



HKEx Stock Code: 0588

SSE Stock Code: 601588



2014 INTERIM REPORT



INTERIM REPORT

For the six months ended 30 June 2014

- Revenue was RMB2,589,898,000, representing a decrease of 9.66% over the same period last year
- Operating profit was RMB927,405,000, representing a decrease of 6.43% over the same period last year
- Profit attributable to equity holders of the Company was RMB420,404,000, representing a decrease of 24.35% over the same period last year. Among others, the core operating results of the Company's principal business were RMB301,877,000, representing a decrease of 28.09% over the same period last year, and the gain (after taxation) on changes in fair value of investment properties was RMB118,527,000, representing a decrease of 12.80% over the same period last year
- Earnings per share was RMB0.1249, earnings per share in the same period last year was RMB0.1650
- The board of directors (the "Board") resolved that no interim dividend would be distributed in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: nil)

Interim Consolidated Balance Sheet

	Note	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	995	1,011
Investment properties	7	11,523,600	11,339,000
Property, plant and equipment	7	2,029,736	2,074,920
Investment in an associate and a joint venture		6,512	6,567
Deferred income tax assets		27,861	24,574
		<u>13,588,704</u>	<u>13,446,072</u>
Current assets			
Properties under development	8	17,017,036	18,287,947
Completed properties held for sale		5,396,907	2,199,453
Other inventories		73,391	77,742
Trade and other receivables	9	745,556	1,116,789
Restricted bank deposits		227,168	237,703
Cash and cash equivalents		4,531,601	3,196,257
		<u>27,991,659</u>	<u>25,115,891</u>
Total assets		<u>41,580,363</u>	<u>38,561,963</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	10	3,367,020	3,367,020
Other reserves		4,231,264	4,231,264
Retained earnings			
— Proposed final dividend		—	202,021
— Others		8,036,226	7,615,822
		<u>15,634,510</u>	<u>15,416,127</u>
Non-controlling interests		<u>118,118</u>	<u>78,240</u>
Total equity		<u>15,752,628</u>	<u>15,494,367</u>

Interim Consolidated Balance Sheet

	<i>Note</i>	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
LIABILITIES			
Non-current liabilities			
Long term borrowings	12	12,085,972	9,504,430
Long term payables		6,935	6,935
Deferred income tax liabilities		1,675,474	1,614,659
		13,768,381	11,126,024
Current liabilities			
Trade and other payables	11	8,806,921	8,091,774
Current income tax liabilities		463,683	429,623
Current portion of long term borrowings	12	1,588,750	2,170,175
Short term borrowings	12	1,200,000	1,250,000
		12,059,354	11,941,572
Total liabilities		25,827,735	23,067,596
Total equity and liabilities		41,580,363	38,561,963
Net current assets		15,932,305	13,174,319
Total assets less current liabilities		29,521,009	26,620,391

The notes on pages 8 to 26 are an integral part of these condensed consolidated interim financial statements.

Interim Consolidated Income Statement

	Note	Unaudited Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Revenue	6	2,589,898	2,866,755
Cost of sales		(1,460,670)	(1,668,485)
Gross profit		1,129,228	1,198,270
Selling and marketing expenses		(96,678)	(120,842)
Administrative expenses		(263,534)	(268,017)
Fair value gains on investment properties	13	158,036	181,227
Other gains — net		353	519
Operating profit		927,405	991,157
Finance income		13,032	7,034
Finance costs		(180,594)	(165,537)
Finance costs — net		(167,562)	(158,503)
Share of loss of an associate and a joint venture		(55)	(679)
Profit before income tax	6	759,788	831,975
Income tax expenses	14	(302,467)	(262,211)
Profit for the period		457,321	569,764
Profit attributable to:			
— Equity holders of the Company		420,404	555,725
— Non-controlling interests		36,917	14,039
		457,321	569,764
		<i>RMB Cents per share</i>	<i>RMB Cents per share</i>
Earnings per share attributable to the equity holders of the Company during the period			
— Basic and diluted		12.49	16.50
Dividend	15	—	—

The notes on pages 8 to 26 are an integral part of these condensed consolidated interim financial statements.

Interim Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit for the period	457,321	569,764
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive income for the period	<u>457,321</u>	<u>569,764</u>
Attributable to:		
— Equity holders of the Company	420,404	555,725
— Non-controlling interests	<u>36,917</u>	<u>14,039</u>
	<u>457,321</u>	<u>569,764</u>

The notes on pages 8 to 26 are an integral part of these condensed consolidated interim financial statements.

Interim Consolidated 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 2014		<u>3,367,020</u>	<u>4,231,264</u>	<u>7,817,843</u>	<u>15,416,127</u>	<u>78,240</u>	<u>15,494,367</u>
Total comprehensive income for the period ended 30 June 2014		<u>—</u>	<u>—</u>	<u>420,404</u>	<u>420,404</u>	<u>36,917</u>	<u>457,321</u>
Transactions with owners							
Dividend relating to 2013 approved in the period ended 30 June 2014		<u>—</u>	<u>—</u>	<u>(202,021)</u>	<u>(202,021)</u>	<u>—</u>	<u>(202,021)</u>
Acquisition of a subsidiary		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,961</u>	<u>2,961</u>
Total transactions with owners		<u>—</u>	<u>—</u>	<u>(202,021)</u>	<u>(202,021)</u>	<u>2,961</u>	<u>(199,060)</u>
Balance at 30 June 2014		<u>3,367,020</u>	<u>4,231,264</u>	<u>8,036,226</u>	<u>15,634,510</u>	<u>118,118</u>	<u>15,752,628</u>
Balance at 1 January 2013		<u>3,367,020</u>	<u>4,196,244</u>	<u>7,255,210</u>	<u>14,818,474</u>	<u>86,654</u>	<u>14,905,128</u>
Total comprehensive income for the period ended 30 June 2013		<u>—</u>	<u>—</u>	<u>555,725</u>	<u>555,725</u>	<u>14,039</u>	<u>569,764</u>
Transactions with owners							
Dividend relating to 2012 approved in the period ended 30 June 2013		<u>—</u>	<u>—</u>	<u>(202,021)</u>	<u>(202,021)</u>	<u>(18,070)</u>	<u>(220,091)</u>
Acquisition of additional interests in subsidiaries from non-controlling interests		<u>—</u>	<u>139</u>	<u>—</u>	<u>139</u>	<u>(3,057)</u>	<u>(2,918)</u>
Total transactions with owners		<u>—</u>	<u>139</u>	<u>(202,021)</u>	<u>(201,882)</u>	<u>(21,127)</u>	<u>(223,009)</u>
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>

The notes on pages 8 to 26 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

	Unaudited Six months ended 30 June	
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Cash flows (used in)/generated from operating activities – net	(426,952)	328,137
Cash flows used in investing activities – net	(28,221)	(36,538)
Cash flows generated from financing activities – net	1,790,517	2,002,923
Net increase in cash and cash equivalents	1,335,344	2,294,522
Cash and cash equivalents at 1 January	3,196,257	2,576,752
Cash and cash equivalents at 30 June	4,531,601	4,871,274

The notes on pages 8 to 26 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 at RMB2.4 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”.

