,904	3,968,933	5,564,129	4,848,604
Profit before income tax	**1,355,309**	1,422,649	1,703,876	1,789,913	2,464,345
Income tax expenses	**523,224**	(476,465)	(509,229)	(588,668)	(816,486)
Profit for the year from continuing operations	**832,085**	946,184	1,194,647	1,201,245	1,647,859
Discontinued operations					
Loss for the year from discontinued operations	**—**	—	—	—	(2,143)
Profit for the year	**832,085**	946,184	1,194,647	1,201,245	1,645,716
Attributable to:					
Equity holders of the Company	**799,535**	970,008	1,172,525	1,099,787	1,508,356
Minority interests	**32,550**	(23,824)	22,122	101,458	137,360

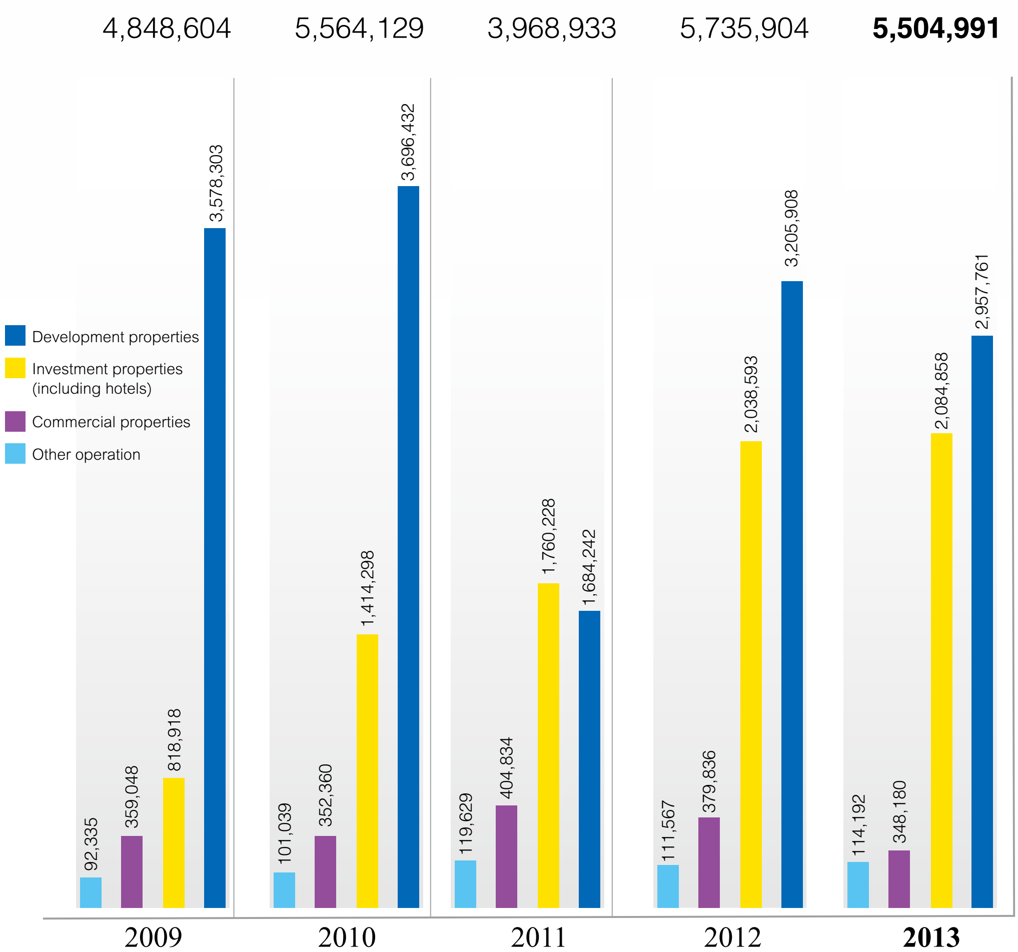
ASSETS AND LIABILITIES

As at 31st December	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Total assets	**38,561,963**	35,762,460	34,343,048	30,574,653	30,115,149
Total liabilities	**23,067,596**	(20,857,332)	(20,283,093)	(17,599,501)	(18,047,815)
Total equity	**15,494,367**	14,905,128	14,059,955	12,975,152	12,067,334

Financial Highlights (Continued)

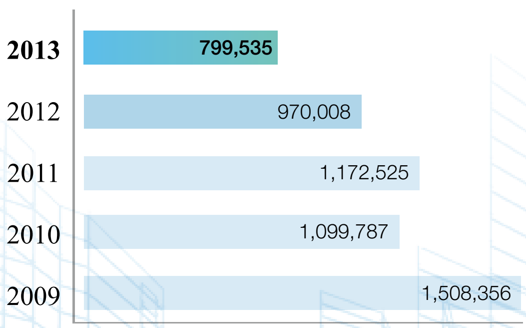
REVENUE BY BUSINESS

RMB'000



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

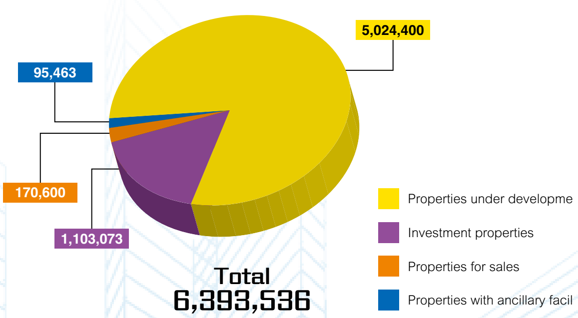
RMB'000



GROSS AREA OF PROPERTY PORTFOLIO

m^2

For the year ended 31 December 2013



Chairman's Report

Dear Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present you the operating results of the Company for the year ended 31 December 2013.

As of 31 December 2013, according to the HKFRSs, the Company recorded a turnover of RMB5,504,991,000, representing a year-on-year decrease of 4.03%, which was due to the changes in settlement cycle of the property development projects and business environment of investment properties. Influenced by the significant decrease in the gain on changes in fair value of investment properties, the profit before tax and the profits attributable to equity holders of the Company decreased by 4.73% and 17.57% to RMB1,355,309,000 and RMB799,535,000 respectively. However, as the gross profit margin of the settled products in real estate development projects for the period in the real estate development projects increased as compared with the same period last year, and the operating results of projects such as office buildings, National Convention Centre and other projects of the investment properties improved, the core operating results of the Company's principal business after tax was RMB792,232,000, representing a year-on-year increase of 2.75%. Earnings per share was RMB0.24, decreased by 17.57% as compared with 2012.

Looking back 2013, sticking to the implementation and further development of our three major expansion strategies, i.e. capital expansion, brand extension and low-cost expansion, the Company forged ahead with determination amid the changes in the severe operation environment and the continuous macro-control of real estate market. In respect of project development, the turnover period was shortened while development scale continued to go up. On the other hand, investment properties proactively coped with the changes in market, contributing to a sustainable growth in operating results. The brand output of convention, exhibition and hotels achieved great results. In the meantime, capital financing had turned over a new leaf, marking the first time for an insurance capital to be introduced to the Company.

Chairman's Report (Continued)

Birdview of North Star Delta

Looking ahead to 2014, with the core focus on stable progress and innovative formation as well as improving quality and efficiency of economic growth, the economy in China will continue to witness a sound development in 2014. In respect of the real estate market, the successive introduction of development long-term mechanisms in the industry, as well as the gradual implementation of the overall layout for a new type of urbanisation will bring about a sound opportunity to promote a continuous healthy development of the real estate market. As for the investment and commercial property markets, certain businesses faced the operational pressure amidst the increasingly severe competition attributable to the changes in market conditions and the imbalance between supply and demand. Nevertheless, Beijing is strengthening its urban functional position as a "Cultural Centre" and an "International Communication Centre", and this macro environment indicates a broad space for development of the industry as before.

In 2014, with development expansion, risk control, responsibility and innovation as our core tasks, the Company will grasp market opportunities by correctly adhering to the policy guidance in the changeable market structure. On one hand, the Company will comprehensively reinforce the awareness of the Company and the influence of the brand leveraging the opportunity of hosting the Asia-Pacific Economic Corporation (APEC). On the other hand, the Company will continue to implement its strategies of brand building and low cost expansion. The Company will also actively develop new type of real estate business that are reproducible and explore new means for innovative and diversified financing. While consolidating and developing the traditional asset-oriented investment business, the Company will strive to expand the innovative service businesses which involve fewer assets and explore a path of sustainable development and leap-forward expansion with new philosophy, model and strategy of development in the spirit of "boldness" and "innovation".

Chairman's Report (Continued)

Exterior look of Beiyuan Branch of North Star Shopping Centre

A look of A1D1 block, North Star Delta from distance

I believe that with strong sense of dedication and responsibility, all the staff of North Star will strive to reward investor for their trust and achieve our historical mission of "creating property value, building a century's foundation" and our strategic goal of "building the Company into a top national large-scale property conglomerate''.

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

HE Jiang-Chuan
Chairman

Beijing, the PRC, 12 March 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 areas 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.

Photo of North Star Xianglu

North Star Delta Riverside Urban Complex

Visualised picture of North Star Fudi A09 Block

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

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.

Integrated properties of National Convention Centre

Interior look of integrated properties in Asian Games Village

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.

Exterior look of Beiyuan Branch, North Star Shopping Centre

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%.

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

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.

Photo of North Star Mapo Project

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.

North Star Delta

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.

Visualised picture of North Star Changhe Yushu Garden Villas

Photo of North Star Xianglu

Photo of North Star Bihai Fangzhou Garden Villas

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

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.

Meeting Room of APEC Informal Senior Officials Meeting at National Convention Centre

Exterior look of Beijing International Convention Centre

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

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.

International Convention Centre five-star hotel for holding Lianyungang Land Bridge Cooperation Forum

Tibet Linzhi Hotel

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.

Office Building of North Star Century Centre

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

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.

Exterior look of Crowne Plaza Park View Wuzhou 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.

Apartment complex of North Star Hui Yuan Apartment

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

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.

North Star Times Tower and The Legend

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

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.

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

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).

River view of D1 Block of North Star Delta

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

2. Investment Properties (including hotels)

Beijing will strengthen its urban functional positioning as a "Cultural Centre" and an "International Communication 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.

Exterior look of National Convention Centre

Main venue of APEC Informal Senior Officials Meeting at National Convention Centre

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

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. ANALYSIS OF CORE COMPETITIVENESS

The advantages of the Company are reflected on its capability of accurately seizing opportunities, and the capability of risk resistance and comprehensive operation with the unique business model. First, the Company possesses strong capabilities of foresight and understanding in market changes and trends, adopts targeted sales strategy with active response to continuous adjustment of real estate industry. Meanwhile, operation of assets of investment properties (including hotels) achieved steady growth, resulting from utilizing vigorous development of convention and exhibition by Beijing and the overall rebound of market, which provides a strong support to the growth of operation results of principal business of the Company. Second, the unique business model, namely "property development and sales" as well as "property ownership and operations", brings both increasing earnings from property development and long-term stable earnings from property lease and operation to the Company with a stronger capability of risk resistance than that of the real estate enterprises only for property development. Finally, the comprehensive operation capability of integrated property provides the Company with obvious advantages in development of large and integrated property development projects.

Entrance of Beiyuan Branch, North Star Shopping Centre

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

VI. 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.

VII. 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.

ZHAO Hui-Zhi
General Manager

Beijing, the PRC, 12 March 2014

Report on Corporate Governance

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

Throughout the course of 2013, the Company complied with the requirements of the Corporate Governance Code of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules"). The following is an outline of the Corporate Governance Code adopted by the Company.

THE BOARD

Under the stewardship of the chairman, the Board is charged with the responsibility of approving and monitoring the overall strategic plans and policies of the Company, approving operation plans and investment proposals, evaluating performance of the Company and overseeing the work of the Company's management.

A total of nine directors serve on the Board, including the chairman, deputy chairman, four executive directors and three independent non-executive directors. In accordance with the requirements of the Listing Rules, independent non-executive directors must be vetted by the Board to have no direct or indirect material relationships with the Company before they are regarded as independent. The Company has received written confirmation from each independent non-executive directors of his independence and considered all independent non-executive directors are independent to the Company. There is no financial, business, family or other material/related relationship existing among the directors.

In 2013, in order to ensure the directors being fully informed and accommodate to the needs for their contribution to the Board, all the directors of the Company actively participated in continuing professional development and participated the themed training relevant to corporate governance organized by the domestic regulatory authorities, and timely studied the laws, regulations and documents issued by regulatory authorities.

Integrated properties of National convention Centre

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

The Board should meet regularly and Board meetings should be held at least 4 times a year. The Board had met 22 times in total during 2013.

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

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

Directors	**No. of meeting attended in person/ No. of meetings held**	**No. of meeting attended by proxy** *(Note)***/ No. of meetings held**
Executive directors		
Mr. HE Jiang-Chuan	22/22	0/22
Mr. LI Chang-Li	22/22	0/22
Ms. ZHAO Hui-Zhi	21/22	0/22
Mr. HE Wen-Yu	21/22	1/22
Mr. LIU Jian-Ping	22/22	0/22
Mr. ZENG Jin	20/22	2/22
Independent non-executive directors		
Mr. LONG Tao	22/22	0/22
Mr. GAN Pei-Zhong	18/22	4/22
Mr. WONG Yik Chung	22/22	0/22

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

Subsequent to the appointments, all directors must offer themselves for election in the annual general meeting in order to be able to continue to serve their terms, and should resign once every three years. In the event of vacancy in the Board, recommended candidates should be referred to shareholders' general meeting for approval, with a view to appointing people possessing leadership abilities, in order to maintain and enhance the Company's competitiveness.

In January 2005, the Board adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as the disciplinary rules governing securities dealings by the relevant directors of the Company. During the year of 2013, none of the directors and supervisors of the Company had dealt in securities of the Company.

Report on Corporate Governance (Continued)

THE CHAIRMAN AND GENERAL MANAGER

The chairman of the Board and the general manager are held respectively by Mr. HE Jiang-Chuan and Ms. ZHAO Hui-Zhi. These positions have been clearly defined with separate responsibilities.

The chairman is responsible for leading and supervising the operations of the Board, effective planning of Board meetings, ensuring the Board is acting in the best interests of the Company. The chairman shall proactively encourage directors to fully participate in the business of the Board and to make contributions to the functioning of the Board. To this end, the Board meets at regular intervals while the chairman must meet at least once annually with the independent non-executive directors without the presence of the executive directors. Under the stewardship of the chairman, the Board of the Company has adopted well accepted practices and procedures in corporate governance, and has undertaken appropriate measures to maintain effective channels of communication with the shareholders.

The general manager is responsible for the administration of the company business, as well as the formulation and implementation of company policies, and answerable to the Board in relation to the Company's overall operation. The general manager of the Company works in close collaboration with the other executive directors and the administrative and managerial team of each core business department of the Company, ensuring the Board is made fully aware of the funding needs of the business operation of the Company. Assisted by the financial controller of the Company, the Company's general manager ensures the funding needs of the business operation of the Company are sufficiently met and at the same time closely monitors the operation and financial performance of the Company according to the business plans and budget of the Company, and takes remedial measures as the circumstance requires, and offers opinions to the Board on substantive development and matters. The general manager of the Company is required to keep in close liaison with the chairman and all directors, ensuring that the latter are well briefed on all substantive business development and matters of the Company, and taking a leading role in building and maintaining a highly efficient administrative support team to help him or her to discharge the assigned duties in this position.

Inter view of ES Block of North Star Delta

ACCOUNTABILITY OF DIRECTORS ON COMPANY'S FINANCIAL STATEMENTS

Directors are charged with the responsibility to compile the Company's financial statements in each financial year with supports from the accounting department, and to ensure that the relevant accounting policies are applied consistently and the accounting standards issued by the Hong Kong Institute of Certified Public Accountants are complied with in the preparation of such financial statements and to report the state of affairs of the Company in a true and fair view manner.

The statement issued by the auditor on its reporting responsibilities is set out in the Independent Auditor's Report on pages 59 to 60 of this annual report.

FUNCTIONS OF CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The audit committee of the Company is made up of three independent non-executive directors with the necessary commercial and financial skills and experience to understand financial statements. This committee is currently chaired by Mr. LONG Tao and the other members are Mr. GAN Pei-Zhong and Mr. WONG Yik Chung.

The terms of reference of the audit committee is to recommend appointment or replacement of independent external auditors, oversee internal auditing systems of and implementation by the Company, verify the Company's financial information and its disclosure, examine internal control systems of the Company, and to take charge and act as a conduit between internal and external auditing functions.

The audit committee held 3 meetings in 2013 and had reviewed the Company's annual report of 2012 as well as the interim report of 2013.

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

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

REMUNERATION AND EVALUATION COMMITTEE

The remuneration and evaluation committee of the Company comprises three independent non-executive directors, and is chaired by Mr. LONG Tao, with the other two members being Mr. GAN Pei-Zhong and Mr. WONG Yik Chung.

The terms of reference of the remuneration and evaluation committee are to study the assessment standards for directors and managerial staff, and to carry out the assessment and to make recommendations, to study the remuneration policy and schemes for directors and senior management personnel, to recommend to the Board on the remuneration of individual executive directors and senior management as well as the remuneration of non-executive directors.

The remuneration and evaluation committee held 1 meeting in 2013. The members of the remuneration and evaluation committee had listened to reports of the Company's human resources department on the Company's remuneration budget for the year 2013 and made reasonable advice.

For the year ended 31 December 2013, the remuneration of the members of the senior management by band is set out below:

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

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

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

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

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

NOMINATION COMMITTEE

The nomination committee of the Company comprises three independent non-executive directors and two executive directors. It is chaired by Mr. HE Jiang-Chuan, with the other four members being Mr. LI Chang-Li, Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung.

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

The Company is of the view that the diversity of the Board is one of the essential factors in sustaining the competitive edge of the Company and facilitating the sustainable development of the Company. When considering the composition of the Board, various aspects would be considered for the diversity of the Board, including but not limited to gender, age, cultural and ethnic background, education, professional qualifications, skills, knowledge and expertise, etc.

