



HKEx Stock Code: 0588
SSE Stock Code: 601588

2013 INTERIM REPORT

INTERIM REPORT

For the six months ended 30 June 2013

- A revenue of RMB2,866,755,000, representing an increase of 7.17% over the same period last year
- Operating profit was RMB991,157,000, representing an increase of 15.55% over the same period last year
- Profit attributable to equity holders of the Company was RMB555,725,000, representing an increase of 12.41% over the same period last year. Among others, the core operating results of the Company's principal business were RMB419,805,000, an increase of 15.42% from last year, and the gain (after taxation) on changes in fair value of investment properties was RMB135,920,000, representing an increase of 4.04% over the same period last year
- Earnings per share was RMB0.1650, earnings per share in the same period last year was RMB0.1468
- The board of directors (the "Board") resolved that no interim dividend would be distributed in respect of the six months ended 30 June 2013 (six months ended 30 June 2012: nil)

Condensed Consolidated Interim Balance Sheet

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	1,027	1,043
Investment properties	7	11,432,700	11,238,200
Property, plant and equipment	7	2,100,075	2,165,326
Investment in an associate and a jointly controlled entity		6,600	7,279
Deferred income tax assets		46,331	41,311
		<u>13,586,733</u>	<u>13,453,159</u>
Current assets			
Properties under development	8	16,606,909	15,333,378
Completed properties held for sale		2,399,290	3,464,188
Other inventories		96,732	99,411
Trade and other receivables	9	591,580	556,451
Restricted bank deposits		144,426	279,121
Cash and cash equivalents		4,871,274	2,576,752
		<u>24,710,211</u>	<u>22,309,301</u>
Total assets		<u>38,296,944</u>	<u>35,762,460</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	10	3,367,020	3,367,020
Other reserves		4,196,383	4,196,244
Retained earnings			
— Proposed final dividend		—	202,021
— Others		7,608,914	7,053,189
		<u>15,172,317</u>	<u>14,818,474</u>
Non-controlling interests		<u>79,566</u>	<u>86,654</u>
Total equity		<u>15,251,883</u>	<u>14,905,128</u>

Condensed Consolidated Interim Balance Sheet

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
LIABILITIES			
Non-current liabilities			
Long term borrowings	12	8,185,731	7,255,409
Long term payables		7,745	7,745
Deferred income tax liabilities		1,636,304	1,569,659
		<u>9,829,780</u>	<u>8,832,813</u>
Current liabilities			
Trade and other payables	11	7,488,533	7,301,015
Current income tax liabilities		320,187	405,615
Current portion of long term borrowings	12	4,156,561	3,117,889
Short term borrowings	12	1,250,000	1,200,000
		<u>13,215,281</u>	<u>12,024,519</u>
Total liabilities		<u>23,045,061</u>	<u>20,857,332</u>
Total equity and liabilities		<u>38,296,944</u>	<u>35,762,460</u>
Net current assets		<u>11,494,930</u>	<u>10,284,782</u>
Total assets less current liabilities		<u>25,081,663</u>	<u>23,737,941</u>

The notes on pages 8 to 27 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Income Statement

	Note	Unaudited Six months ended 30 June	
		2013 RMB'000	2012 RMB'000
Revenue	6	2,866,755	2,674,901
Cost of sales		(1,668,485)	(1,645,780)
Gross profit		1,198,270	1,029,121
Selling and marketing expenses		(120,842)	(93,937)
Administrative expenses		(268,017)	(244,350)
Fair value gains on investment properties	13	181,227	174,197
Other gains/(losses)– net		519	(7,272)
Operating profit		991,157	857,759
Finance income		7,034	8,309
Finance costs		(165,537)	(178,708)
Finance costs – net		(158,503)	(170,399)
Share of loss of an associate and a jointly controlled entity		(679)	—
Profit before income tax	6	831,975	687,360
Income tax expenses	14	(262,211)	(193,552)
Profit for the period		569,764	493,808
Profit attributable to:			
— Equity holders of the Company		555,725	494,382
— Non-controlling interests		14,039	(574)
		569,764	493,808
		RMB Cents per share	RMB Cents per share
Earnings per share attributable to the equity holders of the Company during the period			
— Basic and diluted		16.50	14.68
Dividend	15	—	—

The notes on pages 8 to 27 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Comprehensive Income

	Unaudited Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Profit for the period	569,764	493,808
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive income for the period	<u>569,764</u>	<u>493,808</u>
Attributable to:		
— Equity holders of the Company	555,725	494,382
— Non-controlling interests	<u>14,039</u>	<u>(574)</u>
	<u>569,764</u>	<u>493,808</u>

The notes on pages 8 to 27 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

	Unaudited						
	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 2013		3,367,020	4,196,244	7,255,210	14,818,474	86,654	14,905,128
Total comprehensive income for the period ended 30 June 2013		—	—	555,725	555,725	14,039	569,764
Transactions with owners in their capacity as owners							
Dividend relating to 2012 approved in the period ended 30 June 2013		—	—	(202,021)	(202,021)	(18,070)	(220,091)
Acquisition of additional interests in subsidiaries from non-controlling interests	19	—	139	—	139	(3,057)	(2,918)
Total transactions with owners		—	139	(202,021)	(201,882)	(21,127)	(223,009)
Balance at 30 June 2013		<u>3,367,020</u>	<u>4,196,383</u>	<u>7,608,914</u>	<u>15,172,317</u>	<u>79,566</u>	<u>15,251,883</u>
Balance at 1 January 2012		3,367,020	4,160,622	6,421,835	13,949,477	110,478	14,059,955
Total comprehensive income for the period ended 30 June 2012		—	—	494,382	494,382	(574)	493,808
Transactions with owners in their capacity as owners							
Dividend relating to 2011 approved in the period ended 30 June 2012		—	—	(101,011)	(101,011)	—	(101,011)
Total transactions with owners		—	—	(101,011)	(101,011)	—	(101,011)
Balance at 30 June 2012		<u>3,367,020</u>	<u>4,160,622</u>	<u>6,815,206</u>	<u>14,342,848</u>	<u>109,904</u>	<u>14,452,752</u>

The notes on pages 8 to 27 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

	Unaudited Six months ended 30 June	
	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Cash flows generated from/(used in) operating activities – net	328,137	(353,050)
Cash flows used in investing activities – net	(36,538)	(21,116)
Cash flows generated from financing activities – net	2,002,923	421,780
Net increase in cash and cash equivalents	2,294,522	47,614
Cash and cash equivalents at 1 January	2,576,752	2,808,106
Cash and cash equivalents at 30 June	4,871,274	2,855,720

The notes on pages 8 to 27 are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Information

1. GENERAL INFORMATION

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

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

On 25 September 2006, the Company issued 1,500,000,000 A shares 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”.

This condensed consolidated interim financial information is presented in Renminbi, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 7 August 2013.