This condensed consolidated interim financial information is presented in Renminbi, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 13 August 2014.

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

Key events

In April 2014, the Company acquired 51% of equity interests in Changsha Century Garden Real Estate Co., Ltd (“CSCGRE”). After the acquisition, CSCGRE became a subsidiary of the Group and it was consolidated into the Group.

CSCGR had no business activities except for the holding of certain land use rights at the time of the acquisition. The sole intention of the Group to acquire CSCGRE is for its underlying core assets. Accordingly, the Group accounted for this acquisition of subsidiary as an asset acquisition.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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 2013, as described in those annual financial statements.

The Group has adopted HK(IFRIC)-Int 21 'Levies'. HK(IFRIC)-Int 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what obligating event gives rise to pay a levy, and when a liability should be recognised. The Group is not currently subject to significant levies. The adoption of the interpretation has had no significant effect on the financial statements for earlier periods and on the interim financial information for the period ended 30 June 2014. The Group does not expect HK(IFRIC)-Int 21 to have a significant effect on the results for the financial year ending 31 December 2014.

Other amendments to HKFRSs effective for the financial year ending 31 December 2014 are not expected to have a material impact on the Group.

Taxes on income in the interim period 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.

4. ESTIMATES

The preparation of interim financial information 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 the condensed consolidated interim financial information, 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 2013.

Notes to the Condensed Consolidated Interim Financial Information

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 information does 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 2013.

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 <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
As at 30 June 2014 (Unaudited)					
Borrowings (including interests)	3,688,082	4,926,830	7,020,337	2,639,373	18,274,622
Trade and other payables	3,436,525	—	—	—	3,436,525
	<u>7,124,607</u>	<u>4,926,830</u>	<u>7,020,337</u>	<u>2,639,373</u>	<u>21,711,147</u>
As at 31 December 2013 (Audited)					
Borrowings (including interests)	4,141,094	2,438,755	7,137,851	1,673,491	15,391,191
Trade and other payables	3,017,380	—	—	—	3,017,380
	<u>7,158,474</u>	<u>2,438,755</u>	<u>7,137,851</u>	<u>1,673,491</u>	<u>18,408,571</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, 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 sales of developed properties; commercial properties are the segment which involves the operation of retail business in supermarkets and shopping centers; and investment properties and hotels are the segment which involves the operation of rental apartments, office buildings, conference centers, 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 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, corporate cash and entrusted 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.

Turnover consists of sales from development properties, commercial properties, and investment properties and hotels segments. Revenues recognised during the six months ended 30 June 2014 and 30 June 2013 are as follows:

	Unaudited Six months ended 30 June 2014 RMB'000	2013 <i>RMB'000</i>
Revenue		
Development properties	1,410,925	1,634,205
Commercial properties	157,345	174,815
Investment properties and hotels	971,457	1,001,607
	2,539,727	2,810,627
All other segments	50,171	56,128
	2,589,898	2,866,755

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 interim consolidated income statement.

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 2014					
Total segment revenue	1,410,925	157,345	976,058	73,663	2,617,991
Inter-segment revenue	—	—	(4,601)	(23,492)	(28,093)
Revenue from external customers	1,410,925	157,345	971,457	50,171	2,589,898
Profit before income tax	299,281	1,744	289,808	(12,918)	577,915
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 income tax	355,720	5,767	332,139	(6,280)	687,346
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 30 June 2014 (Unaudited)					
Total segment assets	24,786,480	1,080,788	5,835,611	83,191	31,786,070
Total segment assets include:					
Interest in an associate and a joint venture	—	—	—	—	—
Additions to non-current assets (other than deferred tax assets)	728	290	49,194	1,215	51,427
As at 31 December 2013 (Audited)					
Total segment assets	22,745,801	1,104,142	5,923,163	74,727	29,847,833
Total segment 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

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 2014 RMB'000	2013 RMB'000
Profit before income tax for reportable segments	577,915	687,346
Corporate overheads	(30,578)	(32,839)
Corporate finance costs	(175,334)	(160,109)
Corporate finance income	3,903	589
Share of loss from an associate and a joint venture	(55)	(679)
Fair value gains on investment properties (Note 13)	158,036	181,227
Reversal of depreciation of investment properties	83,432	83,564
Land appreciation tax	140,678	71,085
Others	1,791	1,791
Profit before income tax	759,788	831,975

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

	Unaudited As at 30 June 2014 RMB'000	Audited As at 31 December 2013 RMB'000
Total segments' assets	31,786,070	29,847,833
Deferred income tax assets	27,861	24,574
Corporate cash	3,058,030	1,674,358
Investment in an associate and a joint venture	6,512	6,567
Entrusted loan granted	—	550,000
Aggregated fair value gains on investment properties	5,298,476	5,140,440
Reversal of accumulated depreciation of investment properties	1,413,296	1,329,864
Others	(9,882)	(11,673)
Total assets per balance sheet	41,580,363	38,561,963

The Company and its subsidiaries are domiciled in the PRC and all the revenue from external customers of the Group were derived in the PRC for the six months ended 30 June 2014 and 2013.

Notes to the Condensed Consolidated Interim Financial Information

6. SEGMENT INFORMATION (*CONTINUED*)

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.

As at 30 June 2014 and 31 December 2013, all the Group's non-current assets other than deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) were located in the PRC.

The Group has a large number of customers, and there was no significant revenue derived from specific external customers for the six months ended 30 June 2014 and 2013.