The nomination committee is responsible for reviewing the principle of diversified selection in nomination of directors, assisting and maintaining the diversified visions and various educational backgrounds and professional knowledge, which include the in-depth understanding in the real estate industry, the operational and management in property development, hotel and convention and exhibition, and the professional qualifications in the fields of law and accounting. Each director has years of experience in his respective professional fields. Whatever backgrounds or experiences the directors have, they all take it as their common goal to promote the industry in order to bring sustainable growth for the Company.

Directors of the Company shall be elected at the shareholders' general meeting for a term of three years. Upon expiry of the term, a director shall be eligible for re-election.

A meeting of the nomination committee was held in 2013 to review the structure, number of members and composition of the Board of the Company as well as to evaluate the independence of the independent non-executive directors of the Company.

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

Members	**No. of meetings attended/ No. of meetings held**
Mr. HE Jiang-Chuan	1/1
Mr. LI Chang-Li	1/1
Mr. LONG Tao	1/1
Mr. GAN Pei-Zhong	1/1
Mr. WONG Yik Chung	1/1

STRATEGIC COMMITTEE

The strategy committee of the Company comprises 3 independent non-executive directors and 2 executive directors. The strategic committee is chaired by Mr. HE Jiang-Chuan, and the other four are Ms. ZHAO Hui-Zhi, Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. Wong Yik Chung.

The principal duties of the strategic committee are to carry out research and make recommendations on the Company's long-term development strategies and major investment decisions.

The strategic committee held 2 meetings in 2013. By analyzing the environment of the Group and the development path of the enterprises of a similar business model and the model enterprises in the industry and the operation and management reality of the Group, it facilitated the capital expansion strategy, brand expansion strategy and low-cost expansion strategy and has achieved results by stages.

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

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

SUPERVISORY COMMITTEE

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

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

During 2013, the supervisory committee of the Company exercised its monitoring authority according to the law and protected the legal interests of the shareholders, the Company and the staff. For details of the supervisory committee's works, please refer to Report of the Supervisory Committee in this annual report.

The supervisory committee held 4 meetings in 2013.

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

Supervisors	No. of meetings attended/ No. of meetings held
Mr. LIU Yi	4/4
Mr. LI Guo-Rui	4/4
Mr. XUE Jian-Ming	4/4
Mr. LIU Yao-Zhong	4/4
Mr. ZHANG Wei-Yan	4/4

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

COMPANY SECRETARY

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

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

APPOINTMENT AND REMUNERATION OF EXTERNAL AUDITOR

The external auditor currently appointed by the Company is PricewaterhouseCoopers. The work which the external auditor is engaged to perform must produce measurable benefits and added-values to the Company and should not cause adverse effects on the independence or independent standing of its audit function. The auditor's remuneration is disclosed in note 25 to the consolidated financial statements.

INTERNAL MONITORING CONTROL

The Company has established an audit department. The department reports to the Board of the Company, and is responsible for performing auditing duties including organising and implementing regular audits, specific audits and economic liability audits for the Company and its subsidiaries, subject to the approval by the Board of the Company.

The Board has the ultimate responsibility in overseeing the operation of all business units under the Company's management. The Board shall appoint suitably qualified personnel to serve on the Board of all subsidiaries and associates operating in key business areas, attending their board meetings to oversee the operation of such companies. The management in each business area is accountable for the operation and performance of the business under its area of responsibility.

The financial controller of the Company is required to prepare guidelines and procedures for the approval and control of expenditure. All business expenditure must be monitored and controlled according to overall corporate budget, and internally controlled by business centres against the approval level appropriate to the level of responsibilities of the relevant executives. Capital expenditure must be subject to comprehensive monitoring and control in accordance with the annual budget preparation and allocation approval procedures, major items of capital expenditure within allocation approval limits as well as expediture not included in annual budget preparation must be subject to further detailed monitoring and allocation approval by the financial controller or other executive directors of the Company before the projects can be initiated.

In 2013, pursuant to the requirements of the domestic regulatory authorities, the Company continuously improved and optimized the internal control system of the enterprise through self-assessment, and enhanced various aspects such as risk evaluation and control. Through the above efforts, the internal control mechanism of the enterprise is more reasonably designed with more details, and the implementation of the mechanism became more practical and effective.

Besides, the Board has conducted review of the effectiveness of the internal control system of the Company and its subsidiaries for 2013 and considered the adequacy of resources, qualifications and experience of staff in respect of the Company's accounting and financial reporting function, and their training programs and budget in accordance with code provisions C.2.1 and C.2.2 of the Corporate Governance Code of the Listing Rules.

Report on Corporate Governance (Continued)

INVESTOR RELATIONS AND SHAREHOLDER'S INTEREST

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

After publication of the Company's interim and annual financial results, the Company has proactively arranged briefing sessions for people from the investment industry at regular intervals, using the opportunity to promote investor relations and two-way communication. Through the investor relations manager, the Company responds to information requests and inquiries by people from the investment industry.

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

GENERAL MEETINGS

In 2013, the Company held 2 general meetings, including the 2012 annual general meeting and the first extraordinary general meeting for 2013.

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

Directors	Annual general meeting	Extraordinary general meeting	Attendance rate
Executive directors			
Mr. HE Jiang-Chuan	1/1	1/1	100%
Mr. LI Chang-Li	1/1	1/1	100%
Ms. ZHAO Hui-Zhi	1/1	1/1	100%
Mr. HE Wen-Yu	1/1	1/1	100%
Mr. LIU Jian-Ping	1/1	1/1	100%
Mr. ZENG Jin	0/1	1/1	50%
Independent non-executive directors			
Mr. LONG Tao	1/1	1/1	100%
Mr. GAN Pei-Zhong	1/1	1/1	100%
Mr. WONG Yik Chung	1/1	1/1	100%

CONSTITUTION

The Company has considered and approved the amendments to the Articles of the Association in the 2012 annual general meeting, which were the corresponding amendments made on the change of the name of the controlling shareholder.

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

RIGHTS OF SHAREHOLDERS

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

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

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

PUTTING FORWARD PROPOSALS TO THE GENERAL MEETINGS

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

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

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

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

Procedures in relation to the nomination of directors by shareholders have been published on the website of the Company.

PROCEDURES FOR DIRECTING PROPOSALS, ENQUIRIES OF SHAREHOLDERS TO THE BOARD

Shareholders can at any time send their proposals, enquiries and concerns to the Board in writing through the secretariat of the Board of the Company. The contact details of the secretariat of the Board are set out in Corporate Information on page 151 of this annual report.

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

In 2014, the Company will continue to dedicate itself to improving the standards of its corporate governance according to changing regulatory requirements, the Company's latest development and feedbacks from shareholders, so as to ensure stable and healthy growth of the Company while enhancing shareholders' value.

By Order of the Board
GUO Chuan
Company Secretary

Beijing, the PRC, 12 March 2014

Profile of Directors, Supervisors and Senior Management

CHAIRMAN

Mr. HE Jiang-Chuan, aged 50, is the chairman of the Board of the Company and a representative of the fourteenth Beijing People's Congress. Mr. He graduated from the Tianjin University (天津大學) and the Beijing Economic University with a master's degree in engineering and economics and is qualified as a senior economist. Mr. He was the deputy director of the Beijing Municipal Housing Reform Office and the chief of the Beijing Municipal Housing Fund Management Centre. Mr. He joined BNSIGC in November 1994 as the deputy general manager. Mr. He became a director, deputy general manager and company secretary of the Company in 1997. He has been the general manager of the Company since February 2004. He was appointed as chairman of the Company in April 2007. Mr. He was re-elected as director and chairman of the Company in June 2012. Mr. He has 26 years of experience in housing reform, real estate finance and property development and management. Mr. He was awarded the gold prize of the 4th Beijing Outstanding Young Entrepreneurs (北京市第四屆優秀青年企業家) and one of the "Top Ten Most Influential Entrepreneurs"(最具影響力十大企業家) in the Sixth Beijing Influence Selection (第六屆北京影響力評選活動).

EXECUTIVE DIRECTORS

Mr. LI Chang-Li, aged 50, is the vice chairman of the Board of the Company. Mr. Li graduated from Guanghua School of Management, Peking University with a master's degree in business administration and a senior economist. Mr. Li served as manager at the International Trade Department of Beijing General Corporation of Business Materials Trade Group (北京建築材料經貿總公司), deputy general manager and general manager of Beijing General Corporation of Building Materials Trade Group (北京建築材料經貿集團總公司), deputy general manager, general manager and director of BBMG Group Company Limited (北京金隅集團有限責任公司), executive director and deputy chairman of BBMG Corporation (北京金隅股份有限公司) (listed in HKSE, stock code: 2009). Mr. Li joined the Company in 2011. Mr. Li has accumulated more than 24 years of experience in building materials, investment property operation management and real estate development industries in the PRC. Mr. Li has been the director and vice chairman of the Board since 2012.

Ms. ZHAO Hui-Zhi, aged 60, is a director and general manager of the Company. Ms. Zhao graduated from the Beijing Administration College and has received postgraduate education. Ms. Zhao joined BNSIGC in March 1989 and became the director and deputy general manager of the Company in 1997. She then became general manager of the Company during the period from June 2000 to February 2004. In February 2004, she was the chairman of the Company. In April 2007, she became a director and the general manager of the Company. Ms. Zhao was re-elected as a director of the Company in June 2012. Ms. Zhao has 23 years of extensive experience in property management such as hotels, convention centres, apartments and office buildings.

Mr. HE Wen-Yu, aged 60, is a director and deputy general manager of the Company. Mr. He graduated from the Party School of Heilongjiang Provincial Party Committee of the Communist Party of China with a master's degree in business administration of The Open University of Hong Kong. Mr. He joined BNSIGC in August 2006 as deputy secretary of the Communist Party Committee and director of BNSIGC, responsible for supervising BNSIGC supervisory operations. He was appointed as supervisor and chairman of the supervisory committee of the Company in July 2007 and resigned as a supervisor in 2012. He has over 20 years of experience in research of market economy theories, marketing and supervisory work. Mr. He has become a director and deputy general manager of the Company since 2012.

Profile of Directors, Supervisors and Senior Management (Continued)

Mr. LIU Jian-Ping, aged 59, is a director and the deputy general manager of the Company. Mr. Liu graduated from the Beijing Administration College and has received postgraduate education. Mr. Liu joined BNSIGC in 1988. He successively served as the general manager of Beijing Continental Grand Hotel and was appointed as a director of the Company in 1997. Mr. Liu has extensive experience in the hotel and investment property management. Mr. Liu was re-elected as the director of the Company in June 2012 and became the deputy general manager of the Company in March 2012.

Mr. ZENG Jin, aged 44, is a director and the deputy general manager of the Company. Mr. Zeng graduated from Renmin University of China with a doctor's degree in management. Mr. Zeng joined BNSIGC in August 1992. He served as the deputy department head of the Property Development Department in the Company, the deputy general manager of Beijing North Star Real Estate Development Co., Limited, the deputy general manager and general manager of Beijing North Star Property. Mr. Zeng was appointed as the deputy general manager of the Company in 2009. He is concurrently a director and the general manager of Changsha North Star Property Development Co., Ltd. Mr. Zeng has extensive experience in real estate development and management. Mr. Zeng has become a director of the Company since 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LONG Tao, aged 61, is an independent non-executive director of the Company. He is the chairman of the audit committee and remuneration and evaluation committee, and a member of the nomination committee and strategic committee of the Company. Mr. Long graduated from Research Institute for Fiscal Science, Ministry of Finance, majoring in Western accounting. Mr. Long holds a master's degree in economics. He had served at Accountancy Division of Central University of Finance and Economics, and New York office of KPMG Peat Marwick. Mr. Long had acted as a member of Securities Issue and Approval Committee of China Securities Regulatory Commission, member of Chinese accounting expert panel for China-Hong Kong Securities Team. Mr. Long is the Chairman of Beijing Investment Consultants Inc. Mr. Long has extensive knowledge and experience in corporate finance, accounting, audit, assets appraisal, restructuring of enterprises and listing. Mr. Long is concurrently an independent non-executive director of Qingling Motors Co., Ltd. (listed on HKSE, stock code: 1122), UBS SDIC Fund Management Co., Ltd. and Whoswho Media Co., Ltd. (中外名人傳媒股份有限公司). He resigned as the independent non-executive director of China Asset Management Co., Ltd. and the external director of Beijing Public Transport Holdings, Ltd. in 2012. Mr. Long was elected as the independent non-executive director of the Company in 2009, and was re-elected as the independent non-executive director of the Company in June 2012.

Mr. GAN Pei-Zhong, aged 57, is an independent non-executive director of the Company. He is a member of the audit committee, remuneration and evaluation committee, nomination committee and strategic committee. Mr. Gan graduated from Beijing University majoring in law. He holds a doctor's degree in laws. Mr. Gan is currently a professor of Beijing University Law School, a tutor of Ph.D. students and standing vice-chairman of China Securities Law Association. Mr. Gan has extensive experience in economic law, enterprise law, company law and bankruptcy law. He has published many works in laws and dozens of academic papers. In addition, Mr. Gan had participated in the revisions to the Company Law and Law of Partnership Enterprises. Mr. Gan is concurrently the independent non-executive director of Henan Chuying Agro-Pastoral Group Co., Ltd. (河南雛鷹農牧股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 002477), Beijing Odyssey Chemicals Co., Ltd. (北京奧得賽化學股份有限公司) and Foxit Corporation (福建福昕軟件開發有限公司). Mr. Gan was elected as independent non-executive director of the Company in 2009, and was re-elected as the independent non-executive director of the Company in June 2012.

Profile of Directors, Supervisors and Senior Management (Continued)

Mr. WONG Yik Chung, aged 46, is an independent non-executive director of the Company. He is a member of the audit committee, remuneration and evaluation committee, nomination committee and strategic committee of the Company. Mr. Wong graduated from University of Melbourne with a bachelor's degree in business, majoring in accounting, economics and securities laws. Mr. Wong had consecutively served at PricewaterhouseCoopers, Ernst & Young and Deloitte & Touche Corporate Finance Limited. He is currently the founder, executive director and senior consultant of TMF Group/Vantage consulting company. Mr. Wong has extensive experience in financial management and capital investment. Mr. Wong is concurrently an independent non-executive director of Golden Resources Development International Limited (listed on HKSE, stock code: 0677), EcoGreen Fine Chemicals Group Limited (stock code: 2341), Yang Guang Co., Ltd. (陽光新業地產股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 000608) and Western Securities Company Limited (西部證券股份有限公司). Mr. Wong resigned as an independent non-executive director of CDW Holdings Limited in 2012. Mr. Wong was elected as independent non-executive director of the Company in 2009, and was re-elected as the independent non-executive director of the Company in June 2012.

CHAIRMAN OF SUPERVISORY COMMITTEE

Mr. LIU Yi, aged 61, is the chairman of the supervisory committee. Mr. Liu graduated with a postgraduate diploma from the Party School of the CPC Central Committee. He is a certified consulting (investment) engineer. Mr. Liu served as the deputy chief executive of the People's Government of Xuanwu District of Beijing, the secretary of the Party Committee and general manager of Beijing Municipal Engineering Consulting Corporation, and the bureaudirector-level chairman of the Beijing Municipal State-owned Enterprises Supervisory Board (北京市國有企業監事會正局級監事會主席). Having long been engaged in urban infrastructure construction projects and engineering consulting, he has extensive hands-on experience in theories of regional economics and investment and financing. Mr. Liu has become a supervisor of the supervisory committee of the Company since 2012.

SUPERVISORS

Mr. LI Guo-Rui, aged 58, is a supervisor of the Company. Mr. Li graduated with a postgraduate diploma from the Party School of the CPC Central Committee. He is a senior political official. Mr. Li was a member and deputy director of the office of the Work Committee for the Industry of Beijing Municipal Commission for Discipline Inspection (北京市紀委工業紀工委), deputy head of the Supervision Division of the Economic Commission and the deputy secretary of the Discipline Inspection Commission of Beijing Municipal SASAC. Mr. Li joined the Company in 2011 and takes charge of the discipline inspection and supervision. Mr. Li has more than 20 years of experience in discipline inspection and supervision. Mr. Li has become the supervisor of the Company since 2012.

Mr. XUE Jian-Ming, aged 49, is a supervisor of the Company. Mr. Xue graduated from Xuanhua Artillery Academy of Conducting with an undergraduate diploma. Mr. Xue served as a deputy-division-head-level ombudsman of the Supervision Division of Beijing Municipal Economic Commission, a deputy-division-head-level discipline inspector of the Work Committee for the Industry of Beijing Municipal Commission for Discipline Inspection (工業紀工委), a deputy-division-head-level ombudsman of Beijing Municipal Bureau of Supervision working at Beijing Municipal SASAC, a deputy-division-head-level discipline inspector of Beijing Municipal SASAC and a division-head-level fulltime supervisor of Beijing Municipal State-owned Enterprises Supervisory Board. Mr. Xue has long been engaged in executive administration and business efficiency supervision and holds theories on and extensive hands-on experience in supervision. Mr. Xue has become a supervisor of the Company since 2012.

Profile of Directors, Supervisors and Senior Management (Continued)

Mr. LIU Yao-Zhong, aged 58, is a supervisor of the Company. Mr. Liu graduated from China Beijing Municipal Communist Party School and has a bachelor's degree. Mr. Liu served as the chairman of the trade union of BNSIGC. He has 22 years of work experience in trade union. Mr. Liu has been a supervisor of the Company since May 2002 and was re-elected as a supervisor of the Company in June 2012.

Mr. ZHANG Wei-Yan, aged 54, is a supervisor of the Company. Mr. Zhang graduated with an undergraduate diploma from the Party School of CPC Beijing Municipal Committee. He is a senior accountant. Mr. Zhang joined BNSIGC in 1990 and currently serves as the deputy head of the audit department of the Company. Mr. Zhang has extensive experience in corporate financial management and corporate audit. Mr. Zhang has become a supervisor of the Company since 2012.