These condensed consolidated interim financial statements have been reviewed, not audited.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 ‘Interim financial reporting’. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Key events

During the period, the Group acquired certain additional interests in subsidiaries from non-controlling interests, further details of which are set out in Note 19.

Notes to the Condensed Consolidated Interim Financial Information

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

(a) The following new and amended standards are mandatory for the first time for financial year beginning 1 January 2013 and have been adopted by the Group for the financial period ended 30 June 2013. The adoption of these new accounting policies has no material impact on the financial statements of the Group in the current period and prior years.

- HKAS 19 (Amendment), 'Employee benefits'
- HKFRS 10, 'Consolidated financial statements'
- HKFRS 11, 'Joint arrangements'
- HKFRS 12, 'Disclosures of interests in other entities'
- HKFRS 13, 'Fair Value Measurement'
- HKFRS 1 (Amendment), 'Government Loans'
- HKFRS 7 (Amendment), 'Financial instruments: Disclosures – Offsetting financial assets and financial liabilities'
- HKAS 1 (Amendment), 'Presentation of financial statement'
- HKAS 16 (Amendment), 'Property, Plant and Equipment'
- HKAS 27 (Revised), 'Consolidated and Separate Financial Statements'
- HKAS 28 (Revised), 'Investments in Associates and joint ventures'
- HKAS 32 (Amendment), 'Financial Instruments: Presentation'
- HKAS 34 (Amendment), 'Interim Financial Reporting'
- HKFRS1 (Amendment), 'First-time Adoption of Hong Kong Financial Reporting Standards'

(b) 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

- HKFRS 9, 'Financial instruments'

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

Notes to the Condensed Consolidated Interim Financial Information

4. ESTIMATES

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

5. FINANCIAL RISK MANAGEMENT

5.1. Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

There have been no changes in any risk management policies since year end.

5.2. Liquidity

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 30 June 2013					
Borrowings (including interests)	6,245,836	2,020,943	5,263,630	2,096,158	15,626,567
Trade and other payables	3,122,863	—	—	—	3,122,863
	<u>9,368,699</u>	<u>2,020,943</u>	<u>5,263,630</u>	<u>2,096,158</u>	<u>18,749,430</u>
At 31 December 2012					
Borrowings (including interests)	5,039,027	2,852,950	4,483,258	1,042,121	13,417,356
Trade and other payables	3,167,157	—	—	—	3,167,157
	<u>8,206,184</u>	<u>2,852,950</u>	<u>4,483,258</u>	<u>1,042,121</u>	<u>16,584,513</u>

Notes to the Condensed Consolidated Interim Financial Information

6. SEGMENT INFORMATION

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

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

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

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

Total assets mainly exclude deferred tax assets and corporate cash, both of which are managed on a central basis; the investment properties are measured at cost while 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.

Turnover consists of sales from development properties, commercial properties, and investment properties and hotels segments. Revenues recognised during the six months ended 30 June 2013 and 30 June 2012 are as follows:

	Unaudited	
	Six months ended 30 June	
	2013	2012
	RMB'000	<i>RMB'000</i>
Revenue		
Development properties	1,634,205	1,452,438
Commercial properties	174,815	202,837
Investment properties and hotels	1,001,607	960,517
	2,810,627	2,615,792
All other segments	56,128	59,109
	2,866,755	2,674,901

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

Notes to the Condensed Consolidated Interim Financial Information

6. SEGMENT INFORMATION (*CONTINUED*)

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

Business segment	Development properties RMB'000	Commercial properties RMB'000	Unaudited Investment properties and hotels RMB'000	All other segments RMB'000	Total Group RMB'000
Six months ended 30 June 2013					
Total segment revenue	1,634,205	174,815	1,007,421	75,257	2,891,698
Inter-segment revenue	—	—	(5,814)	(19,129)	(24,943)
Revenue from external customers	1,634,205	174,815	1,001,607	56,128	2,866,755
Profit before Tax	355,720	5,767	332,139	(6,280)	687,346
Six months ended 30 June 2012					
Total segment revenue	1,452,438	202,837	968,261	83,011	2,706,547
Inter-segment revenue	—	—	(7,744)	(23,902)	(31,646)
Revenue from external customers	1,452,438	202,837	960,517	59,109	2,674,901
Profit before Tax	275,587	13,507	293,094	478	582,666
	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 30 June 2013 (Unaudited)					
Total segment assets	21,229,391	1,093,536	6,101,922	58,974	28,483,823
Total segment assets include:					
Additions to non-current assets (other than deferred tax assets)	12,512	225	22,462	1,574	36,773
As at 31 December 2012 (Audited)					
Total segment assets	20,969,332	1,111,754	6,282,492	85,198	28,448,776
Total segment assets include:					
Additions to non-current assets (other than deferred tax assets)	2,223	2,178	39,187	2,790	46,378

Notes to the Condensed Consolidated Interim Financial Information

6. SEGMENT INFORMATION (CONTINUED)

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

	Unaudited Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Profit before income tax for reportable segments	687,346	582,666
Corporate overheads	(32,839)	(20,865)
Corporate finance costs	(160,109)	(172,676)
Corporate finance income	589	1,120
Share of loss from an associate and a jointly controlled entity	(679)	—
Fair value gains on investment properties (Note 13)	181,227	174,197
Reversal of depreciation of investment properties	83,564	93,881
Land appreciation tax	71,085	27,246
Others	1,791	1,791
Profit before income tax	831,975	687,360

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

	Unaudited As at 30 June 2013	Audited As at 31 December 2012
	RMB'000	RMB'000
Total segments' assets	28,483,823	28,448,776
Deferred income tax assets	46,331	41,311
Corporate cash	3,214,975	986,461
Investment in an associate and a jointly controlled entity	6,600	7,279
Aggregated fair value gains on investment properties	5,311,930	5,130,703
Reversal of accumulated depreciation of investment properties	1,246,747	1,163,183
Others	(13,462)	(15,253)
Total assets per balance sheet	38,296,944	35,762,460

The Company and its subsidiaries are domiciled in the PRC and all the revenue from external customers of the Group are derived in the PRC for the six months ended 30 June 2013 and 2012.

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

There has been no material change in total liabilities from the amount disclosed in the last annual financial statements.

At 30 June 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 six months ended 30 June 2013 and 2012.