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 2014			
Opening net book amount as at 1 January 2014	1,011	2,074,920	11,339,000
Fair value gains (<i>Note 13</i>)	—	—	158,036
Acquisition of a subsidiary	—	614	—
Additions	—	26,299	26,564
Disposals	—	(1,249)	—
Amortisation/depreciation	(16)	(70,848)	—
Closing net book amount as at 30 June 2014	<u>995</u>	<u>2,029,736</u>	<u>11,523,600</u>
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	—	—	181,227
Additions	—	25,273	13,273
Deduction	—	(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>

The investment properties were revalued at 30 June 2014 by an independent, professionally qualified valuer, Greater China Appraisal Limited ("GCAL"). Valuations were based on capitalization of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties.

Notes to the Condensed Consolidated Interim Financial Information

8. PROPERTIES UNDER DEVELOPMENT

	Unaudited As at 30 June 2014 RMB'000	Audited As at 30 December 2013 RMB'000
Land use rights	10,069,447	9,961,483
Development costs and capitalised expenditure	5,053,267	4,932,899
Finance costs capitalised	1,894,322	1,712,527
	<u>17,017,036</u>	<u>16,606,909</u>

9. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2014 RMB'000	Audited As at 31 December 2013 RMB'000
Trade receivables	54,100	52,560
Less: provision for impairment of receivables	(107)	(107)
Trade receivables – net	53,993	52,453
Other receivables	54,531	604,374
Less: provision for impairment of receivables	(12,858)	(12,858)
Other receivables – net	41,673	591,516
Prepaid tax	542,166	365,459
Other prepayments	107,724	102,152
Notes receivables	—	3,781
Interest receivables	—	1,428
	<u>745,556</u>	<u>1,116,789</u>

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. As at 30 June 2014 and 31 December 2013, the ageing analyses of the trade receivables were as follows:

	Unaudited As at 30 June 2014 RMB'000	Audited As at 31 December 2013 RMB'000
Trade receivables		
0–30 days	34,744	25,789
31–90 days	8,396	5,277
Over 90 days	10,960	21,494
	<u>54,100</u>	<u>52,560</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	Liquid shares not subject to sales restrictions		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 2014	3,367,020	150,000	2,510,000	707,020	3,367,020
At 30 June 2014	<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 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>

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 2014 RMB'000	Audited As at 31 December 2013 RMB'000
Trade payables	971,197	1,108,619
Advance from customers	5,264,771	4,919,312
Dividends payable to equity holders of the Company	42,421	—
Dividends payable to non-controlling interests of a subsidiary	1,162	1,162
Accrued construction costs	1,796,331	1,073,431
Amount due to BNSIGC (Note 19)	12,747	5,163
Accrued interest	25,311	55,205
Other payables	692,981	928,882
	8,806,921	8,091,774

As at 30 June 2014 and 31 December 2013, 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 2014 RMB'000	Audited As at 31 December 2013 RMB'000
Trade payables		
0–180 days	343,915	247,183
181–365 days	140,477	236,113
Over 365 days	486,805	625,323
	971,197	1,108,619

Notes to the Condensed Consolidated Interim Financial Information

12. BORROWINGS

	Unaudited As at 30 June 2014 RMB'000	Audited As at 31 December 2013 RMB'000
Non-current		
Long term borrowings		
— Secured bank borrowings	8,179,456	6,830,506
— Unsecured bank borrowings	—	800,000
— Other borrowings (Note a)	4,000,000	2,550,000
— 10 year bonds (Note b)	1,495,266	1,494,099
	<u>13,674,722</u>	11,674,605
Less: current portion of long term borrowings	<u>(1,588,750)</u>	(2,170,175)
	<u>12,085,972</u>	9,504,430
Current		
Short term borrowings		
— Unsecured borrowings	1,200,000	1,250,000
— Current portion of long term borrowings	1,588,750	2,170,175
	<u>2,788,750</u>	3,420,175
Total borrowings	<u>14,874,722</u>	<u>12,924,605</u>

(a) Other borrowings

	Unaudited As at 30 June 2014 RMB'000	Audited As at 30 June 2013 RMB'000
Loans from other financial institutions (Note c)	2,500,000	1,350,000
Entrusted loans from BNSIGC (Note 19)	1,500,000	1,200,000
	<u>4,000,000</u>	<u>2,550,000</u>

Notes to the Condensed Consolidated Interim Financial Information

12. BORROWINGS (CONTINUED)

- (b) On 29 May 2006, the Company issued bonds with an aggregate principal amount of RMB1,500,000,000 and a maturity period of 10 years ("10 year bonds"). The net proceeds were RMB1,478,980,000 (net of issuance costs of RMB21,020,000) and were raised as part of the consideration for the construction of National Convention Centre of the Group. The bond carries a fixed annual interest rate of 4.1%, the interest of which would be paid annually and the final instalment of the interest and the principal are fully repayable on 29 May 2016.

A joint liability guarantee for the full amount of the above bonds is provided by Bank of China ("BOC"). BNSIGC provides joint liability counter-guarantee in favor of BOC with respect to the guarantee provided by BOC. Upon the completion of the project, the building will be pledged as security for the bonds and the guarantee will be released accordingly.

- (c) Loans of RMB1,700,000,000 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 19) and secured by certain investment properties and properties under development.

Loans of RMB800,000,000 bear interests rate of 8.3% per annum, and are repayable after 48 months from the inception date of the loan, and are secured by certain properties under development.

Movements in borrowings are analysed as follows:

	Unaudited Six months ended 30 June 2014 RMB'000
<hr/>	
Six months ended 30 June 2014	
Opening amount as at 1 January 2014	12,924,605
Addition of bank borrowings	2,744,125
Addition of other borrowings	1,950,000
Repayment of borrowings	(2,745,175)
Amortisation of issuance costs of bonds	1,167
	<hr/>
Closing amount as at 30 June 2014	14,874,722
<hr/>	
	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/>	

Notes to the Condensed Consolidated Interim Financial Information

12. BORROWINGS (CONTINUED)

Interest expense on borrowings for the six months ended 30 June 2014 is RMB442,749,000 (six months ended 30 June 2013: RMB412,611,000).

