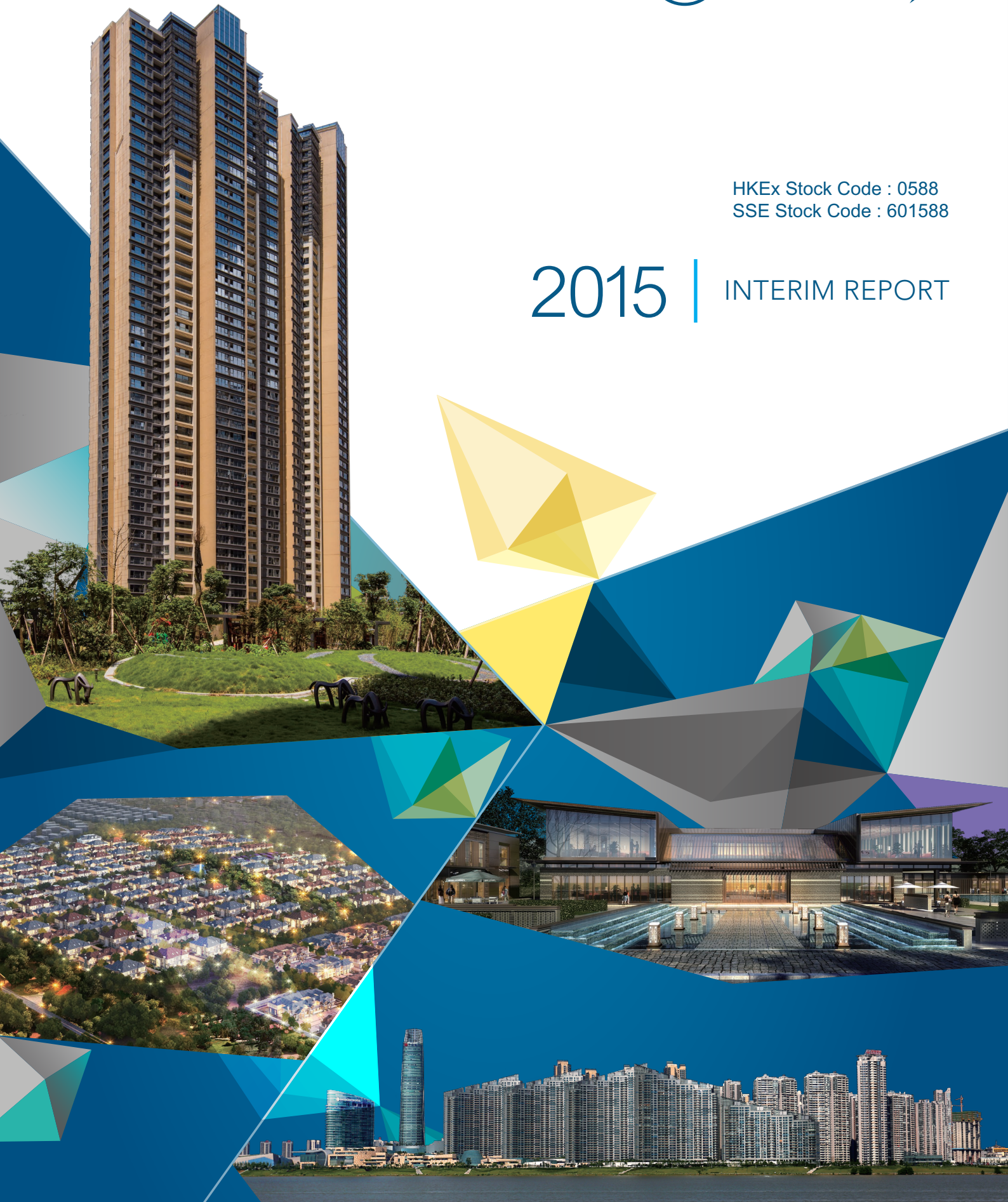




HKEx Stock Code : 0588
SSE Stock Code : 601588

2015 | INTERIM REPORT



INTERIM REPORT

For the six months ended 30 June 2015

- Revenue was RMB3,249,467,000, representing an increase of 25.47% over the same period last year
- Operating profit was RMB935,133,000, representing an increase of 0.83% over the same period last year
- Profit attributable to equity holders of the Company was RMB428,251,000, representing an increase of 1.87% over the same period last year. Among others, the core operating results of the Company's principal business were RMB445,322,000, representing an increase of 47.52% from the same period last year, and the loss (after taxation) on changes in fair value of investment properties was RMB17,071,000
- Earnings per share was RMB0.1272, earnings per share in the same period last year was RMB0.1249
- The board of directors (the "Board") resolved that no interim dividend would be distributed in respect of the six months ended 30 June 2015 (six months ended 30 June 2014: nil)