Notes to the Condensed Consolidated Interim Financial Information

7. LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTIES

	Land use rights RMB'000	Unaudited Property, plant and equipment RMB'000	Investment properties RMB'000
Six months ended 30 June 2013			
Opening net book amount as at 1 January 2013	1,043	2,165,326	11,238,200
Fair value gains (Note 13)	—	—	181,227
Additions	—	25,273	13,273
Deduction (Note a)	—	(9,005)	—
Disposals	—	(534)	—
Amortisation / depreciation	(16)	(80,985)	—
Closing net book amount as at 30 June 2013	<u>1,027</u>	<u>2,100,075</u>	<u>11,432,700</u>
Six months ended 30 June 2012			
Opening net book amount as at 1 January 2012	1,075	1,848,726	11,142,400
Fair value gains (Note 13)	—	—	174,197
Transferred from completed properties held for sales	—	620,241	—
Additions	—	26,004	—
Deduction (Note a)	—	(209,129)	(158,960)
Disposals	—	(303)	(5,537)
Amortisation / depreciation	(16)	(76,038)	—
Closing net book amount as at 30 June 2012	<u>1,059</u>	<u>2,209,501</u>	<u>11,152,100</u>

The investment properties were revalued at 30 June 2013 by an independent, professionally qualified valuer, Greater China Appraisal Limited ("GCAL"). Valuations were based on either capitalization of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

- (a) Certain property, plant and equipment as well as investment properties were originally recognized based on management's best estimates of costs. For the six months ended 30 June 2013 and 2012, the estimated costs have been adjusted based on the final settlement verified by independent third party.

Notes to the Condensed Consolidated Interim Financial Information

8. PROPERTIES UNDER DEVELOPMENT

	Unaudited As at 30 June 2013 RMB'000	Audited As at 31 December 2012 RMB'000
Land use rights	9,961,483	9,810,110
Development costs and capitalised expenditure	4,932,899	4,063,243
Finance costs capitalised	1,712,527	1,460,025
	16,606,909	15,333,378

9. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2013 RMB'000	Audited As at 31 December 2012 RMB'000
Trade receivables	61,772	51,402
Less: provision for impairment of receivables	(91)	(90)
Trade receivables – net	61,681	51,312
Other receivables	69,062	95,346
Less: provision for impairment of receivables	(12,858)	(12,858)
Other receivables – net	56,204	82,488
Prepaid tax	316,931	344,294
Other prepayments	156,764	78,357
	591,580	556,451

Notes to the Condensed Consolidated Interim Financial Information

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Unaudited As at 30 June 2013 RMB'000	Audited As at 31 December 2012 RMB'000
Trade receivables		
0 - 30 days	25,387	24,691
31 - 90 days	18,273	5,592
Over 90 days	18,112	21,119
	<u>61,772</u>	<u>51,402</u>

10. SHARE CAPITAL

	Unaudited Registered, issued and fully paid				
	Number of shares (thousands)	Liquid shares subject to sales restrictions Shares held by State owned legal person RMB'000	Listed shares		Total RMB'000
Shares listed in Shanghai (A shares) RMB'000			Shares listed in Hong Kong (H shares) RMB'000		
Opening balance at 1 January 2013	3,367,020	150,000	2,510,000	707,020	3,367,020
At 30 June 2013	<u>3,367,020</u>	<u>150,000</u>	<u>2,510,000</u>	<u>707,020</u>	<u>3,367,020</u>
Opening balance at 1 January 2012	3,367,020	150,000	2,510,000	707,020	3,367,020
At 30 June 2012	<u>3,367,020</u>	<u>150,000</u>	<u>2,510,000</u>	<u>707,020</u>	<u>3,367,020</u>

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

Notes to the Condensed Consolidated Interim Financial Information

11. TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2013 RMB'000	Audited As at 31 December 2012 RMB'000
Trade payables	744,853	972,157
Advance from customers	4,236,168	3,983,169
Dividends payable to equity holders of the Company	202,021	—
Dividends payable to non-controlling interests of a subsidiary	1,162	1,162
Accrued construction costs	1,406,635	1,508,568
Amount due to BNSIGC (Note 20)	12,747	20,332
Accrued interest	155,751	115,072
Other payables	729,196	700,555
	<u>7,488,533</u>	<u>7,301,015</u>

As at 30 June 2013 and 31 December 2012, the ageing analyses of the trade payables (including amounts due to related parties of trading in nature) were as follows:

	Unaudited As at 30 June 2013 RMB'000	Audited As at 31 December 2012 RMB'000
Trade payables		
0 - 180 days	133,807	586,365
181 - 365 days	274,329	48,348
Over 365 days	336,717	337,444
	<u>744,853</u>	<u>972,157</u>

Notes to the Condensed Consolidated Interim Financial Information

12. BORROWINGS

	Unaudited As at 30 June 2013 RMB'000	Audited As at 31 December 2012 RMB'000
Non-current		
Long term borrowings		
— Secured bank borrowings	6,150,401	4,386,337
— Unsecured bank borrowings	1,000,000	1,000,000
— Other borrowings (Note a)	2,000,000	1,800,000
— 10 year bonds	1,492,940	1,491,822
— 5 year bonds (Note b)	1,698,951	1,695,139
	<u>12,342,292</u>	10,373,298
Less: current portion of long term borrowings	<u>(4,156,561)</u>	(3,117,889)
	<u>8,185,731</u>	7,255,409
Current		
Short term borrowings		
— Unsecured borrowings	1,250,000	1,200,000
— Current portion of long term borrowings	4,156,561	3,117,889
	<u>5,406,561</u>	4,317,889
Total borrowings	<u><u>13,592,292</u></u>	<u><u>11,573,298</u></u>

(a) Other borrowings

	Unaudited As at 30 June 2013 RMB'000	Audited As at 31 December 2012 RMB'000
Loans from the trust company (i)	800,000	800,000
Entrust loans from BNSIGC (Note 20)	1,200,000	1,000,000
	<u>2,000,000</u>	1,800,000

(i) Such loans bear interests rate of 12.5% per annum, and are repayable after 24 months from the inception date of the loan, and are guaranteed by BNSIGC (note 20).

Notes to the Condensed Consolidated Interim Financial Information

12. BORROWINGS (CONTINUED)

- (b) On 18 July 2008, the Company issued bonds with an aggregate principal amount of RMB1,700,000,000 and a maturity period of 5 years ("5 year bonds"). The bond carries a fixed annual interest rate of 8.2%, the interest of which is paid annually and the principal has been fully paid on 18 July 2013.

Movements in borrowings are analysed as follows:

	Unaudited Six months ended 30 June 2013 RMB'000
<hr/>	
Six months ended 30 June 2013	
Opening amount as at 1 January 2013	11,573,298
Addition of bank borrowings	3,267,814
Addition of other borrowings	200,000
Repayment of bank borrowings	(1,453,750)
Amortisation of issuance costs of bonds	4,930
	<hr/>
Closing amount as at 30 June 2013	13,592,292
<hr/>	
	Unaudited Six months ended 30 June 2012 RMB'000
<hr/>	
Six months ended 30 June 2012	
Opening amount as at 1 January 2012	11,312,793
Addition of bank borrowings	1,614,458
Addition of other borrowings	950,000
Repayment of borrowings	(2,142,678)
Amortisation of issuance costs of bonds	4,580
	<hr/>
Closing amount as at 30 June 2012	11,739,153
<hr/>	

Interest expense on borrowings and bonds for the six months ended 30 June 2013 is RMB412,611,000 (six months ended 30 June 2012: RMB411,470,000).