The Group has the following undrawn borrowing facilities:

	Unaudited As at 30 June 2014 RMB'000	Audited As at 31 December 2013 RMB'000
Floating rate:		
— expiring between one and two years	339,043	—
— expiring between two and five years	1,655,000	1,881,244
— expiring beyond five years	550,000	—
	2,544,043	1,881,244

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 2014 RMB'000	2013 RMB'000
Investment properties at fair value through profit or loss:		
— fair value gains (Note 7)	158,036	181,227
Provision for impairment of receivables	—	(1)
Loss on disposal of property, plant and equipment	(530)	(176)

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 circumstances indicate that the carrying amount may not be recoverable. No impairment is charged or reversed for the six months ended 30 June 2014 and 2013.

Financial assets were reviewed for impairment as at 30 June 2014, and no additional provision for impairment of receivables is provided for the period.

No inventory was written-down as at 30 June 2014 (31 December 2013: 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 had no assessable profits in Hong Kong for the six months ended 30 June 2014 and 2013. 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 2014 and 2013 was 25%.

	Unaudited Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current income tax		
— PRC enterprise income tax	104,261	129,501
— PRC land appreciation tax	140,678	71,085
Deferred income tax	57,528	61,625
	<u>302,467</u>	<u>262,211</u>

15. DIVIDEND

A dividend that relates to the year ended 31 December 2013 amounting to RMB202,021,000 was approved at the annual general meeting in May 2014 and was paid in full in June and July 2014 (Dividend related to the year ended 31 December 2012: RMB202,021,000).

The Board resolved that no interim dividend will be declared in respect of the six months ended 30 June 2014 (Six months ended 30 June 2013: nil).

Total dividend that relates to the year of 2013 paid by the Group to the equity holders of the Company is RMB159,600,000 during the six months ended 30 June 2014 (Total dividend that related to the year of 2012 paid during six months ended 30 June 2013: nil).

Notes to the Condensed Consolidated Interim Financial Information

16. PLEDGED ASSETS

As at 30 June 2014, certain investment properties with fair value of RMB11,375,000,000 (31 December 2013: RMB11,188,000,000), property plant and equipment with net book value of RMB752,796,000 (31 December 2013: RMB762,144,000), properties under development with net book value of RMB7,779,366,000 (31 December 2013: RMB8,103,439,000) and completed properties held for sales with net book value of 3,593,701,000 (31 December 2013: nil) were pledged by the Group as securities for long term borrowings of RMB10,679,456,000(31 December 2013: RMB7,830,506,000).

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 RMB2,302,872,000 as at 30 June 2014 (31 December 2013: RMB2,234,703,000).

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 2014 RMB'000	Audited As at 30 December 2013 RMB'000
Investment properties		
Contracted but not provided for	23,766	34,185
Authorised but not contracted for	6,998	16,227
	30,764	50,412

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 2014 RMB'000	Audited As at 31 December 2013 RMB'000
Properties under development		
Contracted but not provided for	2,099,793	2,845,963
Authorised but not contracted for	3,538,245	9,101,562
	5,638,038	11,947,525

(c) At 30 June 2014 and 31 December 2013, the Group had future aggregate minimum rental receivables and payables under non-cancellable operating leases as follows:

	Unaudited As at 30 June 2014 RMB'000	Audited As at 31 December 2013 RMB'000
As lessor:		
Rental receivables in respect of investment properties		
Not later than one year	603,897	609,721
Later than one year and not later than five years	497,007	672,775
Later than five years	439,001	461,453
	1,539,905	1,743,949

	Unaudited As at 30 June 2014 RMB'000	Audited As at 31 December 2013 RMB'000
As lessee:		
Rental payables in respect of land use rights and buildings		
Not later than one year	22,329	16,139
Later than one year and not later than five years	57,036	58,916
Later than five years	263,793	270,923
	343,158	345,978

Notes to the Condensed Consolidated Interim Financial Information

19. 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 2014 and 2013, 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, 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 related 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 joint venture:

	Unaudited Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Rental		
— a joint venture	<u>13,323</u>	<u>6,727</u>

(ii) Purchases of goods and services

	Unaudited Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
BNSIGC		
— operating lease payment in respect of land	7,130	7,130
— building lease acceptance	450	450
— brand royalty fee	5	5
	<u>7,585</u>	<u>7,585</u>

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

19. RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Entrusted loans from BNSIGC

	Unaudited Six months ended 30 June 2014 RMB'000
At 1 January 2014	1,202,278
Proceeds from entrusted loans	450,000
Repayments of entrusted loans	(150,000)
Interest accrued	41,271
Interest paid	(40,851)
	<u>1,502,698</u>
At 30 June 2014	<u>1,502,698</u>
	Unaudited Six months ended 30 June 2013 RMB'000
At 1 January 2013	1,001,963
Proceeds from entrusted loans	200,000
Repayments of entrusted loans	—
Interest accrued	33,952
Interest paid	(33,789)
	<u>1,202,126</u>
At 30 June 2013	<u>1,202,126</u>

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

Principal RMB'000	Borrowing Date	Maturity Date	Interest rate
50,000,000	29 March, 2013	28 March, 2015	National benchmark interest rate
150,000,000	29 May, 2013	29 May, 2015	Fixed rate 6.15%
50,000,000	27 July, 2012	26 July, 2014	National benchmark interest rate
200,000,000	30 August, 2013	30 August, 2015	Fixed rate 6.15%
200,000,000	4 September, 2013	3 September, 2015	National benchmark interest rate
200,000,000	10 September, 2013	9 September, 2015	National benchmark interest rate
150,000,000	26 December, 2013	25 December, 2015	National benchmark interest rate
50,000,000	26 December, 2013	25 December, 2015	National benchmark interest rate
300,000,000	4 April, 2014	1 April, 2016	Fixed rate 6.15%
150,000,000	10 Jun 2014	9 June 2016	National 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 financing

	Unaudited 30 June 2014 RMB'000	Audited 30 June 2013 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>5,163</u>
Entrusted loans from related parties — BNSIGC	<u>1,500,000</u>	<u>1,200,000</u>
Interest payable of entrusted loans from related parties — BNSIGC	<u>2,698</u>	<u>2,278</u>

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

At 30 June 2014 and 31 December 2013, 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 2014 and 2013.

(v) Key management compensation

	Unaudited Six months ended 30 June 2014 RMB'000	2013 RMB'000
Salaries and other short-term employee benefits	<u>4,477</u>	3,805
Post-employment benefits	<u>602</u>	538
	<u>5,079</u>	<u>4,343</u>

(vi) Accepting financial guarantee

Pursuant to an agreement signed by BNSIGC and 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 with BNSIGC, BNSIGC provides unconditional joint liability counter-guarantee for the full amount of the loans from TaiKang Asset Management Co.,Ltd.