DEPUTY GENERAL MANAGER

Mr. HE Wen-Yu, aged 60, is a director and deputy general manager of the Company. Mr. He graduated from the Party School of Heilongjiang Provincial Party Committee of the Communist Party of China with a master's degree in business administration of The Open University of Hong Kong. Mr. He joined BNSIGC in August 2006 as deputy secretary of the Communist Party Committee and director of BNSIGC, responsible for supervising BNSIGC supervisory operations. He was appointed as supervisor and chairman of the supervisory committee of the Company in July 2007 and resigned as a supervisor in 2012. Mr. He has over 20 years of experience in research of market economy theories, marketing and supervisory work. Mr. He has become a director and deputy general manager of the Company since 2012.

Mr. LIU Jian-Ping, aged 59, is a director and the deputy general manager of the Company. Mr. Liu graduated from Beijing Administration College and has received postgraduate education. Mr. Liu joined BNSIGC in 1988. He successively served as the general manager of Beijing Continental Grand Hotel and was appointed as a director of the Company in 1997. Mr. Liu has extensive experience in the hotel and investment property management. Mr. Liu was re-elected as the director of the Company in June 2012, and became the deputy general manager of the Company in March 2012.

Mr. DU Jing-Ming, aged 49, is the deputy general manager of the Company. He graduated from Beijing Normal University with a doctor's degree in law. Mr. Du served as the deputy director of the General Office of the Beijing Municipal Government and deputy director of the Information Network Office of the Beijing Municipal Government. He joined BNSIGC in 2004. He was the deputy general manager of BNSIGC. Mr. Du has extensive experience in corporate administration and management, enterprise culture and publicity work. Mr. Du has become the deputy general manager of the Company since 2012.

Mr. ZENG Jin, aged 44, is a director and the deputy general manager of the Company. Mr. Zeng graduated from Renmin University of China with a doctor's degree in management. Mr. Zeng joined BNSIGC in August 1992. He served as the deputy department head of the Property Development Department in the Company, the deputy general manager of Beijing North Star Real Estate Development Co., Limited, the deputy general manager and general manager of Beijing North Star Property. Mr. Zeng was appointed as the deputy general manager of the Company in 2009. He is concurrently a director and the general manager of Changsha North Star Property Development Co., Ltd. Mr. Zeng has extensive experience in real estate development and management. Mr. Zeng has become a director of the Company since 2012.

Profile of Directors, Supervisors and Senior Management (Continued)

Ms. ZHANG Wen-Lei, aged 46, is the deputy general manager of the Company. Ms. Zhang graduated from the School of Economics and Management of Northern Jiaotong University and has received postgraduate education and is a senior economist as well as a senior accountant. Ms. Zhang served as the chief economist of the Fourth Office of China Railway 18th Engineering Bureau (中鐵第十八工程局四處) and the deputy-chief economist of China Railway 18th Engineering Bureau. She joined BNSIGC in 2001. She was the chief economist and the chief legal advisor of BNSIGC. Ms. Zhang has extensive experience in construction engineering, tendering, works pricing and works supervision. Ms. Zhang has become the deputy general manager of the Company since 2012.

Mr. LU Jian, aged 54, is the deputy general manager of the Company. Mr. Lu graduated from Qinghua University with a bachelor's degree and is a senior engineer. Mr. Lu served as the deputy general manager of the Fifth Construction Company of Beijing Construction Engineering Group (北京建工集團第五建築公司) and the deputy chief enginer of Beijing Construction Engineering Group. She joined BNSIGC in 2001 and served as the assistant of general manager and the chief engineer. Mr. Lu has extensive experience in construction infrastructure, construction management and works safety and management. Mr. Lu has become the deputy general manager of the Company since 2012.

Mr. LIU Huan-Bo, aged 56, is the deputy general manager of the Company. Mr. Liu is a postgraduate of the Party School of Central Committee. Mr. Liu had worked in the Xinqiao Hotel (新僑飯店) and Shigatse Hotel, Tibet (西藏日喀則飯店). Mr. Liu joined BNSIGC since 1989 and had held positions as the general manager of Hui Yuan Apartment, Beijing Recreation Centre Co., Ltd. (北京康樂宮有限公司) and Beijing International Convention Centre. He is the chairman of Beijing North Star Co., Prudential Property Management Co., Ltd. (北京北辰信誠物業管理有限責任公司) and Beijing North Star Xintong Network Technologies and Services Co., Ltd. (北京北辰信通網絡技術服務有限公司), as well as a director and the general manager of Beijing North Star International Convention and Exhibition Co., Limited (北京北辰國際會展有限公司). Mr. Liu has been appointed as the deputy general manager of the Company in 2002.

Mr. LIU Tie-Lin, aged 51, is the deputy general manager of the Company. Mr. Liu is a postgraduate of the Tsinghua University. Mr. Liu joined BNSIGC since 1990 and served as the general manager of North Star Shopping Centre. He is the general manager of the branch of North Star Business Development Co., (北辰商業發展分公司) under the Company and the chairman of Beijing North Star Supermarket Chain Co., Limited (北京北辰超市連鎖有限公司). Mr. Liu was appointed as the deputy general manager of the Company in 2002.

Mr. SI Hai-Qun, aged 59, is the deputy general manager of the Company. Mr. Si is a postgraduate of the Chinese Academy of Social Science. Mr. Si joined BNSIGC since 1988. He was the deputy general manager and general manager of Beijing North Star Real Estate Development Co., Limited and the general manager of Changsha North Star Real Estate Development Co., Limited. He is concurrently the chairman of Beijing North Star Real Estate Development Co., Limited, a director of Changsha North Star Real Estate Development Co., Limited and the chairman of Beijing North Star Real Estate Investment Fund Management Co., Ltd (北京北極星房地產投資基金管理有限公司). Mr. Si was appointed as the deputy general manager of the Company in 2004.

Profile of Directors, Supervisors and Senior Management (Continued)

FINANCIAL CONTROLLER

Ms. CUI Wei, aged 40, the financial controller of the Company. She graduated from Central University of Finance and Economics and obtained a master's degree in management. She is a senior accountant. Ms. Cui was a deputy chief accountant and chief accountant of Beijing No. 1 Municipal Co., Ltd. (北京市市政一有限責任公司) and the chief accountant of Beijing Municipal Construction Co., Ltd. Ms. Cui joined the Company in 2013 and became the financial controller of the Company. Ms. Cui has rich experiences in company financial management.

COMPANY SECRETARY

Mr. GUO Chuan, aged 45, is company secretary to the Board and the chief legal advisor of the Company. Mr. Guo graduated from Capital University of Economics and Business and University of International Business and Economics with an LLB degree in economic law and an EMBA degree and is a qualified lawyer. Mr. Guo joined BNSIGC in 1991, and was consecutively deputy director and director of the Secretariat of the Board of the Company. In February 2004, Mr. Guo was appointed as secretary to the Board of the Company and was appointed as the chief legal advisor of the Company in July 2008.

Mr. LEE Ka Sze, Carmelo, aged 53, is company secretary of the Company and such office is served by him as a representative of external service provider. He is responsible for ensuring the Company has been in compliance with the regulations of Hong Kong. Mr. Lee graduated from the University of Hong Kong with a bachelor's degree in law. He is a practicing solicitor in Hong Kong and a partner of Woo, Kwan, Lee & Lo., the Company's legal adviser on Hong Kong laws. Mr. Lee was appointed as the company secretary of the Company in 1997.

Report of the Directors

The Board of the Company is pleased to present to the shareholders its report together with the audited financial reports of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is principally engaged in development properties, investment properties (including hotels) and commercial properties. The subsidiaries are mainly engaged in property development and property investment in Beijing and Changsha City of Hunan Province in the PRC.

RESULTS AND PROFIT DISTRIBUTION

The results of the Group for the year ended 31 December 2013 and the financial positions of the Group and the Company as at 31 December 2013 prepared in accordance with HKFRS are set out on pages 61 to 69 of this annual report.

DIVIDEND

The Board recommends the payment of a final dividend of RMB0.06 per share for the year ended 31 December 2013, totalling RMB202,021,000.

FIVE YEAR FINANCIAL SUMMARY

The Group's consolidated results and summaries of assets and liabilities for the last five financial years are set out on pages 4 to 5 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's cost of purchase of goods and services was derived from its five largest suppliers and less than 30% of the Group's revenue of sale of goods and services was derived from its five largest customers.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owned more than 5% interest of the Company's share capital) had any interest in the major suppliers or customers mentioned above.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements of property, plant and equipment of the Group and of the Company during the year are set out in note 8 to the consolidated financial statements.

Report of the Directors (Continued)

PRINCIPAL PROPERTIES

The summary of principal properties profile owned by the Group is set out on pages 148 to 149 of this annual report.

RESERVES

Details of movements of the reserves of the Group and the Company during the year are set out in note 20 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

In accordance with the articles of association of the Company, the profit available for appropriation by the Company for the purpose of dividend payments is based on the lesser of the net profit of the Company determined in accordance with China Accounting Standards for Business Enterprises; and the net profit determined in accordance with HKFRSs.

Distributable reserves of the Company as at 31 December 2013 amounted to RMB1,563,336,238 (2012: RMB1,451,431,224).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company had not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the year.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The directors, supervisors and senior management during the year and up to the date of this report are as follows:

Executive Directors

HE Jiang-Chuan	*Chairman*
LI Chang-Li	*Deputy Chairman*
ZHAO Hui-Zhi	*Director*
HE Wen-Yu	*Director*
LIU Jian-Ping	*Director*
ZENG Jin	*Director*

Independent Non-Executive Directors

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

Report of the Directors (Continued)

Supervisors

LIU Yi	*Chairman*
LI Guo-Rui	*Supervisor*
XUE Jian-Ming	*Supervisor*
LIU Yao-Zhong	*Supervisor*
ZHANG Wei-Yan	*Supervisor*

Senior Management

HE Wen-Yu	*Deputy General Manager*	
LIU Jian-Ping	*Deputy General Manager*	
DU Jing-Ming	*Deputy General Manager*	
ZENG Jin	*Deputy General Manager*	
ZHANG Wen-Lei	*Deputy General Manager*	
LU Jian	*Deputy General Manager*	
LIU Huan-Bo	*Deputy General Manager*	
LIU Tie-Lin	*Deputy General Manager*	
SI Hai-Qun	*Deputy General Manager*	
CHEN Yuan-Chao	*Financial Controller*	*(resigned on 6 August 2013)*
CUI Wei	*Financial Controller*	*(appointed on 7 August 2013)*
GUO Chuan	*Company Secretary*	
LEE Ka-Sze, Carmelo	*Company Secretary — served as a representative of external service provider*	

The biographical details of directors, supervisors and senior management are set out on pages 38 to 43 of this annual report.

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

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

The existing seven directors and three supervisors of the Company were re-elected at the 2011 annual general meeting. In addition, the existing two directors and two supervisors of the Company were appointed at the 2011 annual general meeting and became as directors and supervisors upon approval of amendements of the Articles of Association in relation to increase the number of directors and supervisors on 30 July 2012.

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

Report of the Directors (Continued)

EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

INDIVIDUALS WITH THE HIGHEST PAY

During the year, the five individuals with the highest emolument in the Group were all directors of the Company.

MANAGEMENT CONTRACTS

Except for the connected transaction contracts as stated in this report, no contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2013, none of the directors, supervisors and chief executives of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (as defined under Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company or Hong Kong Stock Exchange pursuant to the Model Code. None of the directors, supervisors and chief executives of the Company, their spouses or children under the age of 18 had been granted any rights to subscribe for shares in or debentures of the Company or its associated corporations, nor has any of them exercised such rights during the year.

At no time during the year were the Company and its associated corporations a party to any arrangement to enable the directors, supervisors and chief executives of the Company (including their spouses and children under 18 years old) to hold any interests or short positions in the shares in or debentures of, the Company, and its associated corporations.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

Apart from service contracts in relation to the Company's business, no contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its substantial shareholders was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the directors and management shareholders has any interest in business which competes or may compete with the business of the Group under the Listing Rules.

DETAILS OF SHARE OFFERING AND LISTING

Class of shares	H shares
Listing place	Hong Kong
Offer price	HK$2.40 per share
Listing date	14 May 1997
Number of issued shares	707,020,000 shares

Class of shares	A shares
Listing place	Shanghai
Offer price	RMB2.40 per share
Listing date	16 October 2006
Number of issued shares	1,500,000,000 shares

SHARE CAPITAL

The Company's total number of issued shares as at 31 December 2013 was 3,367,020,000, comprising:

Domestic listed A shares	2,660,000,000	Representing 79.002%
Foreign listed H shares	707,020,000	Representing 20.998%

Details of the movements in share capital of the Company are set out in note 19 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTEREST

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 31 December 2013, the Company had been notified of the following substantial shareholders' interests or short positions, being 5% or more of the relevant class of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Long positions in the shares of the Company:

Name of shareholder	Class of shares	No. of shares	No. of relevant shares	Capacity	Nature of interest	Percentage of the relevant class of share capital	Percentage of total share capital
Beijing North Star Industrial Group Limited Liabilities Company ("BNSIGC")	A shares	1,161,000,031	—	Beneficial owner	Corporate interest	43.647%	34.482%

Save as disclosed above, the register required to be kept under Section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 31 December 2013.

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

As at 31 December 2013, the shareholders as recorded in the registers of holders of A shares and H shares kept by the Company are as follows:

As at the end of the reporting period, the total number of shareholders are:	273,123 holders

Shareholdings of top ten shareholders of the Company as at 31 December 2013

Name of shareholders	**Class of shares**	**Percentage of shares held** *(%)*	**Total number of shares held** *(shares)*
BNSIGC	A share	34.482	1,161,000,031
HKSCC NOMINEES LIMITED	H share	20.304	683,636,498
Beijing Wangfujing Department Store (Group) Co. Ltd. (北京王府井百貨(集團)股份有限公司)	A share	4.069	137,000,000
Zhong Hang Xin Gang Guarantee Co., Ltd. (中航鑫港擔保有限公司)	A share	2.185	73,573,353
Shanxi Trust Co., Ltd. - Xinhai No. 7 Collective Capital Trust Contract (山西信託股份有限公司-信海七號集合資金信託合同)	A share	0.997	33,575,682
Agricultural Bank of China Limited - New China Selected Dividend Mixed Securities Investment Fund (中國農業銀行股份有限公司 -新華優選分紅混合型證券投資基金)	A share	0.985	33,174,460
Shanxi Trust Co., Ltd – Xinhai No. 6 Collective Capital Trust Contract (山西信託股份有限公司-信海六號集合資金信託)	A share	0.968	32,600,000
China Construction Bank Corporation– Xinhua Diamond Quality Enterprise Equity Securities Investment Fund (中國建設銀行股份有限公司 -新華鑽石品質企業股票型證券投資基金)	A share	0.466	15,700,242
Zhejiang Haiyue Co., Ltd. (浙江海越股份有限公司)	A share	0.363	12,214,527
CITIC Trust Co., Ltd. – CITIC Trust Moderate and Layered Securities Investment Assembled Funds Trust Batch 1318C (中信信託有限責任公司-中信信託穩健分層型證券投資集合資金信託計畫1318C期)	A share	0.257	8,669,338

Notes:

(1) Pursuant to the document titled "Implementation measure for the transfer of part of the state-owned shares to the National Council for Social Security Fund in domestic securities market" (Cai Qi [2009] No. 94)(《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and announcement No. 63 of 2009 jointly issued by the Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund, after the reform of shareholder structure, all the limited companies who conducted the initial public offering in the domestic securities market with its shares (including state-owned shares) listed shall transfer part of its state-owned shares with reference to 10% of the actual issued shares during initial public offering to NCSSF except those otherwise stipulated by the State Council. For the companies which meet the conditions for direct transfer of shares but are required to maintain the controlling status of the nation pursuant to relevant national regulations, the state-owned shareholders are required to perform their obligation of transfer by way of (including but not limited to) distributing dividend or turning into internal resources while ensuring the capital being contributed to the national treasury in full in a timely manner after approval by the asset supervision and management authority.

The Company completed the initial public offering and was listed in October 2006 with an issue size of 1.5 billion shares. Pursuant to No. 94 document and the announcement No. 63 of 2009 jointly issued by the Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund, the 150,000,000 shares held by BNSIGC are frozen at present as BNSIGC was a state-owned shareholder prior to the listing of the Company.

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

DESIGNATED DEPOSITS AND DUE FIXED DEPOSITS

As at 31 December 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 incident of not being able to withdraw bank deposits upon maturity.

STAFF RETIREMENT SCHEME

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

EMPLOYEES

As at 31 December 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 from 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.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 37 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules and/or the Listing Rules of Shanghai Stock Exchange. Such transactions between certain connected persons (as defined in the Listing Rules) and the Group which have been entered into and/or are ongoing during the year are shown below for which relevant disclosure, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

(1) Obtaining Entrusted Loans

On 29 March 2013, the Company has obtained entrusted loans amounting to RMB50,000,000 in aggregate with a term of 2 years. The transaction would be settled in cash, representing 5% of the entrusted loans obtained by the Company from BNSIGC during the reporting period, and 4.16% of the entrusted loans obtained by the Company from BNSIGC as at the end of the reporting period. The interest rate is equal to the People's Bank of China (PBOC) benchmark interest rate. The Company does not need to provide any pledge or guarantee for these loans.

On 29 May 2013, the Company has obtained entrusted loans amounting to RMB150,000,000 in aggregate with a term of 2 years. The transaction would be settled in cash, representing 15% of the entrusted loans obtained by the Company from BNSIGC during the reporting period, and 12.5% of the entrusted loans obtained by the Company from BNSIGC as at the end of the reporting period. The interest rate is a fixed rate of 6.15%. The Company does not need to provide any pledge or guarantee for these loans.