Notes to the Condensed Consolidated Interim Financial Information

12. BORROWINGS (CONTINUED)

The Group has the following undrawn borrowing facilities:

	Unaudited As at 30 June 2013 RMB'000	Audited As at 31 December 2012 RMB'000
Floating rate:		
— expiring between one and two years	484,208	—
— expiring between two and five years	1,034,641	836,663
	<u>1,518,849</u>	<u>836,663</u>

These facilities have been arranged to help finance ongoing projects under construction and daily operation.

13. OPERATING PROFIT

The following items have been credited/(charged) to the operating profit during the period:

	Unaudited Six months ended 30 June 2013 RMB'000	2012 RMB'000
Investment properties at fair value through profit or loss:		
— fair value gains (Note 7)	181,227	174,197
Provision for impairment of receivables	(1)	(10)
Loss on disposal of property, plant and equipment and investment properties	<u>(176)</u>	<u>(5,582)</u>

The Group has no non-financial assets that have an indefinite life during the period.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. No impairment is charged or reversed for the six months ended 30 June 2013 and 2012.

Financial assets were reviewed for impairment as at 30 June 2013, and provision for impairment of receivables of RMB1,000 is provided.

No inventory was written-down as at 30 June 2013 (31 December 2012: nil).

Notes to the Condensed Consolidated Interim Financial Information

14. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2013 and 2012. The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate for the six months ended 30 June 2013 and 2012 is 25%.

	Unaudited Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Current income tax		
PRC enterprise income tax	129,501	76,100
PRC land appreciation tax	71,085	27,246
Deferred income tax	61,625	90,206
	<u>262,211</u>	<u>193,552</u>

15. DIVIDEND

A dividend that relates to the year ended 31 December 2012 amounting to RMB202,021,000 was approved by the Annual General Meeting in June 2013 and paid in July 2013 (Dividend related to the year ended 31 December 2011: RMB101,011,000).

The Board resolved that no interim dividend will be declared in respect of the six months ended 30 June 2013 (Six months ended 30 June 2012: nil).

Total dividend paid by the Group to the equity holders of the Company is nil for the six months ended 30 June 2013 (Six months ended 30 June 2012: nil).

Notes to the Condensed Consolidated Interim Financial Information

16. PLEDGED ASSETS

As at 30 June 2013, certain investment properties with fair value of RMB11,283,000,000 (31 December 2012: RMB11,110,000,000), property plant and equipment with net book value of RMB771,493,000 (31 December 2012: RMB782,277,000), properties under development with net book value of RMB5,672,832,000 (31 December 2012: RMB4,398,332,000) and nil completed properties held for sales (31 December 2012: RMB 327,167,000) were pledged by the Group as securities for long term bank borrowings of RMB6,150,401,000 (31 December 2012: RMB4,386,337,000).

17. FINANCIAL GUARANTEES

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The outstanding guarantees amounted to RMB 1,924,583,000 as at 30 June 2013 (31 December 2012: RMB614,940,000).

Such guarantees terminate upon: (i) 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 properties to its purchasers; (ii) completion of mortgage registration; and (iii) issuance of the real estate miscellaneous right certificate relating to the relevant property.

18. COMMITMENTS

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

	Unaudited As at 30 June 2013 <i>RMB'000</i>	Audited As at 31 December 2012 <i>RMB'000</i>
Investment properties		
Contracted but not provided for	61,361	—
Authorised but not contracted for	16,227	—
	77,588	—

Notes to the Condensed Consolidated Interim Financial Information

18. COMMITMENTS (CONTINUED)

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

	Unaudited As at 30 June 2013 RMB'000	Audited As at 31 December 2012 RMB'000
Properties under development		
Contracted but not provided for	3,547,603	2,506,938
Authorised but not contracted for	7,827,714	6,100,090
	11,375,317	8,607,028

(c) At 30 June 2013 and 31 December 2012, the Group had future aggregate minimum rental receivables and payables under non-cancellable operating leases as follows:

	Unaudited As at 30 June 2013 RMB'000	Audited As at 31 December 2012 RMB'000
As lessor:		
Rental receivables in respect of investment properties		
Not later than one year	613,572	615,688
Later than one year and not later than five years	956,577	876,480
Later than five years	474,270	499,613
	2,044,419	1,991,781

	Unaudited As at 30 June 2013 RMB'000	Audited As at 31 December 2012 RMB'000
As lessee:		
Rental payables in respect of land use rights and buildings		
Not later than one year	16,139	15,429
Later than one year and not later than five years	57,976	57,036
Later than five years	278,053	285,182
	352,168	357,647

Notes to the Condensed Consolidated Interim Financial Information

19. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

(a) Acquisition of additional interest in a subsidiary

In January 2013, the Company acquired the remaining 0.2226% interest of Beijing North Star Real Estate Development Co., Limited ("BNSRE"), for a purchase consideration of RMB2,918,000. The carrying amount of the non-controlling interests in BNSRE on the date of acquisition was RMB3,057,000. The Group recognised a decrease in non-controlling interests of RMB3,057,000 and an increase in equity attributable to equity holders of the Company of RMB139,000. 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:

	Unaudited Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Carrying amount of non-controlling interests acquired	3,057	—
Consideration paid to non-controlling interests	<u>(2,918)</u>	<u>—</u>
Excess of non-controlling interests acquired	<u>139</u>	<u>—</u>

(b) Effects of transactions with non-controlling interests on the equity attributable to equity holders of the Company for the period ended 30 June 2013.

	RMB'000
Total comprehensive income for the period attributable to the equity holders of the Company	569,764
Changes in equity attributable to equity holders of the Company arising from, acquisition of additional interests in subsidiary	<u>139</u>
	<u>569,903</u>

Notes to the Condensed Consolidated Interim Financial Information

20. 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 is a state-owned enterprise controlled by the PRC government. For the six months ended 30 June 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.

The business activities conducted with state-owned enterprises are similar to prices to other customers and suppliers. Due to the pervasiveness of the Group's retail transactions with the entities' employees, 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 related party information shown elsewhere in the condensed consolidated interim financial information, 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 period and balances arising from related party transactions at the end of the period indicated below:

(i) Principal services provided by the Group to a jointly controlled entity:

	Unaudited Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Rental		
— a jointly controlled entity	6,727	6,762

(ii) Purchases of goods and services

	Unaudited Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
BNSIGC		
— operating lease payment in respect of land	7,130	7,130
— office lease acceptance	450	450
— brand royalty fee	5	5
	7,585	7,585

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

Notes to the Condensed Consolidated Interim Financial Information

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Entrust loans from BNSIGC

	Unaudited Six months ended 30 June 2013 RMB'000
At 1 January	1,001,963
Proceeds from entrust loans	200,000
Repayments of entrust loans	—
Interest accrued	33,952
Interest paid	(33,789)
	<u>1,202,126</u>
At 30 June	<u>1,202,126</u>
	Unaudited Six months ended 30 June 2012 RMB'000
At 1 January	801,404
Proceeds from entrust loans	150,000
Repayments of entrust loans	—
Interest accrued	27,746
Interest paid	(27,395)
	<u>951,755</u>
At 30 June	<u>951,755</u>