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 2014 in accordance with Chinese Accounting Standards (“CAS”) issued by the Ministry of Finance of the PRC. 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		Capital and reserves attributable to equity holders of the Company	
	For the six months ended 30 June		As at 30 June 2014	As at 31 December 2013
	2014 Unaudited RMB'000	2013 Unaudited RMB'000	Unaudited RMB'000	Audited RMB'000
As stated in accordance with CAS	<u>237,960</u>	<u>355,789</u>	<u>10,608,089</u>	<u>10,572,150</u>
Impact of HKFRS adjustments:				
1. Reversal of depreciation of investment properties under CAS	62,574	62,673	1,059,972	997,398
2. Fair value adjustment of investment properties under HKFRS, net of tax	118,527	135,920	3,973,855	3,855,328
3. Differences on revaluation of certain assets upon the reorganisation in 1997	<u>1,343</u>	<u>1,343</u>	<u>(7,406)</u>	<u>(8,749)</u>
As stated in accordance with HKFRS	<u><u>420,404</u></u>	<u><u>555,725</u></u>	<u><u>15,634,510</u></u>	<u><u>15,416,127</u></u>



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

I. OPERATING ENVIRONMENT

In the first half of 2014, facing the slow recovery of the international economic scenario, the Chinese government insisted on the keynote of "proceeding while maintaining stability". By maintaining the unchanged framework including a proactive fiscal policy and stable monetary policy, the government accelerated the transformation of its development mode by supporting the small-scale stimuli of people's livelihood and investments in public utilities, as well as the directed support on deposit reserve rate and tax reduction for "Sannong" (三農) (Agriculture, rural areas and farmers) and the medium, small and micro-sized enterprises. These initiatives not only helped improve the market confidence, but also aligned effective supply with demand management. Thus, the economy saw a steady recovery with the GDP growth for the first half of the year reaching 7.4%.

1. Development Properties

In the first half of 2014, under the background of macro-control of bi-directional regulating and controlling and classification guidance, the real estate market was affected by tight credit, the buyers' wait-and-see sentiment and other factors. As a result, the transaction volume dropped significantly and the growth of transaction prices slowed down gradually, and the land market had somewhat cooled down. Although the floor price continued to surge, the transaction premium rate indicated a narrowed down trend. According to National Bureau of Statistics (the same applied hereafter), sale areas of commodity residential units in the country for the first half of 2014 decreased by 7.8% over the same period last year to 424,870,000 m². Average trading price of commodity residential units decreased by 1.5% over the previous year to RMB6,033 per m².

Given the stringent purchase restriction and loan restriction policies and the expected massive launch of owner-occupied commodity houses, the demand in Beijing's real estate market was difficult to release. Therefore, the transaction volume dropped sharply. The transaction prices continued to increase, yet with a lower growth rate. Although the land market witnessed significant growth as compared to the same period last year, it still presented a high-to-low trend. Moreover, the transaction amount and premium of the second quarter dropped significantly as compared to the beginning of the year. During the first half of 2014, sales areas and sales amount of commodity residential units in Beijing decreased by 35.7% and 31.9% as compared to the same period last year to 3,850,000 m² and RMB76,500,000,000, respectively. The average trading price was RMB19,838 per m², representing an increase of 5.9% as compared to the same period last year.

Due to the stronger wait-and-see sentiment of property buyers, both the transaction volume and sales rate of the property market in Changsha dropped but the sales prices remained relatively stable. In the first half of 2014, sales areas and sales amount of commodity residential units in Changsha's property market decreased by 26.1% and 28.2% over the same period last year to 5,240,000 m² and RMB29,500,000,000, respectively. The average trading price of commodity residential units was RMB5,628 per m², basically unchanged as compared to the same period in 2013.

2. Investment Properties (including hotels)

As a result of the changes in the supply and demand relationship and the market, the development of each segment of the investment properties (including hotels) market in Beijing were diverse, among which limited supply of new projects in the office building market and rapid release of demand not only resulted in modest growth of the rental fee but also pushed the net absorption rate in the second quarter to record high in the past eight quarters. The high-grade hotels and catering segment saw different degrees of decline in both industry performance and the operating results due to the adjustments of the market and demand. Along with the efforts of Beijing to strengthen its functional position as a "Culture Centre" and "International Communication Centre", the catalytic effects of convention and exhibition market on the relevant industries became more and more prominent. The market thus provided significant impetus to the development of regional economy. The change in supply of the apartment market was not significant, while the average price and the lease rate of service apartments maintained a stable growth.

3. Commercial Properties

During the first half of 2014, the total domestic retail sales in Beijing was RMB427,270,000,000, representing an increase of 7.5% as compared to the same period last year. Meanwhile, along with the continuous increase in the supply of commercial projects and the rapid growth in the scale of online shopping, the competition of the commercial properties in Beijing become more and more intense. In order to address the market competitions and the changes of demand, adjusting and enriching service functions through improvement of brand portfolio and introduction of life experience and entertainment business mode have become the mainstream mode to promote creative development of traditional business and cope with the impact of e-commerce.

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

II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD

Facing the changes in external environment and severe competitions, the Company adjusted the marketing strategy in a timely manner in the first half of 2014 to cope with the market changes. Management on project development continued to improve when the Company spared no efforts to establish the functional district of North Star Convention and Exhibition. Simultaneously, the promotion of the three major expansion strategies, i.e. capital expansion, brand expansion and low-cost expansion, was sped up with steady increase in land reserves and continuous effort made on managing outputs, which continuously strengthened the ability of sustainable development of the Company.

In the first half of 2014, the Company recorded an operating revenue of RMB2,589,898,000, representing a year-on-year decrease of 9.66%. Due to the changes in the billing cycle of the real estate project development and starred hotel market, the profit before tax and the profits attributable to equity holders of the Company decreased by 8.68% and 24.35% over the same period last year to RMB759,788,000 and RMB420,404,000, respectively, wherein the core operating results after tax from the Company's principal business (excluding fair value gains) decreased by 28.09% over the same period last year to RMB301,877,000. The fair value gains on investment properties (after tax) amounted to RMB118,527,000 during the period, representing a year-on-year decrease of 12.80%. Earnings per share was RMB0.1249, decreased by 24.30% as compared to the same period of 2013. In addition, the Company strictly controlled costs and expenditure during the reporting period and kept the costs and expenditure within the target of the budget.