On 30 August 2013, the Company has obtained entrusted loans amounting to RMB200,000,000 in aggregate with a term of 2 years. The transaction would be settled in cash, representing 20% of the entrusted loans obtained by the Company from BNSIGC during the reporting period, and 16.67% of the entrusted loans obtained by the Company from BNSIGC as at the end of the reporting period. The interest rate is a fixed rate of 6.15%. The Company does not need to provide any pledge or guarantee for these loans.

On 4 September 2013, the Company has obtained entrusted loans amounting to RMB200,000,000 in aggregate with a term of 2 years. The transaction would be settled in cash, representing 20% of the entrusted loans obtained by the Company from BNSIGC during the reporting period, and 16.67% of the entrusted loans obtained by the Company from BNSIGC as at the end of the reporting period. The interest rate is equal to the People's Bank of China (PBOC) benchmark interest rate. The Company does not need to provide any pledge or guarantee for these loans.

On 10 September 2013, the Company has obtained entrusted loans amounting to RMB200,000,000 in aggregate with a term of 2 years. The transaction would be settled in cash, representing 20% of the entrusted loans obtained by the Company from BNSIGC during the reporting period, and 16.67% of the entrusted loans obtained by the Company from BNSIGC as at the end of the reporting period. The interest rate is equal to the People's Bank of China (PBOC) benchmark interest rate. The Company does not need to provide any pledge or guarantee for these loans.

CONNECTED TRANSACTIONS *(Continued)*

(1) Obtaining Entrusted Loans *(Continued)*

On 26 December 2013, the Company has obtained entrusted loans amounting to RMB150,000,000 in aggregate with a term of 2 years. The transaction would be settled in cash, representing 15% of the entrusted loans obtained by the Company from BNSIGC during the reporting period, and 12.5% of the entrusted loans obtained by the Company from BNSIGC as at the end of the reporting period. The interest rate is equal to the People's Bank of China (PBOC) benchmark interest rate. The Company does not need to provide any pledge or guarantee for these loans.

On 26 December 2013, the Company has obtained entrusted loans amounting to RMB50,000,000 in aggregate with a term of 2 years. The transaction would be settled in cash, representing 5% of the entrusted loans obtained by the Company from BNSIGC during the reporting period, and 4.16% of the entrusted loans obtained by the Company from BNSIGC as at the end of the reporting period. The interest rate is equal to the People's Bank of China (PBOC) benchmark interest rate. The Company does not need to provide any pledge or guarantee for these loans.

(2) Interest expense for the entrusted loans

① For the entrusted loans of RMB800,000,000 obtained from BNSIGC by the Company in 2011 (please refer to the relevant information disclosed in the 2011 annual report), the Company paid interest expense amounting to RMB38,034,167 during the reporting period, representing 52.72% of the paid interest expense from obtaining entrusted loans by the Company. The transaction was settled in cash, and it has been paid in full during the reporting period.

② For the entrusted loans of RMB200,000,000 obtained from BNSIGC by the Company in 2012 (please refer to the relevant information disclosed in the 2012 annual report), the Company paid interest expense amounting to RMB13,231,250 during the reporting period, representing 18.34% of the paid interest expense from obtaining entrusted loans by the Company. The transaction was settled in cash.

③ For the entrusted loan of RMB50,000,000 mentioned in (1) obtained by the Company from BNSIGC, the interest expense paid during the reporting period amounted to RMB2,280,625, representing 3.16% of the paid interest expense from obtaining entrusted loans by the Company. The transaction was settled in cash.

④ For the entrusted loan of RMB150,000,000 mentioned in (1) obtained by the Company from BNSIGC, the interest expense paid during the reporting period amounted to RMB5,278,750, representing 7.31% of the paid interest expense from obtaining entrusted loans by the Company. The transaction was settled in cash.

⑤ For the entrusted loan of RMB200,000,000 mentioned in (1) obtained by the Company from BNSIGC, the interest expense paid during the reporting period amounted to RMB3,860,833, representing 5.35% of the paid interest expense from obtaining entrusted loans by the Company. The transaction was settled in cash.

CONNECTED TRANSACTIONS *(Continued)*

(2) Interest expense for the entrusted loans *(Continued)*

⑥ For the entrusted loan of RMB200,000,000 mentioned in (1) obtained by the Company from BNSIGC, the interest expense paid during the reporting period amounted to RMB4,749,167, representing 6.58% of the paid interest expense from obtaining entrusted loans by the Company. The transaction was settled in cash.

⑦ For the entrusted loan of RMB200,000,000 mentioned in (1) obtained by the Company from BNSIGC, the interest expense paid during the reporting period amounted to RMB4,544,167, representing 6.30% of the paid interest expense from obtaining entrusted loans by the Company. The transaction was settled in cash.

⑧ For the entrusted loan of RMB150,000,000 mentioned in (1) obtained by the Company from BNSIGC, the interest expense paid during the reporting period amounted to RMB128,125, representing 0.18% of the paid interest expense from obtaining entrusted loans by the Company. The transaction was settled in cash.

⑨ For the entrusted loan of RMB50,000,000 mentioned in (1) obtained by the Company from BNSIGC, the interest expense paid during the reporting period amounted to RMB42,708, representing 0.06% of the paid interest expense from obtaining entrusted loans by the Company. The transaction was settled in cash.

During the reporting period, the total interest expense for the above 9 sums of entrusted loans paid by the Company amounted to RMB72,149,792, representing 8.57% of the interest expense of the Company for the year.

(3) Use of Authorised Logo and Signage Usage

Pursuant to the "Contract of Authorised Logo and Signage Usage" entered into with BNSIGC on 18 April 1997, the Company paid RMB10,000 of authorised logo and signage usage fee to BNSIGC in 2013, representing 0.05% of the leases of the Company. Such transaction was settled by cash.

(4) Leasing Properties to Others

According to the Supplementary Agreement to the Lease Contract entered into between the Company and Kingpower Company on 28 June 2011 after negotiations, and the Lease Contract entered into between the branch of North Star Business Development Company (北辰商業發展分公司) and Kingpower Company, the premises from the 1st to 5th floor of the podium of North Star Times Tower, together with all of its ancillary facilities, and the office premises on the 1st underground floor of North Star Times Tower, which were held by the Company and the branch of North Star Business Development Company (北辰商業發展分公司) respectively, were leased to Kingpower Company. Following the pricing principle of good faith, the above two connected transactions were conducted on the basis of transparency, fairness and justice at fair market prices.

From 1 January 2013 to 21 June 2013, the rental for the above two connected transactions was RMB6,392,690, representing 0.31% of the income generated from investment properties (including hotels) of the Company. Such transaction was settled by cash. Since 22 June 2013, North Star Jiaquan and the Company no longer constitute connected persons under the Listing Rules.

CONNECTED TRANSACTIONS *(Continued)*

(5) Land Rental

According to a lease agreement dated 11 April 1997 entered into between the Company and BNSIGC, BNSIGC leased to the Company a piece of land on which the Company's investment properties and their ancillary facilities are located for its use. With an area of approximately 167,000 m^2, the piece of land is leased for terms of 40 years to 70 years, subject to the type of usage of different portions of the piece of land. The rental for the 12 months ended 31 December 2013 was RMB14,259,000, representing 72.75% of the leases of the Company. Such transaction was settled by cash once per year. The rentals for future years will be adjusted with reference to the percentage increase of the previous year's consumer price index as announced by the National Bureau of Statistics.

(6) Renting Properties from Others

In 2013, the Company's subsidiary, Beijing North Star Xin Cheng Property Management Co., Limited (hereafter called "Xin Cheng Property"), entered into a property rental agreement with Chen Yun Property, a subsidiary of BNSIGC. Pursuant to the agreement, Xin Cheng Property leased certain properties from Chen Yun Property as office properties. The term of the lease is one year, starting from 1 January 2013 and ended at 31 December 2013. The rental for the 12 months ended 31 December 2013 was RMB900,000, representing 4.59% of the leases of the Company. Such transaction was settled by cash.

The independent non-executive directors of the Company have reviewed the transactions above and, pursuant to the Listing Rules, confirmed that the transactions had been carried out on normal commercial terms, in accordance with the terms of the relevant agreements, were in the ordinary and normal course of business of the Company and were fair and reasonable so far as the shareholders of the Company as a whole were concerned.

The Company's auditor, PricewaterhouseCoopers, has examined the paragraphs from (3), (5) and (6) above, which transactions constituted continuing connected transactions for the year ended 31 December 2013 and, pursuant to the Listing Rules, reported in its letter to the Company that the relevant transactions (i) have been approved by the Board of the Company; (ii) the pricing of which on a sample basis, were in accordance with the pricing policies of the Company; and (iii) have been carried out in accordance with the relevant agreements governing relevant transactions. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the continuing connected transactions as referred to in paragraphs from (3), (5) and (6) above.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2013, the bank loans and other borrowings of the Group are set out in note 23 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision under the Company's Articles of Association and the related laws of the PRC, which obliges the Company to offer new shares with pre-emptive rights to existing shareholders for purchase of shares on pro-rata basis.

SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 9 to the consolidated financial statements.

MAJOR LITIGATION

The Group was not involved in any litigation or arbitration of material importance during the year.

POLICIES ON INCOME TAX

In compliance with the PRC laws and regulations, the Company and its subsidiaries and a jointly controlled entity paid corporate income tax at a rate of 25% based on taxable income.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 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 borrowings of RMB7,830,506,000 with certain investment properties, hotels, properties under development and completed properties held for sale as the collaterals from banks and Taikang Asset Management Co., Ltd. (泰康資產管理有限責任公司). The asset-liability ratio for the Group was 59.82% 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.

Report of the Directors (Continued)

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiries to all directors and supervisors of the Company, the Company confirmed that its directors and supervisors have complied with the required standards as set out in the Model Code during the year.

CORPORATE GOVERNANCE CODE

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

REVIEW ON ANNUAL RESULTS

The audit committee has reviewed the annual results and the financial statements of the Group for the year ended 31 December 2013 according to its terms of reference.

PUBLIC FLOAT

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

OTHER MAJOR EVENTS

1. On 24 November 2011, the Proposal on the Merger of Beijing North Star Convention Centre Development Co., Limited, a Wholly-owned Subsidiary of the Company (《關於吸收合併本公司全資子公司-北京北辰會議中心發展有限公司的議案》) was considered and approved as a resolution at the 39th meeting of the fifth session of the Board of the Company, pursuant to which, the overall merger of Beijing North Star Convention Centre Development Co., Limited, a wholly-owned subsidiary of the Company, was approved. Subsequent to completion of the merger, the qualification of Beijing North Star Convention Centre Development Co., Limited as an independent legal person would be cancelled and all of its assets, liabilities and other obligations and responsibilities thereunder would be assumed by the Company. On 7 February 2012, the Company considered and approved the above proposal at the 2012 first extraordinary general meeting and entered into the Merger Agreement with Beijing North Star Convention Centre Development Co., Limited on the same date. On 7 March 2012, the Company published the Announcement of the Merger of Beijing North Star Convention Centre Development Co., Limited into Beijing North Star Company Limited (《北京北辰實業股份有限公司關于與北京北辰會議中心發展有限公司吸收合併的公告》) on Beijing Daily. On 11 December 2013, upon the approval of Beijing Industry and Commerce Bureau, relevant procedures for cancellation of Beijing North Star Convention Centre Development Co., Limited were completed.

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

OTHER MAJOR EVENTS *(Continued)*

2. Please refer to "the Board's Discussion and Analysis on the Company's Operation During the Reporting Period" in this report for the progress in the Changsha North Star Delta Project. During the reporting period, the Company paid approximately RMB135,540,000 in May 2013 to obtain the remaining land in Changsha North Star Delta Project. Until then, the Company had paid the consideration for the land of Changsha North Star Delta Project in full.

AUDITOR

The accounts of the Company have been audited by PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP who retire and being eligible, offer themselves for reappointment as auditors of the Company. A resolution reappointing PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company's PRC and international auditors will be proposed at the 2013 AGM.

By Order of the Board

HE Jiang-Chuan
Chairman

Beijing, the PRC, 12 March 2014

Report of the Supervisory Committee

The Supervisory Committee of the Company (hereinafter as the "Supervisory Committee"), in compliance with the provisions of the Company Law of the People's Republic of China, the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, under their fiduciary duty, took an active role to work reasonably and cautiously with diligence to protect the interests of the Company and its shareholders.

In 2013, the Supervisory Committee met 4 times in total and the supervisors attended the Board meetings, 2012 annual general meeting as well as the first extraordinary general meetings of 2013 held during the reporting period. It also strictly and effectively monitored and supervised the Board and management of the Company in making significant policies and specific decisions to ensure that they were in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of its shareholders and employees.

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

The Supervisory Committee has seriously reviewed and agreed to the report of the directors, audited financial reports, profit appropriation proposal and the report of the Board on internal control of the Company to be proposed by the Board for presentation at the forthcoming annual general meeting. It is of the opinion that the members of the Board, the general manager and other senior management of the Company were able to strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the shareholders.

The Supervisory Committee is satisfied with the achievement and economic effects of the Company in 2013 and has great confidence to the future of the Company.

In 2014, the Supervisory Committee of the Company will continue to strictly comply with the Articles of Association and the relevant regulations, so as to safeguard shareholders' interests and fulfill all its duties.

By Order of the Supervisory Committee
Liu Yi
Chairman of the Supervisory Committee

Beijing, the PRC, 12 March 2014

Independent Auditor's Report

羅兵咸永道

To the shareholders of Beijing North Star Company Limited
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Beijing North Star Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 61 to 146, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair veiw in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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Independent Auditor's Report (Continued)

羅兵咸永道

AUDITOR'S RESPONSIBILITY *(CONTINUED)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12 March 2014

Consolidated balance sheet

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Land use rights	6	**1,011**	1,043
Investment properties	7	**11,339,000**	11,238,200
Property, plant and equipment	8	**2,074,920**	2,165,326
Interest in an associate and a joint venture	10	**6,567**	7,279
Deferred income tax assets	24	**24,574**	41,311
		13,446,072	13,453,159
Current assets			
Properties under development	13	**18,287,947**	15,333,378
Completed properties held for sale	14	**2,199,453**	3,464,188
Other Inventories	15	**77,742**	99,411
Trade and other receivables	16	**1,116,789**	556,451
Restricted bank deposits	17	**237,703**	279,121
Cash and cash equivalents	18	**3,196,257**	2,576,752
		25,115,891	22,309,301
Total assets		**38,561,963**	35,762,460
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	19	**3,367,020**	3,367,020
Other reserves	20	**4,231,264**	4,196,244
Retained earnings			
— Proposed final dividend	20, 32	**202,021**	202,021
— Others	20	**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

Consolidated balance sheet (Continued)

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Long term borrowings	23	**9,504,430**	7,255,409
Long term payables		**6,935**	7,745
Deferred income tax liabilities	24	**1,614,659**	1,569,659
		11,126,024	8,832,813
Current liabilities			
Trade and other payables	21	**8,091,774**	7,301,015
Current income tax liabilities	22	**429,623**	405,615
Current portion of long term borrowings	23	**2,170,175**	3,117,889
Short term borrowings	23	**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

The financial statements on pages 61 to 69 were approved by the Board of Directors on 12 March 2014 and were signed on its behalf.

Director *Director*

The notes on pages 70 to 146 are an integral part of these financial statements.

Balance sheet

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Investment properties	7	**11,272,900**	4,987,100
Property, plant and equipment	8	**2,058,802**	1,752,160
Investments in subsidiaries	9	**1,814,608**	3,511,793
Interest in an associate and a joint venture	10	**6,567**	7,279
Deferred income tax assets	24	**15,819**	16,312
		15,168,696	10,274,644
Current assets			
Loans to subsidiaries	9	**10,838,005**	13,228,731
Properties under development	13	**2,388,242**	1,999,410
Completed properties held for sale	14	**1,600,761**	2,247,852
Other inventories	15	**47,008**	56,143
Trade and other receivables	16	**789,724**	215,340
Restricted bank deposits	17	**12,013**	11,930
Cash and cash equivalents	18	**1,725,118**	1,112,165
		17,400,871	18,871,571
Total assets		**32,569,567**	29,146,215
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	19	**3,367,020**	3,367,020
Other reserves	20	**4,242,029**	4,207,148
Retained earnings			
— Proposed final dividend	20, 32	**202,021**	202,021
— Others	20	**6,374,979**	4,225,941
Total equity		**14,186,049**	12,002,130

Balance sheet (Continued)

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Long term borrowings	23	**9,504,430**	7,255,409
Long term payables		**6,935**	7,745
Deferred income tax liabilities	24	**1,556,180**	877,136
		11,067,545	8,140,290
Current liabilities			
Trade and other payables	21	**3,597,636**	4,426,936
Current income tax liabilities	22	**298,162**	258,970
Current portion of long term borrowings	23	**2,170,175**	3,117,889
Short term borrowings	23	**1,250,000**	1,200,000
		7,315,973	9,003,795
Total liabilities		**18,383,518**	17,144,085
Total equity and liabilities		**32,569,567**	29,146,215
Net current assets		**10,084,898**	9,867,776
Total assets less current liabilities		**25,253,594**	20,142,420

The financial statements on pages 61 to 69 were approved by the Board of Directors on 12 March 2014 and were signed on its behalf.

Director

Director

The notes on pages 70 to 146 are an integral part of these financial statements.

Consolidated income statement

		Year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Revenue	5	**5,504,991**	5,735,904
Cost of sales	25	**(2,981,734)**	(3,315,177)
Gross profit		**2,523,257**	2,420,727
Selling and marketing expenses	25	**(252,542)**	(272,220)
Administrative expenses	25	**(633,213)**	(614,000)
Fair value gains on investment properties		**9,737**	265,295
Other gains/(losses) — net	26	**12,663**	(3,121)
Operating profit		**1,659,902**	1,796,681
Finance income	28	**36,886**	23,472
Finance costs	28	**(340,767)**	(395,783)
Finance costs — net	28	**(303,881)**	(372,311)
Share of loss of an associate and a joint venture	10	**(712)**	(1,721)
Profit before income tax	5	**1,355,309**	1,422,649
Income tax expenses	29	**(523,224)**	(476,465)
Profit for the year		**832,085**	946,184
Profit attributable to:			
Equity holders of the Company	31	**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)*	31	**23.75**	28.81

The notes on pages 70 to 146 are an integral part of these financial statements.