As at 30 June 2013, the Group obtained unsecured borrowings from BNSIGC, including: RMB400,000,000 with the borrowing period from 26 September 2011 to 25 September 2013 and interest rate equal to the People's Bank of China (PBOC) benchmark interest rate; RMB200,000,000 from 27 September 2011 to 26 September 2013 and interest rate equal to PBOC benchmark interest rate; RMB200,000,000 from 27 November 2011 to 26 November 2013 and interest rate equal to PBOC benchmark interest rate; RMB150,000,000 from 29 May 2012 to 28 May 2014 and interest rate equal to PBOC benchmark interest rate; RMB50,000,000 from 27 July 2012 to 26 July 2014 and interest rate equal to PBOC benchmark interest rate; RMB50,000,000 from 29 March 2013 to 28 March 2015 and interest rate equal to PBOC benchmark interest rate and RMB150,000,000 from 29 May 2013 to 28 May 2015 and interest rate equal to PBOC benchmark interest rate.

Notes to the Condensed Consolidated Interim Financial Information

20. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Trade and other receivables from related parties — BNSIGC	<u>5,141</u>	<u>5,141</u>
Trade and other payables to related parties — BNSIGC	<u>12,747</u>	<u>20,332</u>
Entrust loans from related parties — BNSIGC	<u>1,200,000</u>	<u>1,000,000</u>
Interest payable of entrust loans from related parties — BNSIGC	<u>2,126</u>	<u>1,963</u>

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

At 30 June 2013 and 31 December 2012, there were no provisions for impairment of receivables from related parties and no provisions for impairment of receivables for related parties charged to income statement for the six months ended 30 June 2013 and 2012.

(v) Key management compensation

	Unaudited Six months ended 30 June 2013 RMB'000	2012 RMB'000
Salaries and other short-term employee benefits	<u>3,805</u>	2,527
Post-employment benefits	<u>538</u>	439
	<u>4,343</u>	2,966

(vi) Accepting financial guarantee

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

Pursuant to an agreement signed by BNSIGC, BNSIGC provides unconditional joint liability counter-guarantee for the period of the 5-year bonds.

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

Supplementary Information

RECONCILIATION OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Group has prepared a separate set of consolidated interim financial statements for the six months ended 30 June 2013 in accordance with Chinese Accounting Standards (“CAS”) issued by the China Ministry of Finance. The differences between the financial information prepared under the CAS and HKFRS issued by the Hong Kong Institute of Certified Public Accountants are summarised as follows:

	Profit attributable to equity holders of the Company For the six months ended 30 June		Capital and reserves attributable to equity holders of the Company	
	2013 Unaudited RMB'000	2012 Unaudited RMB'000	As at 30 June 2013 Unaudited RMB'000	As at 31 December 2012 Audited RMB'000
As stated in accordance with CAS	<u>355,789</u>	<u>291,980</u>	<u>10,263,404</u>	<u>10,109,497</u>
Impact of HKFRS adjustments:				
1. Reversal of depreciation of investment properties under CAS	62,673	70,411	935,060	872,387
2. Fair value adjustment of investment properties under HKFRS, net of tax	135,920	130,648	3,983,945	3,848,025
3. Differences on revaluation of certain assets upon the reorganisation in 1997	<u>1,343</u>	<u>1,343</u>	<u>(10,092)</u>	<u>(11,435)</u>
As stated in accordance with HKFRS	<u><u>555,725</u></u>	<u><u>494,382</u></u>	<u><u>15,172,317</u></u>	<u><u>14,818,474</u></u>

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



Closing Ceremony of Film Festival
(National Convention Centre)



Exhibition Hall of National Convention Centre (Physical Rehabilitation)

I. OPERATING ENVIRONMENT

In the first half of 2013, faced with slow recovery of the world economy and the global environment, China insisted on the keynote of macroeconomic policy, "proceeding while maintaining stability". By accelerating the adjustment to, and transformation of, the economic development, focusing on the promotion of consumption and expanding domestic demand through the implementation of a proactive fiscal policy and stable monetary policy, the overall price standard remained stable. GDP growth rate was still above target despite signs of slowing down, showing that the national economy was developing steadily.

1. Development Properties

In the first half of 2013, the national real estate market somewhat fluctuated under the influence of the macroeconomic control policy. However, due to the strong demand, the development investment in the market fully rebounded, trading volume and prices of first and second-tier cities both increased and the land market was also gradually warming up. According to the information from the National Bureau of Statistics (the same applied hereafter), sale areas of commodity residential units in the country for the first half of the year increased by 30.4% over the same period last year to 460,896,600 m², representing a rise of 41.6 percentage points as compared to the same period last year. Average trading price of commodity residential units increased by 12.0% over the previous year to RMB 6,122 per m², representing a rise of 6.7 percentage points as compared to the growth in the same period last year.

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



Photo of D1 Block of North Star Delta



01-03 Photos of E5 Block of North Star Delta

I. OPERATING ENVIRONMENT (*CONTINUED*)

1. Development Properties (*Continued*)

In the first quarter, Beijing's real estate market had been recovering as sales indicators continued to improve. The growth of volume and price moderated in the second quarter after the promulgation and implementation of Beijing rules of the five national rules (國五條). However, the overall supply and demand was still booming. In the first half of the year, area sold and sales amount of commodity residential units in Beijing increased by 25.0% and 38.2% over the same period last year, respectively, to 5,991,600 m² and RMB 112,289,000,000, respectively. The average trading price was RMB 18,741 per m², representing a rise of 10.6% as compared to the same period last year.

The transaction volume of Changsha's residential housing sharply increased due to huge rigid demand and demand for better housing in the market. Changsha's real estate market exhibited positive momentum due to the quick rush and continued cultivation of brand developers, active public trading of land, and sustained growth in development and investment. In the first half of 2013, the trading area and amount of commodity residential units in Changsha's real estate market increased by 27.7% and 31.7% over the same period last year to 7,089,100 m² and RMB 41,072,000,000, respectively. The average trading price of commodity residential units was up to RMB 5,794 per m², representing a rise of 3.2% as compared to the same period of 2012.

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

Photo of North Star Delta (View from Liuyang River)



Photo of Dingjiangyang of North Star Delta (Block A1D1)

I. OPERATING ENVIRONMENT (*CONTINUED*)

2. Investment Properties (including hotels)

On the back of China's great endeavours to restructure the economic growth, coupled with the rapid development of the service industry, the investment properties (including hotels) market showed a favourable prospect of development. The vacancy rate of the office building market hit a historical low under the influence of limited growth in new supply. Leveraging opportunities arising from the upgrading of urban consumption, the occupancy rate and the average price of the high-grade hotel market continued to edge up. The demand in the apartment market grew steadily and the market saw continuous improvement in the efficiency of operation. Driven by the effort to build Beijing as "one of the best five cities in the world for international conventions (全球國際會議五強舉辦地之一)", the convention and exhibition industry witnessed rapid improvement in its international influence and role in boosting the economy.