1. Property Development

During the reporting period, the Company aspired to speed up the turnover of property development. Based on the research and analysis on market condition, it strived to accurately position the project so as to drive up sales through targeted marketing strategy. In the Beijing region, Changhe Yushu high-end project, the engineering construction of which was accelerated, successfully held an opening ceremony and secured nearly 50 groups of customers and laid the foundation for achieving the sales schedule for the second half of the year after having obtained the presale permit. For the Bihai Fangzhou villa project, the execution of contracts with purchasers was proceeding with contracted sales of RMB310 million during the reporting period. In addition, Shunyi Mapo project and the A09 commercial properties of North Star Fudi will also be ready for launch in the market in the second half of the year.

Shadow casts on plank road of Red Oak Villa in Changhe Yushu Garden Villas



Bihai Fangzhou Villas



Mapo Project



North Star Fudi A09 Block

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

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

1. Property Development (Continued)

In terms of Changsha area, the North Star Delta Project located in the emerging sub-center of Changsha, by relying on its position in the largest city conglomerate in China combining commerce, residence, recreation and business, achieved leading development and sales in the region. As of the first half of 2014, the North Star Delta Project recorded area commencing construction of 2,500,000 m² and completed construction area of 1,390,000 m², representing 46% and 25% of the planned gross floor area respectively. Development and construction of the project had fully commenced. Due to the occupancy after completion of certain clusters, the commercial and public facilities in A1 area to be put into operation, as well as the continued popularity of the project, not only did North Star Delta have an increasingly well-established commercial and business atmosphere, it was also awarded the "Best Commercial Property Project with Investment Potential in the PRC" (中國最具投資潛力商業地產項目). During the reporting period, the North Star Delta Project achieved sales areas of 53,000 m² with 430 units sold in total and contracted sales (including car parks) of RMB582.1 million. As the best-seller in real estate market in Changsha in the first half of the year and the first project in terms of comprehensive competitiveness among general commodity housing in real estate market in Changsha, its average sales price of residential units reached RMB9,150 per m². Whilst smooth progress was made in North Star Delta Project, the Company acquired 51% equity of Changsha Century Royal Real Estate Co., Ltd by way of capital increment in April 2014, through which the Company obtained additional land reserves of 906,000 m² for North Star Central Park Project (tentative name), further consolidating its leading position in Changsha.

Full view of North Star Delta Project



Perspective view of Queyuan Road of Xiangfu Century Project



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

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

1. Property Development (Continued)

In the first half of 2014, the operating revenue of the development properties segment of the Company recorded RMB1,410,925,000 (including car parks), representing a year-on-year decrease of 13.66%, which was attributable to the effect of the changes in the billing cycle of real estate project development and the structure of settlement of projects. The profit before tax was RMB299,281,000, representing a year-on-year decrease of 15.87%. During the reporting period, the Company achieved area under construction of 2,000,000 m² and completed area of 500,000 m². The contracted sales (including car parks) amounted to RMB1,125.56 million with sale areas of 65,000 m².

2. Investment Properties (including hotels)

In the first half of 2014, under the influence of changes in markets, the Company recorded operating revenue from investment properties (including hotels) of RMB971,457,000, representing a year-on-year decrease of 3.01%. Without taking into account the amortisation of interest expenses, profit before tax amounted to RMB289,808,000, posting a year-on-year decrease of 12.74%. In addition, the change in fair value gains on investment properties (before tax) amounted to RMB158,036,000 for the first half of 2014, representing a year-on-year decrease of 12.80%. The Company responded to the changes in the market by adjusting its operating measures on a timely basis and actively expanding the operational concepts. On one hand, it fully utilised the edges in diversified businesses and strong correlation of the investment properties (including hotels), effectively defended the operational risks brought by the market changes. On the other hand, it sped up brand extension and managed output, and obtained the entrusted operational rights of Nanchang International Exhibition Centre (南昌國際會展中心) and Beijing Yan Qi Lake International Exhibition Centre (北京雁棲湖國際會展中心), as well as the entrusted operational management of the ancillary hotel of Nanchang International Exhibition Centre. It not only achieved a breakthrough in the management of hotel brands outputs, but also laid a solid foundation for parallel development of the investment business of heavy assets and the service business of light assets.

Visualised picture of Nanchang International Convention and Exhibition Centre



Yanqihu International Convention and Exhibition Centre (Huairou, Beijing)



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) (Continued)

As the core of the functional areas of North Star Convention and Exhibition, during the reporting period, National Convention Centre and Beijing International Convention Centre hosted 787 meetings and 74 exhibitions in total, increased by 177 and 38 respectively as compared with the same period last year, among which, with the return of CIFTIS (京交會) and other brand projects, and the increase in reputation and influence brought by the upcoming 2014 APEC convention, National Convention Centre became an important choice for large meetings and activities in Beijing and even in China. Beijing International Convention Centre mainly focused on the market of small-scale meetings and emerging training markets and by enhancing the strength of developing markets, differentiating market positioning and elevating services level by special operations, it maintained stable financial results.

Exterior look of National Convention Centre



Exterior look of Beijing International Convention Centre



Exterior look of North Star Times Tower



Office building business constantly optimized client structure, reasonably adjusted the prices for contract renewal, actively developed high-end clients, steadily increased the occupancy rates and rental fees and made it an important source of the profit of the investment properties (including hotels) segment.

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) (Continued)

Proactive response was taken to cope with the changing market in the hotel business. While increasing the development of wedding banquets, public catering and business activities, it also utilised the housing price leverage to feature marketing and promotion as well as new growth points. The room rates and occupancy rate of our hotel business still performed better than the average level in the industry.

The apartment business focused on the operational characteristics of product differentiation and client diversification, firmly optimised client structure, increased the proportion of permanent customers, continuously improved the service level and comfort level of the guest rooms, maintained high occupancy rate with steady average price with upward trends.



Apartment complex of North Star Hui Yuan Apartment

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

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 and business brands on a continuous basis as well as intensifying the joint promotion and marketing among different projects.

In the first half of 2014, the commercial properties segment recorded an operating revenue of RMB157,345,000, representing a year-on-year decrease of 9.99%. Profit before tax was RMB1,744,000.