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

The notes on pages 70 to 146 are an integral part of these financial statements.

Consolidated statement of changes in equity

	Note	Attributable to equity holders of the Company					
		Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Balance at 1 January 2013		3,367,020	4,196,244	7,255,210	14,818,474	86,654	14,905,128
Comprehensive income							
Profit		—	—	799,535	799,535	32,550	832,085
Other comprehensive income		—	—	—	—	—	—
Total comprehensive income		—	—	799,535	799,535	32,550	832,085
Transactions with owners						—	—
2012 final dividends		—	—	(202,021)	(202,021)	(18,070)	(220,091)
Transfer from retained earnings	20	—	34,881	(34,881)	—	—	—
Disposal of a subsidiary		—	—	—	—	(19,837)	(19,837)
Acquisition of additional interests in a subsidiary from non-controlling interests		—	139	—	139	(3,057)	(2,918)
Total transactions with owners		—	35,020	(236,902)	(201,882)	(40,964))	(242,846)
Balance at 31 December 2013		3,367,020	4,231,264	7,817,843	15,416,127	78,240	15,494,367

Representing:

Proposed final dividend at 31 December 2013	202,021
Retained earnings — others	7,615,822
	7,817,843

Consolidated statement of changes in equity (Continued)

		Attributable to equity holders of the Company					
	Note	Share capital *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2012		3,367,020	4,160,622	6,421,835	13,949,477	110,478	14,059,955
Comprehensive income							
Profit		—	—	970,008	970,008	(23,824)	946,184
Other comprehensive income		—	—	—	—	—	—
Total comprehensive income		—	—	970,008	970,008	(23,824)	946,184
Transactions with owners							
2011 final dividends		—	—	(101,011)	(101,011)	—	(101,011)
Transfer from retained earnings	20	—	35,622	(35,622)	—	—	—
Total transactions with owners		—	35,622	(136,633)	(101,011)	—	(101,011)
Balance at 31 December 2012		3,367,020	4,196,244	7,255,210	14,818,474	86,654	14,905,128

Representing:

Proposed final dividend at 31 December 2012	202,021
Retained earnings — others	7,053,189
	7,255,210

The notes on pages 70 to 146 are an integral part of these financial statements.

Consolidated cash flow statement

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Cash generated from operations	33	**1,559,750**	679,895
Interest received		**29,484**	23,472
Interest paid		**(903,185)**	(808,807)
PRC income tax paid		**(450,660)**	(229,829)
Net cash generated from/(used in)operating activities		**235,389**	(335,269)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(75,449)**	(47,597)
Increase of investment properties	7	**(91,063)**	(1,131)
Entrust loan granted		**(550,000)**	—
Interest received from the entrust loan		**5,974**	—
Decrease in three months bank deposit		**—**	7,970
Proceeds from sale of property, plant and equipment	33 (a)	**868**	3,652
Acquisition of additional interest in a subsidiary from non-controlling interests		**(2,918)**	—
Disposal of subsidiaries, net of cash acquired		**(37,221)**	—
Increase of investment in an associate	10	**—**	(9,000)
Net cash used in investing activities		**(749,809)**	(46,106)
Cash flows from financing activities			
Proceeds from borrowings		**6,205,419**	3,162,711
Repayments of bank and other borrowings		**(3,161,250)**	(2,911,679)
Repayments of bonds		**(1,700,000)**	—
Dividends paid to a minority shareholder of a subsidiary		**(8,223)**	—
Dividends paid to the equity holders of the Company	32	**(202,021)**	(101,011)
Net cash generated from financing activities		**1,133,925**	150,021
Net increase/(decrease) in cash and cash equivalents		**619,505**	(231,354)
Cash and cash equivalents at beginning of year		**2,576,752**	2,808,106
Cash and cash equivalents at end of year		**3,196,257**	2,576,752

The notes on page 70 to 146 are an integral part of these financial statements.

Notes to the Consolidated Financial Statement

1. GENERAL INFORMATION

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

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

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

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

These consolidated financial statements are presented in Renminbi, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 12 March 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

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

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

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The 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 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.

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

2.1 Basis of preparation *(Continued)*

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

(b) New and amended standards, and interpretations mandatory for the 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' was revised in June 2011. The changes on the Group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

- Amendment to HKFRS 7, 'Financial instruments: Disclosures', on asset and liability offseting. The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

(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', addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

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

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

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

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

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

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

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

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

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the income statement.

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

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements as of 1 January 2013. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

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

2.4 Joint arrangements *(Continued)*

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The change in accounting policy has been applied as from 1 January 2013.

The application of HKFRS 11 has no impact on the Group's financial position,comprehensive income and the cash flows on 31 December 2012 and for the year ended.

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

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

2.6 Foreign currency translation *(Continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income' or 'finance cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains — net'.

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within 'other (losses)/gains — net', in the consolidated income statement.

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

2.7 Property, plant and equipment *(Continued)*

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings, the cost of plant and machinery, installation, testing and other direct costs incurred during the development period. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. The carrying amount of a construction-in-progress is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9). When the assets concerned get ready for their intended use, the costs are depreciated in accordance with the policy as stated above.

2.8 Properties

(a) Land use rights

All land in Mainland China is state-owned and no individual land ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights, which are stated at cost and amortised over the use terms of 40 to 70 years using the straight-line method.

Land use rights which is held for development for sales are inventories(Note 2.11) and measured at lower of cost and net realisable value. Land use rights which is held for long-term rental yields are investment properties(Note 2.8(b)) and measured at fair value. Land use rights for own use are stated at cost and amortised over the use terms of 40-50 years using the straight-line method.

(b) Investment properties

Investment property, principally leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Investment property is measured initially at its cost, including related transaction cost and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as 'fair value gains on investment properties'.

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

2.8 Properties *(Continued)*

(b) Investment properties *(Continued)*

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

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

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

2.9 Impairment of non-financial assets

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

2.10 Financial assets

The Group's financial assets comprise 'trade and other receivables'(Note 2.12), 'cash and cash equivalents'(Notes 2.13) and 'restricted bank deposits'(Note 17) in the consolidated balance sheet. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

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

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

2.10 Financial assets *(Continued)*

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.11 Inventories

(a) Properties under development and held for sale

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

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

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

(b) Other inventories

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

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

2.12 Trade and other receivables

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

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

2.13 Cash and cash equivalents

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

2.14 Share capital

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

2.15 Trade and other payables

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

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

2.16 Borrowings

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

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

2.17 Borrowing costs

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

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

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

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

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the PRC where the Company and its subsidiaries and joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associate and joint venture, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

2.19 Employee benefits

(a) Pension obligations

The Group has only defined contribution plans.

Defined contribution plans

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

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Bonus plans

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

(d) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

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

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of properties

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

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

(b) Rental income

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

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

2.21 Revenue recognition *(Continued)*

(c) Sales of goods — retail

Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(d) Sales of services

Revenue from provision of services is recognised in the accounting period in which the services are rendered.

2.22 Interest income

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

2.23 Operating leases

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

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

2.24 Government Grants

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

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

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

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

2.25 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC only, with most transactions denominated in RMB. Therefore, the Group does not have significant exposure to foreign exchange risk. The conversion of RMB into foreign currencies is subjected to the rules and regulations of the foreign exchange control, as promulgated by the PRC government.

(ii) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group closely monitors the trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements to hedge its exposure to interest rate risk, but will consider hedging interest rate risk should the need arise.

At 31 December 2013, if interest rates of borrowings issued at variable rates had increased/ decreased by 10%(approximately 70 basis point) with all other variables held constant, the Group's post-tax profit for the year, after taking into account the impact of interest capitalisation, would have decreased/increased by approximately RMB 17,602,000(2012:RMB 14,038,000).

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

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

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

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

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity Groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Group					
At 31 December 2013					
Borrowings (including interest)	**4,141,094**	**2,438,755**	**7,137,851**	**1,673,491**	**15,391,191**
Trade and other payables *(Note 11)*	**3,017,380**	**—**	**—**	**—**	**3,017,380**
Total	**7,158,474**	**2,438,755**	**7,137,851**	**1,673,491**	**18,408,571**
At 31 December 2012					
Borrowings (including interest)	5,039,027	2,852,950	4,483,258	1,042,121	13,417,356
Trade and other payables *(Note 11)*	3,167,157	—	—	—	3,167,157
Total	8,206,184	2,852,950	4,483,258	1,042,121	16,584,513
Company					
At 31 December 2013					
Borrowings (including interest)	**4,141,094**	**2,438,755**	**7,137,851**	**1,673,491**	**15,391,191**
Trade and other payables *(Note 11)*	**2,310,618**	**—**	**—**	**—**	**2,310,618**
Total	**6,451,712**	**2,438,755**	**7,137,851**	**1,673,491**	**17,701,809**
At 31 December 2012					
Borrowings (including interest)	5,039,027	2,852,950	4,483,258	1,042,121	13,417,356
Trade and other payables *(Note 11)*	3,305,099	—	—	—	3,305,099
Total	8,344,126	2,852,950	4,483,258	1,042,121	16,722,455

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the asset-liability ratio ratio . This ratio is calculated as total liabilities divided by total assets.

The asset-liability ratios at 31 December 2013 and 2012 were as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Total liabilities	**23,067,596**	20,857,332
Total assets	**38,561,963**	35,762,460
Asset-liability ratio	**60%**	58%

There is no significant change in the asset-liability ratios.

3.3 Fair value estimation

Other than investment properties, the Group has no other assets that carried at fair value. The different levels regarding fair value determination have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Details of the fair value of investment properties have been disclosed in Note 7.

The carrying amounts of the Group's financial assets and financial liabilities approximated their fair values due to their short maturities, except the long term bonds which is described in Note 23(i).

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses in the period in which such determination is made.

(b) Land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its land appreciation tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expenses in the periods in which such taxes are finalised with local tax authorities.

(c) Estimate of impairment of properties under development

Property under development is reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of estimated selling price of the properties in the ordinary course of business, less estimated costs to complete the development of properties and applicable variable selling expenses and carrying amount of the properties under development. Management makes judgements on whether such events or changes in circumstances have occurred, and makes estimates mainly for selling price and cost to complete the development of the properties in determining the recoverable amount.

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

4.1 Critical accounting estimates and assumptions *(Continued)*

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

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

(e) Estimate of fair value of investment properties

The fair values of investment properties owned by the Group are assessed annually by an independent professional valuer. Details of the judgement and assumptions have been disclosed in Note 7.

4.2 Critical judgements in applying the entity's accounting policies

(a) Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 2.21. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

As disclosed in note 34, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when relevant property ownership certificates are lodged with the various banks by the purchasers. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on the past experiences, there were no significant defaults of mortgage facilities by the purchasers resulted in the bank guarantees were called upon. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

5. SEGMENT INFORMATION

Management has determined the operating segments based on the 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 in 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.

5. SEGMENT INFORMATION *(CONTINUED)*

Turnover consists of sales from development properties, commercial properties and investment properties and hotels segments. Revenues recognised during the years ended 31 December 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**	**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 an associate and a joint venture	**—**	**—**	**—**	**—**	**—**
Adjusted income tax expenses	**412,907**	**2,194**	**164,242**	**(2,418)**	**576,925**

5. SEGMENT INFORMATION *(CONTINUED)*

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.

5. SEGMENT INFORMATION *(CONTINUED)*

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 segments' 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 segments' liabilities	**15,068,807**	**246,335**	**3,990,575**	**184,718**	**19,490,435**
As at 31 December 2012					
Total segments' assets	20,969,332	1,111,754	6,282,492	85,198	28,448,776
Total assets include:					
Interest in an associate and a joint venture	—	—	—	—	—
Additions to non-current assets (other than deferred tax assets)	2,223	2,178	39,187	2,790	46,378
Total segments' liabilities	12,486,991	280,870	4,226,046	196,830	17,190,737

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.

5. SEGMENT INFORMATION *(CONTINUED)*

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 *(Note 24)*	**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 *(Note 24)*	**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

5. SEGMENT INFORMATION *(CONTINUED)*

The reconciliation of the Group's depreciation and amortisation for reportable segments and corresponding amount per disclosure for property, plant and equipment (Note 8) and land use rights are mainly reversal of depreciation of investment properties and other related adjustments amounting to RMB 166,649,000(2012: RMB 179,919,000).The Company and its subsidiaries were incorporated in the PRC and all the revenue from external customers of the Group are derived in the PRC for the year ended 31 December 2013 and 2012.

The reconciliation of reportable segments' income tax expenses and total income tax expenses is amounting to RMB 53,701,000(2012: RMB 2,072,000), 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.

6. LAND USE RIGHTS — GROUP AND COMPANY

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

	Group		**Company**	
	As at 31 December		**As at 31 December**	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
In the PRC held on:				
Leases of between 10 to 50 years	**1,011**	1,043	—	—

7. INVESTMENT PROPERTIES — GROUP AND COMPANY

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At fair value				
At 1 January 2013	**11,238,200**	11,142,400	**4,987,100**	4,892,800
Fair value gains	**9,737**	265,295	**2,549,874**	97,658
Additions	**91,063**	1,131	**91,063**	1,131
Transfer from a subsidiary *(note(9)(b)(iv))*	**—**	—	**3,644,863**	—
Deduction(i)	**—**	(166,137)	**—**	—
Disposals	**—**	(4,489)	**—**	(4,489)
At 31 December 2013	**11,339,000**	11,238,200	**11,272,900**	4,987,100

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

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

	Group	
	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Rental income	**1,456,991**	1,359,264
Direct operating expenses arising from investment properties that generate rental income	**293,933**	291,774
Direct operating expenses that did not generate rental income	**269,221**	258,989

(b) Valuation basis

An independent valuation of the Group's investment properties was performed by the valuer, Greater China Appraisal Limited, to determine the fair value of the investment properties as at 31 December 2013 and 2012. The revaluation gains or losses are included in "Fair value gains on investment properties" in income statement. The following table analyses the investment properties carried at fair value, by valuation method.

7. INVESTMENT PROPERTIES — GROUP AND COMPANY *(CONTINUED)*

(b) Valuation basis *(Continued)*

(i) Fair value hierarchy

	Fair value measurements at 31 December 2013 using significant unobservable inputs (Level 3)	
	Group	**Company**
	RMB'000	*RMB'000*
Recurring fair value measurements		
Investment properties:		
Office units	5,776,000	5,709,900
Appartments	1,580,000	1,580,000
Convention centres	3,281,000	3,281,000
Shopping malls	702,000	702,000
	11,339,000	11,272,900

All of the Group's investment properties are located in Beijing , the PRC and classified as level 3.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers among Levels 1, 2 and 3 during the year.

(ii) Valuation processes of the Group

The Group's investment properties were valued on 31 December 2013 by the independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2013, the fair values of the properties have been determined by Greater China Appraisal Limited.

7. INVESTMENT PROPERTIES — GROUP AND COMPANY *(CONTINUED)*

(b) Valuation basis *(Continued)*

(ii) Valuation processes of the Group *(Continued)*

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Changes in Level 3 fair values are analyzed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

(iii) Valuation techniques

For office units, apartments and shopping malls, the valuations were based on income capitalization approach (term and reversionary method) which largely used observable inputs (e.g. market rent, yield, etc) and taking into account the significant adjustment on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

For convention centres, the valuation was determined using discounted cash flow ("DCF") projections based on significant unobservable inputs. These input include:

Future rental cash inflows	Based on the actual location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties;
Discount rates	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
Estimated vacancy rates	Based on current and expected future market conditions after expiry of any current lease;
Maintenance costs	Including necessary investments to maintain functionality of the property for its expected useful life;
Capitalisation rates	Based on actual location, size and quality of the properties and taking into account market data at the valuation date;
Terminal value	Taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

There were no changes to the valuation techniques during the year.

7. INVESTMENT PROPERTIES — GROUP AND COMPANY *(CONTINUED)*

(b) Valuation basis *(Continued)*

(iv) Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2013 *(RMB'000)*	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties- office units, appartments, and shopping malls	8,058,000	Income approach (term and reversionary method)	Adjustment on term yield	1% to 2% downward adjustment on the reversion yield	The higher the adjustment on term yield, the lower the fair value
			Reversionary yield	From 9% to 19.5%	
Investment properties- convention centres	3,281,000	Discounted cash flow	Rental value	RMB4.5 — 7 / sq.m. / day	The higher the rental value, the higher the fair value
			Discount rate	13.5% — 17.5%	The higher the discount rate, the lower the fair value

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields.

(c) Non current assets pledged as security

As at 31 December 2013, certain investment properties with fair value of RMB 11,188,000,000(2012: RMB 11,110,000,000) were pledged as securities for long term bank borrowings (Note 23).