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

Photo of North Star Xianglu



Photo of A09 Block of North Star Fudi

I. OPERATING ENVIRONMENT (*CONTINUED*)

3. Commercial Properties

Due to the effect of the concentrated development of commercial projects in recent years and gradual launch of new supply to the market, the market of commercial property tended to be saturated. Coupled with the impact on traditional commercial activities and customer diversion brought by the emerging online shopping, the oversupply in Beijing commercial property market is difficult to change in the short term and market competition is becoming intense. From the perspective of development trend, with customers' diversified willingness of consumption, the complex shopping center business which could withstand the impact of electronic business saw gradual acceptance and recognition as the mainstream development model.

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

II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD

In face of the complex and volatile macro economy and the highly competitive micro market of the industry, the Company actively focused on its overall objective: building a large-scale first-class integrated real estate operating company of the country by expanding development models and marketing ideas, seizing market opportunities, making efforts to improve sales, further intensifying functional district of Beichen Convention and Exhibition and promoting the three major development strategies, i.e. capital expansion, brand expansion and low-cost expansion. The Company's core competitiveness and capability for sustainable development continued to improve. In the first half of 2013, the Company recorded an operating revenue of RMB 2,866,755,000, representing a year-on-year increase of 7.17%. Under the effect of the changes in the billing cycle of the real estate project development over last year, the profit before tax and the profits attributable to equity holders increased by 21.04% and 12.41% over the same period last year to RMB 831,975,000 and RMB 555,725,000, respectively, wherein the core operating results of the Company's principal business increased by 15.42% over the same period last year to RMB 419,805,000. Earnings per share was RMB 0.1650, increased by 12.41% as compared to the same period of 2012. In addition, during the reporting period, the Company imposed strict control over various costs and expenditure to maintain costs and expenses to be on par with the budget benchmark.

1. Development Properties

The Company conducted an in-depth research and assessment of the trend of the real estate market development under macroeconomic control, and adjusted its marketing strategies accordingly. By sharpening its competitive edge in project development and increasing marketing efforts, the Company achieved favourable operating results. In particular, Beichen • Xianglu, with the introduction of stronger marketing initiatives to have a firm grip on the opportunities arising from market rally, recorded significant growth in sales, with approximately 206 contracts signed, amounting to RMB 627,430,000 in the first half of the year. For Bihai Fangzhou, construction had come to the final stage and efforts were made in facilitating the signing of subscribed villas. The Company also speeded up the construction of Mapo Project and the second phase of Changhe Yushu Project in a bid to contribute to sales performance as soon as possible.

Apart from the smooth operation of projects in Beijing, the Company continuously accelerated the development and promotion of Beichen Delta Project. Relating to construction, for the high-end product line, construction of the wall of the 800,000 m² mega urban complex along the River in A1 and D1 Blocks had basically completed. For the ordinary estate product line, construction of the structure of D2 Block had completed ahead of schedule, while the construction of E3 Block reached the third floor above ground on average of the construction capacity. In addition, in order to keep enhancing the price to cost performance and additional value of the projects, the Company expedited the improvement of ancillary facilities. Yali Middle School (雅禮中學) (Campus), a key middle school in Changsha and Qingshuitang Primary School (清水塘小學) (Campus), passed the final inspection upon completion and will begin admitting students in September. Relating to marketing, the Company made use of its overall competitive advantages in project development and its strength in ancillary service. The Company continuously innovated sales mode, promoted sales of large housing products, and achieved contracted sales with major customers, which laid a solid foundation for the completion of the annual sales plan.

During the reporting period, the operating revenue of the development properties segment of the Company recorded RMB 1,634,205,000 (including car parks), representing a year-on-year increase of 12.51%, which was attributable to the changes in the billing cycle of real estate project development. Due to structural changes in settlement of projects, profit before tax of the development properties segment was RMB 355,720,000, representing a year-on-year increase of 29.08%. In the first half of 2013, the Company achieved area commenced construction of 194,000 m², area under construction of 1,928,000 m². The development properties segment achieved contracted sales and sale areas of RMB 2,051.01 million (including car parks) and 139,000 m² respectively, representing a sustained share in regional market.

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

II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

2. Investment Properties (including hotels)

The Company fully capitalised on the comprehensive operating advantages in investing in integrated properties led by conventions. Through measures such as co-sale of convention and exhibition, specialisation in operation, upgrade in infrastructure, and segmentation of the market to adjust its service and positioning, the Company fully explored its potential in operation and steadily increased its benefits. In the first half of 2013, the investment properties (including hotels) of the Company recorded revenue from principal businesses of RMB 1,001,607,000, representing a year-on-year increase of 4.28%. Without taking into account the amortisation of interest expenses, profit before tax amounted to RMB 332,139,000, posting a remarkable year-on-year growth of 13.32%. In particular, the economic benefits of new projects including National Convention Centre, North Star Times Tower as well as North Star Century Centre delivered steady growth and recorded RMB 231,500,000 in profit before tax, representing 69.70% of the profit for the whole investment properties (including hotels) segment and also outperforming in their operations. Besides, in the first half of 2013, gain on changes in fair value of investment properties (before tax) amounted to RMB 181,227,000, representing a year-on-year increase of 4.04%.

With the Company's best endeavour in building the functional district of Beichen Convention and Exhibition and the return of CIFTIS (京交會), National Convention Centre has become the first choice for major conventions in Beijing and even across the nation. With quality service reaching the standards for the Olympics, National Convention Centre hosted 610 conventions and 36 exhibitions during the reporting period, including the 2nd CIFTIS and the 3rd Beijing International Film Festival, and significantly enhanced the profile and influence of Beichen Convention and Exhibition. Through differentiated operation and marketing, Beijing International Convention Centre kept expanding its market shares in the small- and medium-sized convention market, and maintained steady growth in operating results. Besides, the Company further enhanced the implementation of its strategy of brand expansion. Drawing experience from the trustee administration of two convention centre projects outside Beijing in 2012, the Company provided early consultation service to Nanchang International Convention Centre in the first half of 2013, which not only showcased the status of Beichen Convention and Exhibition in the industry and its soft power in promoting its brand, but also diversified the operation mode of "parallel development of the investment business of heavy assets and the service business of light assets".

As for the office building segment, the rents of North Star Times Tower and North Star Century Centre, which were near full occupancy, hit the upper range of rents for office buildings of similar quality. That was achieved through optimising the customer structure based on the change in supply-demand relationship in the market. The rents had become a major source of profit in the segment of investment properties (including hotels).



Showcase of services and skills of North Star Convention and Exhibition in CIFTIS

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

II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

3. Commercial Properties

In an increasingly competitive market environment, the Company attached importance to improving its ability in attracting businesses and deepened its efforts in combining different segments and brands. Its endeavours in improving customer experience and consumer satisfaction were paid off with steady operation in properties.