Beiyuan Branch of North Star Shopping Centre

III. COMPETITION AND DEVELOPMENT IN THE INDUSTRY

In the second half of 2014, our nation will adhere to the overarching principle of progress through stability. Based on keeping the continuity and stability in macro-economy policy, the country will deepen the reform of economic system through carrying out reforms in all fields and sectors of economic and social development. Mild stimuli will be given to the monetary policy, fiscal policy and public investments, with a focus of motivating the market vitality and accelerating the change in development mode. Taking full advantage of the fundamental role of consumption, it is intended to effectively improve the quality of economic development, so as to foster the steady and sound development of the national economy.

For property development, regarding the demand, as People's Bank of China promulgated the National Five Rules (国五条) in the second quarter which clearly supports first residential housing mortgage loans, and given the fine-tuning of the purchase restriction policies by certain cities, the wait-and-see sentiment of property buyers is expected to be alleviated. In this respect, demand for real estate market is expected to rebound and stimulate a short-term rise in the market. Regarding the supply, since the land supplied over the past several years has gradually entered the launch cycle, the pressure on sale will be more intense in the second half of the year. As a whole, affected by the excess supply, the de-stocking will be an important target for property enterprises. In addition, the real estate market will complete its periodic adjustment amid fluctuations.

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

III. COMPETITION AND DEVELOPMENT IN THE INDUSTRY (CONTINUED)

For investment properties (including hotels), as Beijing has strengthened its urban functional positioning as a "Cultural Centre" and an "International Communication Centre", it will create a historic opportunity for the fast development of the convention economy and service-based economy in Beijing. Further, Catalogue of Prohibitions and Restrictions on New Industry in Beijing (2014 Edition) was published on 25 July 2014 in Beijing. To achieve the urban function and strategic position of Beijing, the capital city, except the high-end industrial functional area, construction of large public buildings including hotels, office buildings and exhibitions will be forbidden within the fifth ring road (fourth ring road to the south). In light of the continuous increase in demand and the gradual decrease in potential supply, the problem of excess supply in certain segments is expected to be alleviated and the operating standard of inventory properties is anticipated to improve. For commercial properties, the country and relevant competent government authorities will place the strategic focus on expanding the domestic demand as well as formulating the long-term mechanism for expanding the domestic demand, facilitating the demand for community consumption, and enhancing the fundamental role of consumption in the economic growth. The said measures will provide a large market for the development of commercial properties.

IV. THE COMPANY'S DEVELOPMENT STRATEGIES

Amid the complex and ever-changing business environment, the Company will strengthen the prospective study and prediction on the policy and market trend. It will take a firm grip on the market opportunity and continue to enhance the innovative development of the three strategies, being capital expansion, brand expansion and low-cost expansion, aiming to give fresh impetus to the sustainable development of the Company. In the second half of 2014, the Company will strictly control its cost, expenses and expenditure, continuously reduce expenses, strengthen budget rigidity and regulate budget execution.

1. Property Development

The Company will conduct intense research in changes in market situations and development trend. Under the orientation of customers' needs and based on the creation of quality projects as well as the improvement of revenue space, the Company will strengthen establishment of standardised system, expedited turnover of projects and adhere to improve the capability of project development and comprehensive management. In addition, the Company will actively search for market opportunities, and continue to increase its land reserve with consolidation of existing regional development while expanding into new cities, by way of public transaction, acquisitions and mergers, etc. In terms of the projects in Beijing, the Company will target at expediting the construction progress and pursuing operational efficiency. It will quickly carry forward development and construction as well as sales preparation of projects including Changhe Yushu Garden Villas (长河玉墅), Shunyi Mapo project, the A09 commercial and public facilities of North Star Fudi (北辰福第). It strived for hot sales at project opening through accurate customer orientation and targeted marketing strategy.

Oak and woody wetland of Red Oak Villa in Changhe Yushu Garden Villas

Mapo Project



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

IV. THE COMPANY'S DEVELOPMENT STRATEGIES (CONTINUED)

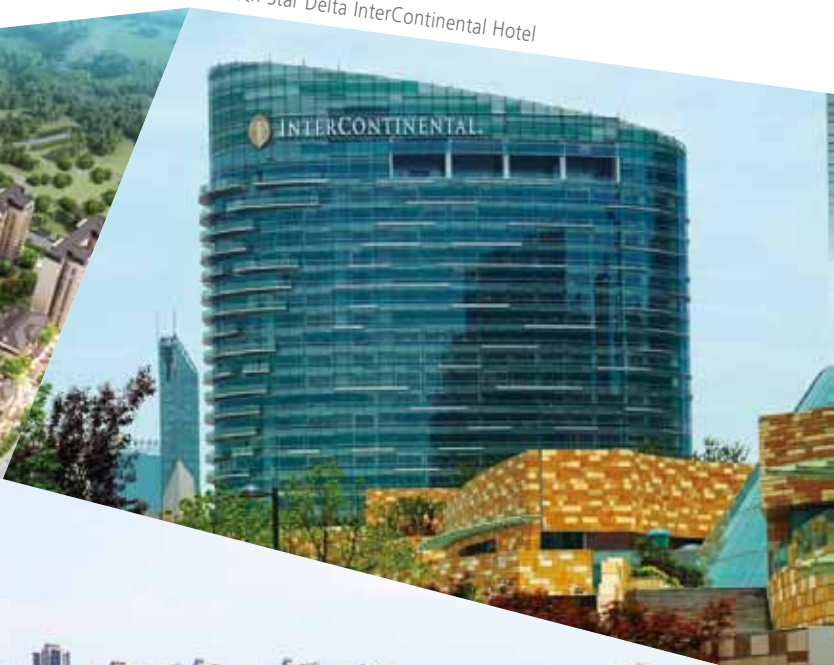
1. Property Development (Continued)

In terms of Changsha area, along with the opening of Changsha North Star InterContinental Hotel and follow-up use of commercial and public project of A1, "China Central Innovative Commercial Business Center", positioning of North Star Delta Project as well as its function layout will be completed and optimised. Its regional advantages and leading position will be more prominent for further improvement of influence, absorption affinity and comprehensive competitive edge of projects, so as to ensure sustained hot sales of projects. In addition, North Star Central Park (tentative name) would be created as a new highlight in the south area of Changsha City. Its construction was carried out in full swing and the project will be open for sale in the second half of the year when conditions permit. As the two projects echo each other in the south and north, they will not only further enhance the brand image of North Star, but also significantly improve the Company's market share and leadership in the real estate market in Changsha.