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

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
In Beijing, the PRC, held on:				
Leases of over 50 years	**1,664,900**	1,587,100	**1,664,900**	1,587,100
Leases between 10 years and 50 years	**9,674,100**	9,651,100	**9,608,000**	3,400,000
	11,339,000	11,238,200	**11,272,900**	4,987,100

8. PROPERTY, PLANT AND EQUIPMENT — GROUP AND COMPANY

	Group					
	Buildings *RMB'000*	Hotel properties *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures, equipment and motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2012						
Cost	354,519	1,792,274	257,838	334,191	231	2,739,053
Accumulated depreciation and impairment	(153,417)	(411,816)	(143,119)	(181,975)	—	(890,327)
Net book amount	201,102	1,380,458	114,719	152,216	231	1,848,726
Year ended 31 December 2012						
Opening net book amount	201,102	1,380,458	114,719	152,216	231	1,848,726
Additions	337	—	17,067	30,487	4,135	52,026
Transfer from property held for sale *(Note 14)*	573,575	—	57,900	—	—	631,475
Disposals	—	—	(3,972)	(878)	—	(4,850)
Transfer	—	(63,834)	57,956	8,365	(2,487)	—
Other deduction	—	(184,281)	(14,634)	(5,759)	—	(204,674)
Depreciation *(Note 25)*	(28,151)	(34,112)	(51,654)	(43,460)	—	(157,377)
Closing net book amount	746,863	1,098,231	177,382	140,971	1,879	2,165,326
At 31 December 2012						
Cost	928,431	1,544,159	372,155	366,406	1,879	3,213,030
Accumulated depreciation and impairment	(181,568)	(445,928)	(194,773)	(225,435)	—	(1,047,704)
Net book amount	746,863	1,098,231	177,382	140,971	1,879	2,165,326
Year ended 31 December 2013						
Opening net book amount	**746,863**	**1,098,231**	**177,382**	**140,971**	**1,879**	**2,165,326**
Additions	**—**	**—**	**15,756**	**35,476**	**26,371**	**77,603**
Disposals	**(436)**	**—**	**(4,267)**	**(858)**	**—**	**(5,561)**
Transfer	**—**	**—**	**780**	**—**	**(780)**	**—**
Other deduction(i)	**(9,005)**	**—**	**—**	**—**	**—**	**(9,005)**
Depreciation *(Note 25)*	**(28,591)**	**(31,753)**	**(51,402)**	**(41,697)**	**—**	**(153,443)**
Closing net book amount	**708,831**	**1,066,478**	**138,249**	**133,892**	**27,470**	**2,074,920**
At 31 December 2013						
Cost	**918,990**	**1,544,159**	**384,424**	**401,024**	**27,470**	**3,276,067**
Accumulated depreciation and impairment	**(210,159)**	**(477,681)**	**(246,175)**	**(267,132)**	**—**	**(1,201,147)**
Net book amount	**708,831**	**1,066,478**	**138,249**	**133,892**	**27,470**	**2,074,920**

(i) Certain property, plant and equipment were recognized in the year ended 31 December 2012 based on management's best estimates of costs. In 2013, the estimated costs have been adjusted based on the final settlement verified by independent third party.

Depreciation expense of RMB 96,040,000 (2012: RMB 97,040,000) has been charged in cost of sales, RMB 5,511,000 (2012: RMB 5,401,000) in selling and marketing expenses and RMB 51,892,000 (2012: RMB 54,936,000) in administrative expenses in the consolidated income statement.

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

As at 31 December 2013, certain hotel properties with net book value of RMB 762,144,000(2012: RMB 782,277,000) are pledged as securities for long term bank borrowings (Note 23).

	Company					
	Buildings *RMB'000*	**Hotel properties** *RMB'000*	**Plant and machinery** *RMB'000*	**Furniture, fixtures, equipment and motor vehicles** *RMB'000*	**Construction in progress** *RMB'000*	**Total** *RMB'000*
At 1 January 2012						
Cost	332,363	1,223,412	222,981	318,605	231	2,097,592
Accumulated depreciation and impairment	(139,299)	(394,510)	(140,404)	(172,354)	—	(846,567)
Net book amount	193,064	828,902	82,577	146,251	231	1,251,025
Year ended 31 December 2012						
Opening net book amount	193,064	828,902	82,577	146,251	231	1,251,025
Additions	—	—	11,109	29,349	4,135	44,593
Transfer from property held for sale	573,575	—	57,900	—	—	631,475
Disposals	—	—	(2,560)	(819)	—	(3,379)
Transfer	—	—	2,182	305	(2,487)	—
Other deduction	—	—	(14,635)	(5,759)	—	(20,394)
Depreciation	(27,751)	(34,112)	(48,565)	(40,732)	—	(151,160)
Closing net book amount	738,888	794,790	88,008	128,595	1,879	1,752,160
At 31 December 2012						
Cost	905,938	1,223,412	276,977	341,681	1,879	2,749,887
Accumulated depreciation and impairment	(167,050)	(428,622)	(188,969)	(213,086)	—	(997,727)
Net book amount	738,888	794,790	88,008	128,595	1,879	1,752,160
Year ended 31 December 2013						
Opening net book amount	**738,888**	**794,790**	**88,008**	**128,595**	**1,879**	**1,752,160**
Additions	**—**	**—**	**11,301**	**30,215**	**26,371**	**67,887**
Transfer	**—**	**—**	**780**	**—**	**(780)**	**—**
Disposals	**—**	**—**	**(2,387)**	**(756)**	**—**	**(3,143)**
Transfer from a subsidiary *(Note(9)(b)(iv))*	**—**	**332,885**	**56,664**	**8,061**	**—**	**397,610**
Other deduction	**(9,005)**	**—**	**—**	**—**	**—**	**(9,005)**
Depreciation	**(28,185)**	**(31,753)**	**(47,688)**	**(39,081)**	**—**	**(146,707)**
Closing net book amount	**701,698**	**1,095,922**	**106,678**	**127,034**	**27,470**	**2,058,802**
At 31 December 2013						
Cost	**896,933**	**1,556,297**	**286,671**	**371,140**	**27,470**	**3,138,511**
Accumulated depreciation and impairment	**(195,235)**	**(460,375)**	**(179,993)**	**(244,106)**	**—**	**(1,079,709)**
Net book amount	**701,698**	**1,095,922**	**106,678**	**127,034**	**27,470**	**2,058,802**

9. INVESTMENTS IN AND LOANS TO SUBSIDIARIES — COMPANY

(a) Investments in subsidiaries

	Company As at 31 December	
	2013	2012
	RMB '000	*RMB '000*
Unlisted investments, at cost	**1,814,608**	3,511,793

(b) Loans to subsidiaries

	Company As at 31 December	
	2013	2012
	RMB '000	*RMB '000*
Loans to subsidiaries	**10,838,005**	13,228,731

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

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

(b) Loans to subsidiaries *(Continued)*

The following is a list of the principal subsidiaries at 31 December 2013. All subsidiaries are established and operate in the PRC.

Name	Principal activities	Registered share capital and paid up capital	Group equity interest held directly	Group equity interest held indirectly	Non-controlling interests
Beijing North Star Real Estate Development Co., Limited 北京北辰房地產開發股份有限公司 ("BNSRE") *(Note i)*	Property development	RMB 500,180,000	99.05%	—	0.95%
Beijing North Star Lu Zhou Commercial Trading Co., Limited 北京北辰綠洲商貿有限公司 *(Note iii) (Note v)*	Trading	RMB 1,000,000	80%	20%	—
Beijing Wuzhou Miller Beer Garden Restaurant Joint Venture Co., Limited 北京五洲美樂啤酒餐廳有限公司*(Note ii) (Note v)*	Restaurant operation	US$ 1,346,000	59.81%	—	40.19%
Beijing North Star Xin Cheng Property Management Co., Limited 北京北辰信誠物業管理有限責任公司*(Note iii) (Note v)*	Property management	RMB 5,000,000	80%	20%	—
Beijing Jiang Zhuang Hu Property Co., Limited 北京姜莊湖園林別墅開發有限公司 ("BJJZH")*(Note ii) (Note v)*	Property development	US$ 16,000,000	—	51%	49%
Beijing Tian Cheng Tian Property Co., Limited 北京天成天房地產開發有限公司*(Note iii) (Note v)*	Property development	RMB 11,000,000	5%	95%	—
Beijing North Star Xintong Internet Technology Service Co., Limited 北京北辰信通網絡技術服務有限公司*(Note iii) (Note v)*	Multimedia information network development, system integration and software development	RMB 20,000,000	100%	—	—
Changsha North Star Real Estate Development Co., Limited 長沙北辰房地產開發有限公司*(Note iii)*	Property development	RMB 1,200,000,000	100%	—	—
Beijing North Star Supermarket Chain Co., Limited 北京北辰超市連鎖有限公司 *(Note iii) (Note v)*	Retail	RMB 10,000,000	100%	—	—
Beijing North Star Hotel Management Com., Limited 北京北辰飯店管理有限公司 *(Note iii) (Note v)*	Hotel and restaurant management consulting service	RMB 500,000	100%	—	—
Beijing North Star International Convention Centre Com., Limited北京北辰國際會展有限公司 *(Note iii) (Note v)*	Convention and exhibition	RMB 20,000,000	100%	—	—

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

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

(b) Loans to subsidiaries *(Continued)*

(i) BNSRE is a joint stock limited Company. A joint stock limited Company is a Company having a registered share capital divided into shares of equal par value.

In January 2013, the Company acquired the remaining 0.22% interest of BNSRE. After the acquisition, the Company's ownership on BNSRE has been increased from 98.83% to 99.05% (Note 36(a))

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

(iii) These companies are limited liability companies.

(iv) On 24 November 2011, the Board of the Company approved the merger of Beijing North Star Convention Centre Development Co.,Limited("BNSCCD"), a 100% owned subsidiary, by the Company and the transactions was completed on 11 December 2013. Subsequent to the completion of the merger, the qualification of BNSCCD as an independent legal entity was cancelled and all of its assets, liabilities and other obligations and responsibilities was assumed by the Company.

(v) Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 2.02% of the Group's net assets.

(c) Material non-controlling interests

The total non-controlling interest for the period is RMB 32,550,000, of which RMB18,406,000 is for BJJZH. The non-controlling interest in respect of other subsidiaries is not material.

Cash and short-term deposits of RMB 714,042,000 are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Set out below are the summarized financial information for each subsidiary that has non-controlling interests that are material to the Group. See Note 36 for transactions with non-controlling interests.

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

(c) Material non-controlling interests *(Continued)*

Summarized balance sheet

	BJJZH As at 31 December 2013 RMB'000	2012 RMB'000
Current		
Assets	1,147,827	907,089
Liabilities	995,844	809,614
Total current net assets	151,983	97,475
Non-current		
Assets	1,500	18,445
Liabilities	—	—
Total non-current net assets	1,500	18,445
Net assets	153,483	115,920

Summarized income statement

	BJJZH Year ended 31 December 2013 RMB'000	2012 RMB'000
Revenue	179,573	—
Profit/(loss) before income tax	105,298	(59,087)
Income tax expense	67,735	(14,772)
Post-tax profit /loss	37,563	(44,315)
Other comprehensive income	—	—
Total comprehensive income/(loss)	37,563	(44,315)
Total comprehensive income		
allocated to non- controlling interests	18,406	(21,714)
dividends paid to non-controlling interests	—	—

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

(c) Material non-controlling interests *(Continued)*

Summarized cash flows

	BJJZH Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**126,508**	755,974
Interest paid	**—**	—
Income tax paid	**(28,127)**	(86,208)
Net cash generated from operating activities	**98,381**	669,766
Net cash used in investing activities	**(24)**	—
Net cash used in financing activities	**—**	(75,000)
Net increase in cash and cash equivalents	**98,357**	594,766
Cash and cash equivalents at beginning of the year	**615,685**	20,919
Exchange losses on cash and cash equivalents	**—**	—
Cash and cash equivalents at end of year	**714,042**	615,685

The information above is the amount before inter-company eliminations.

10. INTEREST IN AN ASSOCIATE AND A JOINT VENTURE

(a) Interest in an associate — Group

	Group Year ended 31 December 2013 RMB'000	2012 RMB'000
At 1 January	**7,279**	—
Establishment of a new associate *(Note i)*	**—**	9,000
Share of loss of an associate		
— loss after taxation	**(712)**	(1,721)
At 31 December	**6,567**	7,279

(i) On 17 July 2012, the Company established an associate, Beijing North Star Real Estate Investment Fund Management Company Limited("BNSREIFMC"), together with other investor by investing RMB 9,000,000, or 30% of the total paid in capital of BNSREIFMC, and the Company holds 40% in voting power and BNSREIFMC is accounted for as an associate of the Group. BNSREIFMC is a limited liability Company incorporated in the PRC and engaged mainly in investment management and advisory business in the PRC. The total paid in capital of BNSREIFMC is RMB 30,000,000 as at 31 December 2012 and 2013.

The following amounts represent the aggregated assets and liabilities, and results of the associate in 2013 and 2012.

Year	Assets *RMB'000*	Liabilities *RMB'000*	Revenue *RMB'000*	Net loss *RMB'000*
2013	**23,826**	**1,938**	**—**	**(2,374)**
2012	25,783	1,523	—	(5,737)

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

10. INTEREST IN AN ASSOCIATE AND A JOINT VENTURE *(CONTINUED)*

(a) Interest in a joint venture — Group

	Group Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
At 1 January	**—**	—
Share of loss of a joint venture		
— loss after taxation	**—**	—
At 31 December	**—**	—

According to the Articles of Association of Beijing North Star Kingpower Co., Ltd.(the "Kingpower"), the entity is jointly controlled by the Group and other two investors. The following amounts represent the aggregated assets and liabilities of Kingpower, and results of the joint venture in 2013 and 2012.

Year	**Assets**	**Liabilities**	**Revenue**	**Net loss**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2013	**25,921**	**153,455**	**25,651**	**(49,228)**
2012	90,072	168,378	31,483	(39,414)

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

The Group has not recognized losses amounting to RMB 17,722,000 (2012: RMB 14,189,000) for the joint venture. The accumulated losses not recognized were RMB 40,161,000 (2012: RMB 22,439,000). The carrying amount of the interest in a joint venture has been recognized to zero to the extent that the Company does not have a commitment to compensate those aforementioned losses.

11. FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY

	Loans and receivables Group *RMB '000*	Loans and receivables Company *RMB '000*
Assets as per balance sheet		
31 December 2013		
Trade and other receivables excluding prepaid tax and other prepayments*(Note 16)*	**649,178**	**621,242**
Loan to subsidiaries *(Note 9(b))*	**—**	**10,838,005**
Restricted bank deposits *(Note 17)*	**237,703**	**12,013**
Cash and cash equivalents *(Note 18)*	**3,196,257**	**1,725,118**
	4,083,138	**13,196,378**
31 December 2012		
Trade and other receivables excluding prepaid tax and other prepayments*(Note 16)*	133,800	106,210
Loan to subsidiaries *(Note 9(b))*	—	13,228,731
Restricted bank deposits *(Note 17)*	279,121	11,930
Cash and cash equivalents *(Note 18)*	2,576,752	1,112,165
	2,989,673	14,459,036

	Other Financial liabilities at amortised cost Group *RMB '000*	Other Financial liabilities at amortised cost Company *RMB '000*
Liabilities as per balance sheet		
31 December 2013		
Trade and other payables (a)	**3,017,380**	**2,310,618**
Borrowings *(Note 23)*	**12,924,605**	**12,924,605**
	15,941,985	**15,235,223**
31 December 2012		
Trade and other payables (a)	3,167,157	3,305,099
Borrowings *(Note 23)*	11,573,298	11,573,298
	14,740,455	14,878,397

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

12. CREDIT QUALITY OF FINANCIAL ASSETS — GROUP AND COMPANY

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

Trade receivables

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables that are neither past due nor impaired				
Counterparties without external credit rating				
— Group 1	**7,117**	9,780	**8,164**	9,780
— Group 2	**20,004**	18,809	**16,201**	15,053
	27,121	28,589	**24,365**	24,833

Group 1 — new third party customers (less than 12 months)
Group 2 — existing third party customers(more than 12 months) with no defaults in the past

Credit qualities of other receivables are discussed in Note 3.1 (b). Credit quality of "Loans to subsidiaries" of the Company is disclosed in Note 9. Credit qualities of "Cash and cash equivants" and "restricted cash deposits" of the Group are discussed in Note 3.1 (b).

None of the financial assets that are fully performing has been renegotiated in 2013 (2012: Nil).

13. PROPERTIES UNDER DEVELOPMENT — GROUP AND COMPANY

	Group Year ended 31 December		Company Year ended 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As at 1 January	**15,333,378**	14,461,894	**1,999,410**	2,074,748
Addition	**3,366,568**	3,841,898	**388,832**	291,926
Transfer to completed properties for sale *(Note 14)*	**(411,999)**	(2,970,414)	**—**	(367,264)
As at 31 December	**18,287,947**	15,333,378	**2,388,242**	1,999,410

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Land use rights	**10,015,034**	9,810,110	**1,264,236**	1,262,428
Development costs and capitalised expenditure	**6,301,075**	4,063,243	**876,096**	587,290
Finance costs capitalised	**1,971,838**	1,460,025	**247,910**	149,692
	18,287,947	15,333,378	**2,388,242**	1,999,410

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Land use rights:				
In PRC, held on leases of:				
Between 40 — 50 years	**1,952,169**	1,907,626	**89,188**	89,188
Over 50 years	**8,062,865**	7,902,484	**1,175,048**	1,173,240
	10,015,034	9,810,110	**1,264,236**	1,262,428

As at 31 December 2013, certain properties under development with net book value of RMB 8,103,439,000(2012: RMB 4,398,332,000) are pledged as securities for long term bank borrowings (Note 23).

The carrying amount of the properties under development that are expected to be completed and available for sales more than twelve months after the balance sheet date is RMB 15,852,227,000. The remaining balance is expected to be completed and available for sales within one year.

14. COMPLETED PROPERTIES HELD FOR SALE — GROUP AND COMPANY

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As at 1 January	**3,464,188**	3,297,804	**2,247,852**	3,212,617
Transfer from properties under development *(Note 13)*	**411,999**	2,970,414	**—**	367,264
Transfer to Property, plant and equipment *(Note 8)*	**—**	(631,475)	**—**	(631,475)
Others *(a)*	**42,274**	(143,537)	**9,287**	(139,686)
Properties sold	**(1,719,008)**	(2,029,018)	**(656,378)**	(560,868)
As at 31 December	**2,199,453**	3,464,188	**1,600,761**	2,247,852

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

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Land use rights	**628,085**	994,519	**428,317**	600,131
Development costs and capitalised expenditure	**1,472,446**	2,265,665	**1,086,849**	1,518,792
Finance costs capitalised	**98,922**	204,004	**85,595**	128,929
	2,199,453	3,464,188	**1,600,761**	2,247,852

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Land use rights:				
In PRC, held on leases of:				
Between 40 — 50 years	**153,417**	230,085	**153,417**	230,085
Over 50 years	**474,668**	764,434	**274,900**	370,046
	628,085	994,519	**428,317**	600,131

As at 31 December 2013, no completed properties held for sale (2012: RMB 327,167,000) are pledged as securities for long term bank borrowings (Note 23).