During the reporting period, the operating revenue from the business of commercial properties decreased by 13.82% year on year to RMB 174,815,000. As competition heated up in the market and new projects were still at their infant stage, the profit before tax decreased by 57.30% year on year to RMB 5,767,000.

III. COMPETITION AND DEVELOPMENT IN THE INDUSTRY

2013 is a critical year for China to continue its past efforts in implementing the "Twelfth Five-Year Plan". Facing a sluggish recovery around the world and a slowdown in the domestic economy, China will adhere to its general principle of making progress while maintaining stability. It will carry out an active fiscal policy and a stable monetary policy, strengthen her management of liquidity expectations, accelerate economic restructuring, stimulate consumption growth, and stabilise the general price level to maintain the stable and sound momentum of China's economy.

Regarding property development, maintaining a stable market development will help alleviate pressure from the economic downturn given the prominence of the real estate industry in the national economy. In the second half of the year, keeping a firm grip on investment and speculative demand will remain to be the keynote of the macroeconomic control from the perspective of policies. From the market perspective, demand for self-use housing and demand from end-users remain robust and enterprises are becoming more capable of risk aversion. However, a shift in the monetary policy targeting the real estate industry may curb the property market. In general, the property market is expected to continue to recover and both prices and turnover will rise steadily in the second half of the year. All these factors will provide a favourable external environment for the stable operation of the Company's property development.

For investment properties (including hotels) and commercial properties, Beijing gathered pace in fashioning itself into a "hub of international events" and a "hub of headquarters of world-class high-end enterprises" during the period of the "Twelfth Five-Year Plan", which provided key strategic opportunities for the rapid development of convention and service economies. The establishment of the network of "four horizontal and four vertical" dedicated high-speed railway lines based in Beijing and the formation of the "two-hour transportation circle" within major cities in Beijing, Tianjin and Hebei Province will also strengthen the cohesion and traction of Beijing's convention and service industries in the peripheral cities. In addition, through endeavours to unleash the potential of domestic demand which serves as the main drive of facilitating the changes in China's economic growth, as well as the continuous introduction of favourable policies and astounding development of the consumption market by government and relevant authorities, Beijing's commercial properties are expected to enjoy abundant opportunities. With quality investment properties (including hotels) and commercial properties of over 1,200,000 m² held and operated, the robust market demand, vast development opportunities as well as strong government support will all positively facilitate the operation of the properties held by the Company.

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

IV. THE COMPANY'S DEVELOPMENT STRATEGIES

1. Development Properties

The Company will conduct in-depth research on the changes in market trends and the needs of customers, continue to bring about more innovative marketing modes, with a focus on improving the products' quality and turnover rate. Management standardisation will be adopted to further improve the management of project development. In addition, the Company will vigorously seek opportunities in the market and achieve low-cost expansion by open tradings, acquisitions, mergers and joint developments, with an aim to selectively increase its land bank and expand the new real estate business mode, so as to reinforce the core competitiveness and sustainable development capability of its development properties.

As the new economic sub-center and cultural center in Changsha, Changsha North Star Delta Project will seize the opportunities of the launch of the riverside mega urban complex in A1 and D1 Blocks and the student admission and opening of semesters of key schools. With a focus on these two themes of commercial resources and educational resources, it will further improve the price to performance ratio and attractiveness of its products and offer support in sales for residential property in E3 Block which is to enter the market in the second half of the year. Regarding engineering and construction, the Company has basically completed the construction of A1 and D1 Blocks and will fully explore the commercial value of the properties along the railway network and accomplish seamless connection among the new construction group of B1, E1, B2 and E2 Blocks and the Changsha Metro Line 1, so as to create the first theme open commercial district at the superstructure of the metro line station in Changsha and further improve the business and commercial sentiment of the project as well as its comprehensive competitiveness.

In respect of the projects in Beijing, based on ensuring the construction going on smoothly for each project, the Company will implement a systematic marketing planning and preparation for sales, making the best endeavours to ensure robust sales of the public project of Beichen • Fudi and Phase II of Changhe Yushu Garden Villas Project upon commissioning.

In the second half of 2013, the Company anticipates area commenced construction of 602,000 m², area under construction of 2,530,000 m² and area completed construction of 584,000 m². It will also strive to accomplish sale areas of 243,000 m² and contracted sales of RMB 3,560 million (including car parks).

2. Investment Properties (including hotels)

In response to Beijing's efforts in fashioning itself into a "hub of international events" and a "hub of headquarters for world-class high-end enterprises", the Company grasp the opportunities that so arise. Through accurate anticipation of market changes, segmentation of customers' needs, active adjustment of its operation strategies and strengthening of marketing and expansion, the Company will increase customer satisfaction and strive for a stable increase in the revenue. Besides, leveraging the existing brand influence and soft power of North Star Convention and Exhibition, the Company will actively innovate new development modes, accelerate the implementation of its brand expansion strategy and intensify the promotion of management for convention and exhibition venues with an aim to accomplish a parallel development of both investment business of heavy assets and the service business of light assets, thus creating a new pattern for the Company's innovative development.

3. Commercial properties

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

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

V. POTENTIAL RISKS OF THE COMPANY

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

1. Market risks of property development

The upward trend of house prices is expected to maintain in the second half of 2013 under the accelerated urbanisation and the quick lease of rigid demand and demand for better housing. The growth in both the prices and volume in the land market will remain as driven by the mismatch between supply and demand and the expected rise in the real estate market. If the housing prices and land prices cannot be effectively controlled, more stringent measures may be drawn for the macroeconomic control on the real estate market following the five national rules (國五條). If that happens, the real estate market will be subject to greater uncertainty over the medium and short term. Since a property project involves a longer operation cycle, in case material fluctuation takes place in the market, the Company's operation stability and post sales of real estates may be subject to risks.

With the market risks of property development mentioned above as the focus, the Company will conduct in-depth research on the changes in market trends and the needs of customers and innovate the mode of marketing, with a focus on improving the products' quality and turnover rate. Management standardisation will be adopted to further improve the management of the projects' development. In addition, the Company will vigorously seek opportunities in the market and achieve low-cost expansion by open trading, acquisition, merger and joint development, with an aim to selectively increase its land bank and expand the new real estate business, so as to reinforce the core competitiveness and sustainable development capability of its development properties.

2. The Company's short-term operating risks

Regarding property development, although Phase II of the Changhe Yushu Garden Villas project has obtained relevant permit and is to commence construction in the fourth quarter of 2012, more time is still needed for completion and delivery of the villas as well as for recognition of income, which will cause the Company's high profit margin products available for settlement in short term to reduce in quantity and will therefore affect its operating results.

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

Discussion and Analysis of Financial Performance

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2013, the capital and reserve attributable to the Company's equity holders increased by 2.39% compared to 31 December 2012. The increase was primarily attributable to additional profit attributable to equity holders of the Company of RMB 555,725,000 during the Period.