Visualised aerial view of Phase I of Changsha Xiangfu Century Project



North Star Delta InterContinental Hotel



Skyline of North Star Delta

In the second half of 2014, the Company anticipates area commencing construction of 980,000 m², area under construction of 2,480,000 m² and completed construction area of 340,000 m². It will also strive to accomplish sales area of 360,000 m² and contracted sales of RMB5.26 billion (including car parks).

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

IV. THE COMPANY'S DEVELOPMENT STRATEGIES (CONTINUED)

2. Investment Properties (including hotels)

Beijing will strengthen its urban functional positioning as a "Cultural Centre" and an "International Communication Centre". With such an opportunity, the Company will fully capture its comprehensive advantages on the diversity and cooperation among investment properties (including hotels) and make efforts to minimize the impact from upgrading and reconstruction of the existing properties and depreciation and amortisation of opening expenses of Changsha North Star InterContinental Hotel, as it actively responds to changes in market conditions and ensures stability of asset operation. In addition, the Company will take advantage of the rare opportunity of reception of the upcoming 2014 Asia-Pacific Economic Cooperation (APEC) Conference to fully demonstrate reception services and operational escort capabilities of North Star, to build and enhance brand image and industry influence of North Star with all our strengths, to actively promote brand expansion and management output of convention and exhibition and hotel activities, and to strive to explore the model of parallel development of heavy asset investment service and light asset service.



Integrated properties of National Convention Centre

Meeting Room 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

IV. THE COMPANY'S DEVELOPMENT STRATEGIES (CONTINUED)

3. Commercial Properties

In respect of commercial properties, the Company will increase its efforts in attracting investments and marketing promotion and in adjusting operation mix of physical stores and service functions according to the changes in the retail market. It will also strive to enhance its asset operating efficiency and comprehensive service capability by implementation of refined management and innovation of business operation mode.

Exterior look of North Star Shopping Centre (Beiyuan Branch)



Exterior look of North Star Shopping Centre (Asian Sports Village Store)



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

IV. THE COMPANY'S DEVELOPMENT STRATEGIES (CONTINUED)

4. Financing and Capital Expenditure

The Company will accelerate project development 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 "group financing". In addition, in response to the changes in the financial market, the Company will proactively continue to deepen efforts in innovation of financing channels and financing modes by drawing upon the advanced experience in the industry. 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 the second half of 2014, the fixed assets investment of the Company is estimated to be RMB200 million, which will be settled according to the construction progress and funded by internal fund.

V. RISKS THAT THE COMPANY MAY FACE

1. Market Risks

Driven by the speed-up of urbanisation and the effect of demographic dividend, the contradictions arising from changes in the supply and demand in the real estate market are expected to persist in the long run. Various management initiatives targeting the real estate industry will persist for a prolonged 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 an active approach towards market changes through the research on new categories of real estate operations 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 accelerate the development and turnover of projects in order to 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 the current tightened credit continued, and the wait-and-see sentiment spread, 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 focus on the changes of market situations. Guided by consumers' needs, it will enhance the research and development of the products with rigid demand whilst accelerating the turnover of projects to avert the sales risks brought about by market changes.

VI. ANALYSIS OF THE COMPANY'S SUSTAINABLE DEVELOPMENT CAPABILITY

The Company's business principle of emphasizing "both progress and stability, while expediting development and controlling risks simultaneously" serves as the rationale for its sustainable development. An appropriate size of 5,960,000 m² 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 m² are the strong support for the Company's sustainable development. Its integrated operation mode as a composite property developer, together with the strong risk resistant capability during market fluctuations, provides a foundation for the Company's sustainable development. With continuous improvement in the operation level of the additional assets of the investment properties (including hotels), sustained 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.



Discussion and Analysis of Financial Performance

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2014, the capital and reserve attributable to the Company's equity holders increased by 1.42% compared to 31 December 2013. The increase was primarily attributable to additional profit attributable to equity holders of the Company of RMB420,404,000 during the period.

The Group's borrowings as at 30 June 2014 amounted to RMB13,379,456,000, among which the Group had long-term borrowings of RMB10,679,457,000 secured by certain investment properties, properties, plants and equipment, properties under development and completed properties held for sale. As at 30 June 2014, the Group's balances of the 10-year corporate bonds as at the end of the period amounted to RMB1,495,266,000. The gearing ratio of the Group was 62.12% (calculated by dividing total liabilities by total assets) as at the end of the reporting period.

Current assets of the Group, which mainly comprise cash at bank and on hand, trade and other receivables, completed properties held for sale and properties under development for sale, amounted to RMB27,991,659,000, whereas the Group's current liabilities amounted to RMB12,059,354,000. As at 30 June 2014, the balance of cash at bank and on hand amounted to RMB4,531,601,000 (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 above mentioned financial guarantees provided in phases will have no material impact on the financial position of the Group. As at 30 June 2014, the outstanding amount of financial guarantees provided in phases was RMB2,302,872,000 (31 December 2013: RMB2,234,703,000).

Other Information

SHARE CAPITAL AND SHAREHOLDERS

Share Capital

The Company's registered capital as at 30 June 2014 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 2014, 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 relevant class of issued share capital 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 share capital	Percentage of total share capital
Beijing North Star Industrial Group Limited Liabilities Company ("BNSIGC") Note	Corporate interest	Beneficial owner	A shares	1,161,000,031	43.647%	34.482%

Save as disclosed above, based on the register required to be kept under Section 336 of Part XV of the SFO, 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 2014.

Note: 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 the National Council for Social Security Fund 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.

INTERESTS OF DIRECTORS AND SUPERVISORS OF THE COMPANY

As at 30 June 2014, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). 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 2014.

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 2014.



Other Information

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 2014 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 2014, 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 2014, the Company had 4,747 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 2014 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.

DOCUMENT FOR INSPECTION

The original copy of the 2014 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
Room 707, Tower A, Hui Xin Building,
No. 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
13 August 2014

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
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
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Fax:	86 (21) 2323 8800
International auditor:	PricewaterhouseCoopers
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Fax:	(852) 2810 9888

LEGAL ADVISERS

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Fax:	86 (10) 5813 7788
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STOCK CODE

H share:	0588
A share:	601588