15. OTHER INVENTORIES — GROUP AND COMPANY

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Goods for resale	**53,302**	67,605	**35,267**	43,076
Consumables	**24,684**	32,050	**11,985**	13,311
Less: provision for inventories	**(244)**	(244)	**(244)**	(244)
	77,742	99,411	**47,008**	56,143

The cost of inventories recognised as expense and included in cost of sales amounted to RMB 357,868,000 (2012: RMB 388,175,000).

16. TRADE AND OTHER RECEIVABLES — GROUP AND COMPANY

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**52,560**	51,402	**44,797**	44,550
Less: provision for impairment of receivables	**(107)**	(90)	**(107)**	(90)
Trade receivables — net	**52,453**	51,312	**44,690**	44,460
Other receivables	**604,374**	95,346	**587,982**	74,608
Less: provision for impairment of receivables	**(12,858)**	(12,858)	**(12,858)**	(12,858)
Other receivables — net	**591,516**	82,488	**575,124**	61,750
Prepaid tax	**365,459**	344,294	**105,144**	51,210
Other prepayments	**102,152**	78,357	**63,338**	57,920
Notes receivables	**3,781**	—	**—**	—
Interest receiables	**1,428**	—	**1,428**	—
	1,116,789	556,451	**789,724**	215,340

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

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

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

Trade receivables

The majorities of the Group's and Company's sales are on cash or advance basis. The remaining amounts are with credit terms of 30 to 90 days. At 31 December 2013 and 2012, the ageing analysis of the trade receivables were as follows:

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0–30 days	**25,789**	24,691	**22,126**	21,458
31–90 days	**5,277**	5,592	**6,183**	5,069
Over 90 days	**21,494**	21,119	**16,488**	18,023
	52,560	51,402	**44,797**	44,550

The credit terms in connection with sales of properties granted to the customers are set out in the sale and purchase agreements and vary from agreements. There is no concentration of credit risk with respect to trade receivables as the Group and the Company have a large number of customers.

Trade receivables that are less than three months past due are not considered impaired. As at 31 December 2013 and 2012, the following trade receivables were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables past due but not impaired				
0–90 days	**3,928**	1,677	**3,927**	1,677
Over 90 days	**21,404**	21,046	**16,398**	17,950
	25,332	22,723	**20,325**	19,627

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

Trade receivables *(Continued)*

As at 31 December 2013 and 2012, the following trade receivables were impaired. The individually impaired receivables mainly relate to independent customers, which are in unexpected difficult economic situations. It was assessed the following receivables is not expected to be recovered and full proportion of impairment had been made. The ageing of these receivables is as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables impaired				
0–90 days	**17**	17	**17**	17
Over 90 days	**90**	73	**90**	73
Less: provision of impairment of receivables	**(107)**	(90)	**(107)**	(90)
	—	—	**—**	—

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:

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0–12 months	**577,107**	52,030	**566,847**	9,623
12–24 months	**2,629**	6,657	**149**	47,034
Over 24 months	**24,638**	36,659	**20,986**	17,951
	604,374	95,346	**587,982**	74,608

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

Other receivables *(Continued)*

Other receivables that are less than 12 months past due are not considered impaired. As at 31 December 2013 and 2012, the following other receivables were past due but not impaired. These relate to a number of independent counterparties for whom there is no recent history of default. The ageing analysis of these other receivables is as follows:

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other receivables past due but not impaired				
12–24 months	**2,629**	6,657	**149**	47,034
Over 24 months	**11,780**	23,801	**8,128**	5,093
	14,409	30,458	**8,277**	52,127

As at 31 December 2013 and 2012, the following other receivables were impaired. The individually impaired receivables mainly relate to independent customers, which are in unexpected difficult economic situations. It was assessed the following receivables is not expected to be recovered and full proportion of impairment had been made. The ageing of these receivables is as follows:

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other receivables impaired				
Over 24 months	**12,858**	12,858	**12,858**	12,858
Less: provision of impairment of receivables	**(12,858)**	(12,858)	**(12,858)**	(12,858)
	—	—	**—**	—

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

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

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

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

	Group Year ended 31 December		Company Year ended 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January 2013	**90**	628	**90**	628
Provision for impairment of receivables	**17**	17	**17**	17
Receivables written off during the year as uncollectible	**—**	(555)	**—**	(555)
At 31 December 2013	**107**	90	**107**	90

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

	Group Year ended 31 December		Company Year ended 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January 2013	**12,858**	12,876	**12,858**	12,876
Provision for impairment of receivables	**—**	—	**—**	—
Receivables written off during the year as uncollectible	**—**	(18)	**—**	(18)
At 31 December 2013	**12,858**	12,858	**12,858**	12,858

The creation and release of provision for impaired receivables net amounting to RMB 17,000 created (2012: RMB 17,000 created) have been included in administrative expenses in the consolidated income statement (Note 25). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

17. RESTRICTED BANK DEPOSITS

Restricted bank deposits include the short-term liquid investments with original maturity of equal to or more than three months, the guarantee deposits of construction of certain properties pursuant to the relevant government requirements, property sale deposits under mutual management, and the guarantee deposits as securities for certain mortgage loans to customers.

18. CASH AND CASH EQUIVALENTS — GROUP AND COMPANY

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

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and on hand	**2,646,257**	1,951,182	**1,175,118**	486,595
Short-term bank deposits *(a)*	**550,000**	625,570	**550,000**	625,570
	3,196,257	2,576,752	**1,725,118**	1,112,165
Maximum exposure to credit risk	**3,195,378**	2,575,936	**1,724,309**	1,111,402

(a) The deposits are repayable with seven days notice, without loss of interest earned. The effective interest rate on short-term bank deposits was 1.35% (2012: 1.35%) per annum.

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

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Renminbi	**3,191,481**	2,572,744	**1,720,342**	1,108,157
US dollar	**3,349**	2,536	**3,349**	2,536
HK dollar	**1,427**	1,472	**1,427**	1,472
	3,196,257	2,576,752	**1,725,118**	1,112,165

The Group's cash and cash equivalents denominated in Renminbi, HK dollar and US dollar are deposited with banks in the PRC. The conversion of these Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

19. SHARE CAPITAL — COMPANY

	Company		
	As at 31 December 2012 *RMB'000*	Movement *RMB'000*	**As at 31 December 2013** ***RMB'000***
Registered, issued and fully paid			
Liquid shares subject to sales restrictions			
150,000,000 (2012: 150,000,000) shares of RMB1 each held by state owned legal person	150,000	—	**150,000**
Listed shares			
2,510,000,000 (2012: 2,510,000,000) shares of RMB1 each listed in the Mainland *(A shares)*	2,510,000	—	**2,510,000**
707,020,000 (2012: 707,020,000) foreign invested shares of RMB1 each listed in Hong Kong *(H shares)*	707,020	—	**707,020**
	3,217,020	—	**3,217,020**
Total	3,367,020	—	**3,367,020**

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

Pursuant to the document titled "Implementation Measure for Transfer of Part of the State-owned Shares in Domestic Securities Market to the National Social Security Fund (Cai Qi [2010] No.94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企(2010)94號)) and announcement No.63 of 2010 jointly issued by the Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund ("NCSSF"), a total of 150,000,000 shares in the Company held by BNSIGC should be transferred to NCSSF. As at 31 December 2013, the transfer is still in progress and relevant shares are subjected to sales restriction. Except for this, the lock-up period for remianing shares held by BNSIGC expired, and these shares were available for trading.

20. RESERVES AND RETAINED EARNINGS — GROUP AND COMPANY

Group

	Other reserves				
	Capital reserve	Statutory reserve fund	Discretionary reserve fund	Subtotal	Retained earnings
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	**3,420,976**	**613,800**	**161,468**	**4,196,244**	**7,255,210**
Profit for the year	—	—	—	—	799,535
2012 final dividends	—	—	—	—	(202,021)
Acquisition of additional interests in a subsidiary from non-controlling interest	139	—	—	139	—
Transfer from retained earnings	—	34,881	—	34,881	(34,881)
At 31 December 2013	**3,421,115**	**648,681**	**161,468**	**4,231,264**	**7,817,843**

	Other reserves				
	Capital reserve	Statutory reserve fund	Discretionary reserve fund	Subtotal	Retained earnings
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	3,420,976	578,178	161,468	4,160,622	6,421,835
Profit for the year	—	—	—	—	970,008
2011 final dividends	—	—	—	—	(101,011)
Transfer from retained earnings	—	35,622	—	35,622	(35,622)
At 31 December 2012	3,420,976	613,800	161,468	4,196,244	7,255,210

20. RESERVES AND RETAINED EARNINGS — GROUP AND COMPANY *(CONTINUED)*

Company

	Other reserves				
	Capital reserve	Statutory reserve fund	Discretionary reserve fund	Subtotal	Retained earnings
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	**3,490,025**	**553,460**	**163,663**	**4,207,148**	**4,427,962**
Profit for the year	**—**	**—**	**—**	**—**	**2,385,940**
2012 final dividends	**—**	**—**	**—**	**—**	**(202,021)**
Transfer from retained earnings	**—**	**34,881**	**—**	**34,881**	**(34,881)**
At 31 December 2013	**3,490,025**	**588,341**	**163,663**	**4,242,029**	**6,577,000**

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

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

The proposed transfer to the discretionary reserve fund is subject to approval by the shareholders in general meeting. Its usage is similar to that of the statutory reserve fund. No transfer to the discretionary reserve fund has been proposed in the years ended 31 December 2013 and 2012.

21. TRADE AND OTHER PAYABLES — GROUP AND COMPANY

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Advances from customers *(Note a)*	**4,919,312**	3,983,169	**1,204,833**	1,026,020
Trade payables	**1,108,619**	972,157	**653,572**	412,325
Dividends payable to non-controlling interests of a subsidiary	**1,162**	1,162	**—**	—
Accrued construction costs	**1,073,431**	1,508,568	**521,733**	845,079
Amount due to BNSIGC *(Note 37) (Note b)*	**5,163**	20,332	**—**	—
Accrued interest	**55,205**	115,072	**55,205**	115,072
Amount due to subsidiaries	**—**	—	**607,368**	1,500,006
Other payables	**928,882**	700,555	**554,925**	528,434
	8,091,774	7,301,015	**3,597,636**	4,426,936

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

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

At 31 December 2013 and 31 December 2012, the ageing analyses of the trade payables (including amounts of trading nature due to related parties) were as follows:

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0–180 days	**247,183**	586,365	**116,244**	186,259
181–365 days	**236,113**	48,348	**60,702**	44,460
Over 365 days	**625,323**	337,444	**476,626**	181,606
	1,108,619	972,157	**653,572**	412,325

22. CURRENT INCOME TAX LIABILITIES — GROUP AND COMPANY

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Income tax payable	**101,559**	81,225	**15,840**	11,800
Land appreciation tax payable	**328,064**	324,390	**282,322**	247,170
	429,623	405,615	**298,162**	258,970

23. BORROWINGS — GROUP AND COMPANY

	Group and Company	
	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Non-current		
Long term borrowings		
— Secured bank borrowings *(a)*	**6,830,506**	4,386,337
— Unsecured bank borrowings	**800,000**	1,000,000
— Other borrowings *(i)*	**2,550,000**	1,800,000
— 10 year bonds *(b)*	**1,494,099**	1,491,822
— 5 year bonds *(c)*	**—**	1,695,139
	11,674,605	10,373,298
Less: current portion of long term borrowings	**(2,170,175)**	(3,117,889)
	9,504,430	7,255,409
Current		
Short term bank borrowings		
— Unsecured short term borrowings	**1,250,000**	1,200,000
— Current portion of long term borrowings	**2,170,175**	3,117,889
	3,420,175	4,317,889
Total borrowings	**12,924,605**	11,573,298

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

(i) Other borrowings

	Group and Company As at 31 December 2013 RMB'000	2012 RMB'000
Entrust loans from BNSIGC *(Note 37)*	**1,200,000**	1,000,000
Loan from other financial institutions *(d)*	**1,350,000**	800,000
	2,550,000	1,800,000

(a) As at 31 December 2013, long term bank borrowings of RMB 6,830,506,000 (2012: RMB 4,386,337,000) were secured by certain investment properties (Note 7) and hotel properties (Note 8), properties under development (Note 13) and completed properties held for sale (Note 14).

(b) On 29 May 2006, the Company issued bonds with an aggregate principal amount of RMB 1,500,000,000 and a maturity period of 10 years ("10 year bonds"). The net proceeds were RMB 1,478,980,000 (net of issuance costs of RMB 21,020,000) and were raised as part of the consideration for the construction of National Convention Centre. The bond carries a fixed annual interest rate of 4.1%, the interest of which would be paid annually and the principal is fully repayable on 29 May 2016.

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

(c) On 18 July 2008, the Company issued bonds with an aggregate principal amount of RMB 1,700,000,000 and a maturity period of 5 years ("5 year bonds"). The net proceeds were RMB 1,667,510,000 (net of issuance costs of RMB 32,490,000) and were raised as repayment of bank loans for the amount of RMB 800,000,000 and the remaining amount is used for operating. The bond carries a fixed annual interest rate of 8.2%, the interest of which is paid annually and the principal was fully paid on 18 July 2013.

(d) Loans of RMB 350,000,000 bear interests rate of 12.5% per annum, and are repayable after 24 months from the inception date of the loan, and are guaranteed by BNSIGC (Note37);

Loans of RMB 1,000,000,000 bear interests rate of 8.2% per annum, and are repayable after 60 months from the inception date of the loan, and are guaranteed by BNSIGC (Note 37) and secured by certain properties under development (Note 13).

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

(e) The Group's bank borrowings mature until 2023 and bonds mature until 2016. At 31 December 2013, the Group's borrowings were repayable as follows:

	Group and Company					
	Bank borrowings As at 31 December		Other borrowings As at 31 December		Long term bonds As at 31 December	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**2,870,175**	1,822,749	**550,000**	800,000	**—**	1,695,139
Between 1 and 2 years	**872,417**	1,433,542	**1,000,000**	1,000,000	**—**	—
Between 2 and 5 years	**3,696,914**	2,398,796	**1,000,000**	—	**1,494,099**	1,491,822
Over 5 years	**1,441,000**	931,250	**—**	—	**—**	—
	8,880,506	6,586,337	**2,550,000**	1,800,000	**1,494,099**	3,186,961

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

	Group and Company As at 31 December	
	2013	2012
Bank and other borrowings	**6.96%**	7.10%
10 year bonds	**4.28%**	4.28%
5 year bonds	**—**	8.69%

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

	Group and Company As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
At floating rates:		
— expiring between two and five years	**1,881,244**	836,663

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

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

	Group and Company As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
6 months or less	**5,645,000**	4,462,711
6–12 months	**5,785,506**	5,618,765
1–5 years	**1,494,099**	1,491,822
	12,924,605	11,573,298

(i) The carrying amounts and fair values of the long term borrowings are as follows:

	Group and Company			
	Carrying amount As at 31 December		Fair value As at 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-current bank borrowings	**8,010,331**	5,763,587	**8,010,331**	5,763,587
10 year bonds	**1,494,099**	1,491,822	**1,457,578**	1,356,241
	9,504,430	7,255,409	**9,467,909**	7,119,828

The fair values of 10 years bonds are based on cash flows discounted using rates based on the borrowing rate of 6.15% (2012: 6.4%).

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

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

(j) All borrowings are denominated in Renminbi.

24. DEFERRED INCOME TAX — GROUP AND COMPANY

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

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Deferred tax assets:				
— To be recovered after more than 12 months	**3,030**	2,640	**390**	390
— To be recovered within 12 months	**21,544**	38,671	**15,429**	15,922
	24,574	41,311	**15,819**	16,312
Deferred tax liabilities:				
— To be settled after more than 12 months	**(1,614,659)**	(1,569,659)	**(1,556,180)**	(877,136)
Deferred tax liabilities-net	**(1,590,085)**	(1,528,348)	**(1,540,361)**	(860,824)

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

	Group		Company	
	Year ended 31 December		Year ended 31 December	
	2013	2012	**2013**	2012
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
At 1 January 2013	**(1,528,348)**	(1,407,829)	**(860,824)**	(796,405)
Recognised in the income statement *(Note 29)*	**(61,737)**	(120,519)	**(695,537)**	(64,419)
At 31 December 2013	**(1,590,085)**	(1,528,348)	**(1,556,361)**	(860,824)

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

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Group		
Deferred tax liabilities:	**Investment properties revaluation**	**Tax depreciation allowances**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012	(1,102,769)	(354,683)	(1,457,452)
Recognised in the income statement	(67,219)	(44,988)	(112,207)
At 31 December 2012	(1,169,988)	(399,671)	(1,569,659)
Recognised in the income statement	(3,330)	(41,670)	(45,000)
At 31 December 2013	(1,173,318)	(441,341)	(1,614,659)

Deferred tax assets:	**Provisions**	**Deductible loss**	**Accrued expense and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	3,517	29,465	16,641	49,623
(Credited)/recognised in the income statement	(211)	(12,149)	4,048	(8,312)
At 31 December 2012	3,306	17,316	20,689	41,311
(Credited)/recognised in the income statement	3	(12,913)	(3,827)	(16,737)
At 31 December 2013	3,309	4,403	16,862	24,574

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

Deferred tax liabilities:	Investment properties revaluation	Company Tax depreciation allowances	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012	(497,737)	(310,093)	(807,830)
Recognised in the income statement	(24,414)	(44,892)	(69,306)
At 31 December 2012	(522,151)	(354,985)	(877,136)
Recognised in the income statement	(637,469)	(41,575)	(679,044)
At 31 December 2013	(1,159,620)	(396,560)	(1,556,180)

Deferred tax assets:	Provisions	Accrued expense	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	3,517	7,518	390	11,425
(Credited)/recognised in the income statement	(211)	5,098	—	4,887
At 31 December 2012	3,306	12,616	390	16,312
(Credited)/recognised in the income statement	3	(496)	—	(493)
At 31 December 2013	3,309	12,120	390	15,819

(a) Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognised deferred tax assets of RMB 324,500 (2012: 212,000) in respect of losses amounting to RMB 1,298,000 (2012: 848,000) that can be carried forward against future taxable income; these tax losses will expire in the period from 2014 to 2018 as follows:

		Year ended 31 December			
2014	**2015**	**2016**	**2017**	**2018**	**Total**
RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
76	66	474	152	530	1,298

25. EXPENSES BY NATURE

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Depreciation *(Note 8)*	**153,443**	157,377
Amortisation	**32**	32
Privision of impairment for receivables *(Note 16)*	**17**	17
Employee benefit expense *(Note 27)*	**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

26. OTHER GAINS/(LOSSES) — NET

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment	**(2,446)**	(5,687)
Gain on disposal of subsidiaries	**15,651**	—
Donation	**(950)**	(1,076)
Government Grants	**—**	2,550
Others	**408**	1,092
	12,663	(3,121)

27. EMPLOYEE BENEFIT EXPENSE

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Wages and salaries	**403,961**	373,609
Social security costs	**120,567**	110,006
Retirement benefit costs — defined contribution plans	**70,745**	63,642
Temination and other benefits	**—**	—
	595,273	547,257
Less: capitalised in properties under development	**(42,324)**	(46,281)
	552,949	500,976

(a) Retirement benefit costs — defined contribution plans

The employees of the subsidiaries of the Group participate in various retirement benefit plans established by Beijing and Changsha Municipal Labor and Social Insurance Bureau, respectively, under which the Group was required to make monthly defined contributions to these plans at 20% (2012: 20%) of the employees' basic salary for the year ended 31 December 2013.