The Group's bank borrowings as at 30 June 2013 amounted to RMB 10,400,401,000, among which the Group had long-term bank borrowings of RMB 6,150,401,000 secured by certain investment properties, properties, plants and equipment, properties under development and completed properties held for sale. As at 30 June 2013, the net amount for the Group's 10-year corporate bonds was RMB 1,492,940,000 as at the end of the Period, and balances of the 5-year corporate bonds as at the end of the Period amounted to RMB 1,698,950,000. The gearing ratio of the Group was 60.17% (calculated by dividing total liabilities by total assets) as at the end of the reporting period.

Current assets of the Group, which is mainly comprised of cash at bank and on hand, trade and other receivables, completed properties held for sale and properties under development for sale, amounted to RMB 24,710,211,000, whereas the Group's current liabilities amounted to RMB 13,215,281,000. As at 30 June 2013, the balance of cash at bank and on hand amounted to RMB 4,871,274,000 (excluding restricted bank deposits).

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

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The abovementioned financial guarantees provided in phases will have no material effects on the financial position of the Group. As at 30 June 2013, the outstanding amount of financial guarantees provided in phases was RMB 1,924,583,000 (31 December 2012: RMB 614,940,000).

Other Information

SHARE CAPITAL AND SHAREHOLDERS

Share Capital

The Company's registered capital as at 30 June 2013 totalled 3,367,020,000 shares in issue, comprising:

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

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, the following person, other than a director, supervisor or chief executive of the Company, had 5% or more interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests in the shares and short positions required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance ("SFO"):

Long Positions in Shares of the Company

Name of shareholder	Nature of interest	Capacity	Class of shares	Number of shares held	Percentage of the relevant class of shares	Percentage of total share capital
Beijing North Star Industrial Group Limited Liabilities Company ("BNSIGC") <i>Note</i>	Corporate interest	Beneficial owner	A shares	1,161,000,031	43.647%	34.482%

Save as disclosed above, the register required to be kept under Section 336 of Part XV 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 30 June 2013.

Note: Pursuant to the document titled "Implementation measure for the transfer of part of the state-owned shares to the National 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 PRC, 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, 150,000,000 shares held by BNSIGC, the controlling shareholder of the Company, are frozen at present.

Other Information

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

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

2. For details of the progress on Changsha North Star Delta Project, please refer to the “Board’s Discussion and Analysis on the Company’s Operation During the Reporting Period” in the Directors’ Report herein. During the Reporting Period, the Company paid approximately RMB 135.54 million in May 2013 to purchase the remaining areas of Changsha North Star Delta Project. Up till now, the Company has paid the land fees of Changsha North Star Delta Project in full.

INTERESTS OF DIRECTORS AND SUPERVISORS OF THE COMPANY

As at 30 June 2013, none of the directors, supervisors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”). None of the directors, supervisors, chief executives of the Company or their associates had been granted or had exercised any such rights during the six months ended 30 June 2013.

CHANGE OF SENIOR MANAGEMENT MEMBER

As Mr. Chen Yuan-Chao, the financial controller of the Company, passed away due to illness, Ms. Cui Wei has been serving as the financial controller of the Company since 7 August 2013 upon the approval of the Board.

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code. Having made specific enquiries to all directors and supervisors of the Company, the Company confirms that its directors and supervisors have complied with the required standards as set out in the Model Code during the six months ended 30 June 2013.

AUDIT COMMITTEE

The Audit Committee has been established by the Company to review and supervise the financial reporting process and internal control measures of the Company. The Group's unaudited interim results for the six months ended 30 June 2013 have been reviewed by the Audit Committee and the Board. The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DESIGNATED DEPOSITS AND DUE FIXED DEPOSITS

As at 30 June 2013, the Group had no designated deposits that were placed with financial institutions in the PRC. All of the Group's cash deposits have been placed with commercial banks in the PRC in compliance with relevant laws and regulations. The Group has not experienced any incidents of not being able to withdraw bank deposits when due.

EMPLOYEES

As at 30 June 2013, the Company had 4,832 employees. Adjustments of employees' remuneration will be made according to the Company's results and profitability and are determined by assessing the correlation between the total salary paid to employees and the economic efficiency of the Company. The policy contributes to the management of the Company's remuneration expenses while employees will be motivated to work hard for good results and development of the Company. Save for the remuneration policies disclosed above, the Company does not maintain any share option scheme for its employees and the employees do not enjoy bonus. The Company regularly provides administrative personnel with trainings on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws, in different forms, such as seminars, site visits and study tours.

STAFF QUARTERS

During the Period, the Company did not provide any staff quarters to its staff.

PUBLICATION OF INTERIM REPORT

The Company's 2013 interim report which sets out all the information required by the Listing Rules will be published on the designated website of the Stock Exchange at <http://www.hkexnews.hk> and on the website of the Company at <http://www.beijingns.com.cn> in due course.

Other Information

DOCUMENT FOR INSPECTION

The original copy of the 2013 interim report, signed by the Chairman, will be available for inspection at the Secretariat of the Board, of which the address is:

Beijing North Star Company Limited
707, Tower A, Hui Xin Building
8 Bei Chen Dong Road
Chao Yang District
Beijing, the PRC

By order of the Board
Beijing North Star Company Limited
HE Jiang-Chuan
Chairman

Beijing, the PRC
7 August 2013

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:	No. 8 Bei Chen Dong Road Chao Yang District, Beijing the PRC
Legal representative of the Company:	HE Jiang-Chuan
Company secretaries:	GUO Chuan LEE Ka-Sze, Carmelo
Person-in-charge on information disclosure:	GUO Chuan
Company information enquiry unit:	Secretariat of the Board

COMPANY INFORMATION ENQUIRY

Address:	Room 707, Tower A Hui Xin Building No. 8 Bei Chen Dong Road Chao Yang District, Beijing the PRC
Postal code:	100101
Telephone:	86 (10) 6499 1277
Fax:	86 (10) 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

AUDITORS

PRC auditor:	PricewaterhouseCoopers Zhong Tian LLP
Address:	11/F, PricewaterhouseCoopers Centre 2 Corporate Avenue 202 Hu Bin Road, Luwan District Shanghai, the PRC
Postal code:	200021
Telephone:	86 (21) 2323 8888
Fax:	86 (21) 2323 8800
International auditor:	PricewaterhouseCoopers
Address:	22/F, Prince's Building Central, Hong Kong
Telephone:	(852) 2289 8888
Fax:	(852) 2810 9888

LEGAL ADVISERS

PRC lawyer:	Beijing Da Cheng Solicitors Office
Address:	12-15/F, Guohua Plaza 3 Dongzhimennan Avenue Dongcheng District, Beijing the PRC
Postal code:	100007
Telephone:	86 (10) 5813 7799
Fax:	86 (10) 5813 7788
Hong Kong lawyer:	Woo, Kwan, Lee & Lo
Address:	26/F, Jardine House 1 Connaught Place Central, Hong Kong
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STOCK CODE

H share:	0588
A share:	601588