Besides the above retirement benefits, the Group provides an additional defined contribution plan to its employees. Each year, participants make contributions to the plan equaling 4% of his/her compensation and the Group matchs the contribution.

There were no forfeited contributions during the year or available at 31 December 2013 (2012: Nil) to reduce future contributions.

Contribution totaling RMB 10,698,000 (2012: RMB 9,856,000) were payable to the funds at the year end.

27. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(b) Directors' emoluments

The remuneration of every director for the year ended 31 December 2013 is set out below:

Name of Director	Fees *RMB'000*	Salary *RMB'000*	Employer's contribution to retirement benefit scheme *RMB'000*	Total *RMB'000*
Mr. He Jiang Chuan	—	680	49	729
Ms. Zhao Hui Zhi	—	680	49	729
Mr. Li Chang Li	—	672	49	721
Mr. He Wen Yu	—	623	49	672
Mr.Zeng Jing	—	884	49	933
Mr. Liu Jian Ping	—	592	49	641
Mr. Long Tao	86	—	—	86
Mr. Huang Yi Zhong	86	—	—	86
Mr. Gan Pei Zhong	86	—	—	86
	258	4,131	294	4,683

The remuneration of every director for the year ended 31 December 2012 is set out below:

Name of Director	Fees *RMB'000*	Salary *RMB'000*	Employer's contribution to retirement benefit scheme *RMB'000*	Total *RMB'000*
Mr. He Jiang Chuan	—	503	44	547
Ms. Zhao Hui Zhi	—	421	44	465
Mr. Li Chang Li	—	359	40	399
Mr. He Wen Yu	—	347	44	391
Mr. Zeng Jing	—	1,048	44	1,092
Mr. Liu Jian Ping	—	317	44	361
Mr. Long Tao	86	—	—	86
Mr. Huang Yi Zhong	86	—	—	86
Mr. Gan Pei Zhong	86	—	—	86
	258	2,995	260	3,513

In addition to the directors' emoluments disclosed above, nil certain directors of the Company receive emoluments from BNSIGC (2012: RMB 360,000), part of which is paid in respect of their services to the Group and its subsidiaries. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group and their services to BNSIGC.

27. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2012: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining nil (2012: three) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Basic salaries and other allowances	—	1,604
Employer's contribution to retirement benefit scheme	—	131
	—	1,735

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2013	2012
Emolument bands		
RMB nil–RMB 786,200 (equivalent to HK$ Nil–HK$1,000,000)	—	3

(d) During the year, no emolument was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

28. FINANCE INCOME AND COSTS

	Year ended 31 December	
	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)

29. INCOME TAX EXPENSES

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25% (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 *(Note 24)*	**61,737**	120,519
	523,224	476,465

29. INCOME TAX EXPENSES *(CONTINUED)*

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 from an associate and a joint venture *(Note 10)*	**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

30. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

In accordance with the articles of association of the Company, the profit available for appropriation by the Company for the purpose of dividend payments is based on the lesser of the net profit of the Company determined in accordance with the CAS; and the net profit detemined in accordance with HKFRS.

On this basis, the amount of profits available for appropriation for the year was RMB 348,807,000 (2012: 356,217,000), being the amount of profit attributable to equity holders of the Company as disclosed in the financial statements prepared under CAS.

31. EARNINGS PER SHARE

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

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

32. 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: RMB 0.06 per share)	**202,021**	202,021

33. CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit before income tax	**1,355,309**	1,422,649
Adjustments for:		
— Provision of impairment for receivables *(Note 16)*	**17**	17
— Depreciation *(Note 8)*	**153,443**	157,377
— Amortisation	**32**	32
— Fair value gains on investment properties *(Note 7)*	**(9,737)**	(265,295)
— loss on disposal of property, plant and equipment *(a)*	**2,446**	5,687
— Gain on disposal of subsidiaries	**(15,651)**	—
— Interest income *(Note 28)*	**(36,886)**	(23,472)
— Interest expense *(Note 28)*	**328,619**	382,717
— Share of loss of an associate and a joint venture *(Note 10)*	**712**	1,721
Operating profit before working capital changes	**1,778,304**	1,681,433
Changes in working capital:		
— Drease/(Increase) in restricted bank deposits	**41,418**	(207,806)
— Decrease in inventories	**21,669**	23,149
— Increase in properties under development and completed properties held for sale	**(1,163,365)**	(1,164,633)
— Decrease /(Increase)in trade and other receivables	**14,949**	(37,832)
— Decrease in long term payables	**(810)**	(921)
— Increase in trade and other payables	**867,585**	386,505
Cash generated from operations	**1,559,750**	679,895

33. CASH GENERATED FROM OPERATIONS *(CONTINUED)*

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Net book amount	**3,314**	9,339
Loss on disposal of property, plant and equipment *(Note 26)*	**(2,446)**	(5,687)
Proceeds from disposal of property, plant and equipment	**868**	3,652

(b) Non cash transactions

Dividends payables to a minority shareholder amounting to RMB 9,847,000 has been settled with the receivables from the shareholder in 2013 (2012: Nil).

34. FINANCIAL GUARANTEES

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The outstanding guarantees amounted to RMB 2,234,703,000 as at 31 December 2013 (2012: RMB 614,940,000).

Such guarantees terminate upon (i) the issuance of the real estate ownership certificate which will generally be available within six months to two years after the Group delivers possession of the relevant property to its purchasers; (ii) the completion of the mortgage registration; and (iii) the issuance of the real estate miscellaneous right certificate relating to the relevant property.

35. COMMITMENTS

(a) Capital commitments in respect of development costs attributable to investment property:

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Investment property				
Contracted but not provided for	**34,185**	—	**34,185**	—
Authorised but not contracted for	**16,227**	—	**16,227**	—
	50,412	—	**50,412**	—

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

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
Properties under development				
Contracted but not provided for	**2,845,963**	2,506,938	**417,129**	362,914
Authorised but not contracted for	**9,101,562**	6,100,090	**434,348**	218,181
	11,947,525	8,607,028	**851,477**	581,095

35. COMMITMENTS *(CONTINUED)*

(c) At 31 December 2013 and 31 December 2012, the Group had future aggregate minimum rental receivables and payables under non-cancellable operating leases as leasor and lease respectively as follows:

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	RMB '000	*RMB '000*	***RMB '000***	*RMB '000*
As leasor:				
Rental receivables in respect of investment properties				
Not later than one year	**609,721**	615,034	**603,656**	610,434
Later than one year and not later than five years	**672,775**	875,009	**668,083**	870,009
Later than five years	**461,453**	499,613	**461,453**	499,613
	1,743,949	1,989,656	**1,733,192**	1,980,056
As leasee:				
Rental payables in respect of land use rights and buildings				
Not later than one year	**16,139**	15,429	**14,259**	14,259
Later than one year and not later than five years	**58,916**	57,036	**57,036**	57,036
Later than five years	**270,923**	285,182	**270,923**	285,182
	345,978	357,647	**342,218**	356,477

(d) On 29 October 2013, the Company entered into an agreement with Shenzhen Jiang Wan Consultancy Co., Ltd. Pursuant to the agreement, the Company will acquire 51% equity of Changsha Century Royal Real Estate Co., Ltd at a consideration of RMB 10,410,000. As at 31 December 2013, the transaction was still in progress and the consideration was not paid.

36. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interest in BNSRE

In January 2013, the Company acquired the remaining 0.22% interest of BNSRE, with a purchase consideration of RMB 2,918,000. The carrying amount of the non-controlling interests in BNSRE on the date of acquisition was RMB 3,057,000. The Group recognised a decrease in non-controlling interests of RMB 3,057,000 and an increase in equity attributable to equity holders of the Company of RMB 139,000. The effect of changes in the ownership interest of BNSRE on the equity attributable to equity holders of the Company during the period is summarised as follows:

	As at	
	31 December 2013	31 December 2012
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests acquired	**3,057**	—
Consideration paid to non-controlling interests	**(2,918)**	—
Excess of interest acquired recognised within equity	**139**	—

(b) Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the year ended 31 December 2013.

	RMB'000
Total comprehensive income for the period attributable to the shareholders of the Company shareholders of the Company	799,535
Changes in equity attributable to shareholders of the Company arising from:	
Acquisition of additional interests in subsidiary	139
	799,674

37. RELATED PARTY TRANSACTIONS

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

BNSIGC itself is a state-owned enterprise controlled by the PRC government. For the year 2013 and 2012, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government mainly include most of its bank borrowings and part of purchases of goods and services. The price and other terms of such transactions are settled in the fair value.

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

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

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

	Group Year ended 31 December	
	2013 ***RMB'000***	2012 *RMB'000*
Rental	**20,088**	13,593

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(ii) Purchases of goods and services

	Group Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
BNSIGC (operating lease payment in respect of land)	**14,259**	14,259
BNSIGC (office lease acceptance)	**900**	900
BNSIGC (brand royalty fee)	**10**	10
Kingpower (purchase of asset)	**49,058**	—
	64,227	15,169

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

(iii) Entrust loans from BNSIGC

	Group and Company Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
At 1 January	**1,001,963**	801,404
Proceeds from entrust loans	**1,000,000**	200,000
Repayments of entrust loans	**(800,000)**	—
Interest accrued	**72,465**	60,400
Interest paid	**(72,150)**	(59,841)
At 31 December	**1,202,278**	1,001,963

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(iii) Entrust loans from BNSIGC *(Continued)*

The borrowing period and interest rate for the entrust loans from BNSIGC is analysed as below:

Principal *RMB'000*	Borrowing Date	Maturity Date	Interest rate
50,000,000	Friday, 29 March, 2013	Saturday, 28 March, 2015	National benchmark interest rate
150,000,000	Tuesday, 29 May, 2012	Wednesday, 28 May, 2014	National benchmark interest rate
150,000,000	Wednesday, 29 May, 2013	Friday, 29 May, 2015	Fixed rate 6.15%
50,000,000	Friday, 27 July, 2012	Saturday, 26 July, 2014	National benchmark interest rate
200,000,000	Friday, 30 August, 2013	Sunday, 30 August, 2015	Fixed rate 6.15%
200,000,000	Wednesday, 4 September, 2013	Thursday, 3 September, 2015	National benchmark interest rate
200,000,000	Tuesday, 10 September, 2013	Wednesday, 9 September, 2015	National benchmark interest rate
150,000,000	Thursday, 26 December, 2013	Friday, 25 December, 2015	National benchmark interest rate
50,000,000	Thursday, 26 December, 2013	Friday, 25 December, 2015	National benchmark interest rate

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

	Group As at 31 December		Company As at 31 December	
	2013 ***RMB'000***	2012 *RMB'000*	**2013** ***RMB'000***	2012 *RMB'000*
Trade and other receivables from related parties				
BNSIGC	**5,141**	5,141	**—**	—
Trade and other payables to related parties				
BNSIGC	**5,163**	20,332	**—**	—
Enrust loans from related parties				
BNSIGC	**1,200,000**	1,000,000	**1,200,000**	1,000,000
Interest payable of enrust loans from related parties				
BNSIGC	**2,278**	1,963	**2,278**	1,963

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

37. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(iv) Balances arising from sales/purchases of goods, services, investment and enrust loans *(Continued)*

At 31 December 2013, there were no provisions for impairment of receivables from related parties (2012: Nil) and there were no provisions for impairment of receivables from related parties charged to income statement for the year ended 31 December 2013 (2012: Nil).

(v) Key management compensation

	Group	
	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**13,444**	10,321
Post-employment benefit	**1,172**	1,003
	14,616	11,324

(vi) Acceptance of financial guarantee

Pursuant to an agreement signed by BNSIGC and Bank of China (the "BOC"), BNSIGC provides a joint liability counter-guarantee in favor of BOC with respect to the guarantee provided by the BOC for the 10 year bonds issued by the Company.

Pursuant to an agreement signed with BNSIGC, BNSIGC provides joint liability counter-guarantee for the loans from China Construction Bank Trust Co., Ltd.

Pursuant to an agreement signed with BNSIGC, BNSIGC provides joint liability counter-guarantee for the loans form Taikang Asset Management Co., Ltd.

Supplementary Information

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

Properties Profile

DEVELOPMENT PROPERTIES

Properties for sales

Name	Location	Gross floor area of unsold portion *(sq. m.)*	Type of property	Interest attributable to the Group
1 Green Garden in Beichen Bei Yuan Residential Estate	Wa Li Xiang, Chao Yang District, Beijing	41,600	Residential, commercial (completed)	100%
2 Beichen · Xianglu (Hot Spring Project)	Wen Quan Town, Hai Dian District, Beijing	117,000	Residential (completed)	100%
3 Jiang Zhuang Hu Garden Villas	No. 88 Jiang Zhuang, Chao Yang District, Beijing	12,000	Villa, apartment (completed)	50.5%

Properties under development

Name	Location	Gross floor area of unsold portion *(sq. m.)*	Type of property	Interest attributable to the Group
1 Changhe Yushu Garden Villas	Xiao Tang Shang Town, Chang Ping District, Beijing	173,900	Residential (under construction)	99.1%
2 Beichen • Fudi (Chang Ying Project	Chang Ying Xiang, Chao Yang District, Beijing	98,700	Residential, commercial (under construction)	100%
3 Shunyi Mapo Project	Mapo Town, Shunyi District, Beijing	213,300	Residential (under construction)	100%
4 Beichen Delta Project	Kaifu District, Changsha, Hunan Province	4,538,500	Residential, commercial office and hotel (under construction)	100%

Properties Profile

INVESTMENT PROPERTIES AND HOTELS (NOTE 1)

Name	Location	Gross floor area *(sq. m.)*	Type of property	Interest attributable to the Group
1 Beijing Continental Grand Hotel	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	42,613	Hotel	100%
2 Crowne Plaza Park View Wuzhou Beijing	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	56,953	Hotel	100%
3 Beijing International Convention Centre	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	61,867	Convention, exhibition	100%
4 Hui Yuan Apartment	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	184,811	Apartment	100%
5 Hui Bin Offices	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	37,795	Office	100%
6 Hui Zhen Building Property	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	6,299	Office	100%
7 Hui Xin Offices	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	47,515	Office	100%
8 North Star Times Tower	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	131,229	Office, commercial premise for lease	100%
9 Beijing Olympic Park National Convention Centre and ancillary Area B No. 19, 20, 21, 22 Project	Bei Chen Zhong Road, Chao Yang District, Beijing	533,991	Convention, exhibition, hotel and office	100%

PROPERTIES WITH ANCILLARY FACILITIES (NOTE 1)

1 Beichen Shopping Centre	No. 8 An Wai An Li Road, Beijing	30,463	Shopping centre	100%
2 Beichen Shopping Centre (Beiyuan Store (北苑店))	A13 Beiyuan Road, Beijing	65,000	Shopping centre	100%

Note:

1. The above-mentioned investment properties and hotels items (1-6) and properties with ancillary facilities of the Group are all located within the Asian Games Village at Andingmen (安定門), Chao Yang District, Beijing. The properties are erected on land leased from BNSIGC for a rental of RMB14,259,000 for 2012 (rentals for future years subject to adjustment). Terms of the leases range from 40 years to 70 years, depending on uses of different parts of the land

Directors' Proposal on the Appropriation of Profit for the Year of 2013

In accordance with the pertinent regulations and based on the actual situation of the Company, the Board of Beijing North Star Company Limited, at a meeting held on 12 March 2014, proposed that the appropriation of profit of the Company for the year of 2013 be as follows:

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

II. A final dividend of RMB0.06 per share in cash (Note) is proposed to be paid to the shareholders whose names appear on the register of shareholders on Thursday, 5 June 2014. If the proposal is approved by the shareholders at the 2013 annual general meeting, the final dividend is expected to be paid on or before Thursday, 31 July 2014. Further announcement will be made as to the exact form of payment.

III. This proposal is subject to the approval by the shareholders at the 2013 annual general meeting.

Beijing North Star Company Limited

Note:

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

Corporate Information

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

COMPANY INFORMATION ENQUIRY

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

REGISTRATION

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

Corporate Information (Continued)

AUDITORS

PRC auditor:	PricewaterhouseCoopers Zhong Tian LLP
Address:	11th Floor, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Luwan District, Shanghai, the PRC
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International auditor:	PricewaterhouseCoopers
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LEGAL ADVISERS

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