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	324,796	329,122
Investment properties	7	11,603,100	11,574,900
Property, plant and equipment	7	2,800,175	2,887,656
Investments accounted for using the equity method		29,595	28,398
Deferred income tax assets		188,674	172,932
Trade and other receivables	9	–	277,500
		14,946,340	15,270,508
Current assets			
Properties under development	8	18,464,429	16,100,770
Completed properties held for sale		6,586,594	7,774,754
Other inventories		71,650	78,527
Trade and other receivables	9	2,244,715	940,103
Restricted bank deposits		205,621	257,157
Cash and cash equivalents		4,972,624	4,052,623
		32,545,633	29,203,934
Total assets		47,491,973	44,474,442
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	10	3,367,020	3,367,020
Other reserves		4,261,968	4,261,968
Retained earnings			
– Proposed final dividend		–	202,021
– Others		8,591,340	8,163,089
		16,220,328	15,994,098
Non-controlling interests		212,184	172,566
Total equity		16,432,512	16,166,664

Interim Condensed Consolidated Balance Sheet (Continued)

	Note	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
LIABILITIES			
Non-current liabilities			
Long term borrowings	12	15,814,539	13,650,224
Long term payables		6,186	6,186
Deferred income tax liabilities		1,713,887	1,697,714
		17,534,612	15,354,124
Current liabilities			
Trade and other payables	11	9,575,016	9,721,868
Current income tax liabilities		666,685	772,036
Current portion of long term borrowings	12	2,800,940	1,309,750
Short term borrowings	12	482,208	1,150,000
		13,524,849	12,953,654
Total liabilities		31,059,461	28,307,778
Total equity and liabilities		47,491,973	44,474,442
Net current assets		19,020,784	16,250,280
Total assets less current liabilities		33,967,124	31,520,788

The notes on pages 8 to 28 are an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Revenue	6	3,249,467	2,589,898
Cost of sales		(1,829,882)	(1,460,670)
Gross profit		1,419,585	1,129,228
Selling and marketing expenses		(149,289)	(96,678)
Administrative expenses		(315,767)	(263,534)
Fair value (losses)/gains on investment properties	13	(22,763)	158,036
Other gains – net		3,367	353
Operating profit		935,133	927,405
Finance income	14	45,791	13,032
Finance costs	14	(226,453)	(180,594)
Finance costs – net	14	(180,662)	(167,562)
Share of loss of investments accounted for using the equity method		(1,303)	(55)
Profit before income tax	6	753,168	759,788
Income tax expenses	15	(292,799)	(302,467)
Profit for the period		460,369	457,321
Profit attributable to:			
– Equity holders of the Company		428,251	420,404
– Non-controlling interests		32,118	36,917
		460,369	457,321
		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		12.72	12.49
Dividend	16	–	–

The notes on pages 8 to 28 are an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Profit for the period	460,369	457,321
Other comprehensive income	–	–
Total comprehensive income for the period	460,369	457,321
Attributable to:		
– Equity holders of the Company	428,251	420,404
– Non-controlling interests	32,118	36,917
	460,369	457,321

The notes on pages 8 to 28 are an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited						
	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Note	Share capital	Other reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2015		<u>3,367,020</u>	<u>4,261,968</u>	<u>8,365,110</u>	<u>15,994,098</u>	<u>172,566</u>	<u>16,166,664</u>
Total comprehensive income for the period ended 30 June 2015		<u>-</u>	<u>-</u>	<u>428,251</u>	<u>428,251</u>	<u>32,118</u>	<u>460,369</u>
Transactions with owners							
Dividend relating to 2014 approved in the period ended 30 June 2015		-	-	(202,021)	(202,021)	-	(202,021)
Establishment of a new subsidiary		-	-	-	-	2,500	2,500
Paid in capital injection from non-controlling interest		-	-	-	-	5,000	5,000
Total transactions with owners		<u>-</u>	<u>-</u>	<u>(202,021)</u>	<u>(202,021)</u>	<u>7,500</u>	<u>(194,521)</u>
Balance at 30 June 2015		<u><u>3,367,020</u></u>	<u><u>4,261,968</u></u>	<u><u>8,591,340</u></u>	<u><u>16,220,328</u></u>	<u><u>212,184</u></u>	<u><u>16,432,512</u></u>
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		-	-	(202,021)	(202,021)	-	(202,021)
Acquisition of a subsidiary		-	-	-	-	2,961	2,961
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><u>3,367,020</u></u>	<u><u>4,231,264</u></u>	<u><u>8,036,226</u></u>	<u><u>15,634,510</u></u>	<u><u>118,118</u></u>	<u><u>15,752,628</u></u>

The notes on pages 8 to 28 are an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flow

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Cash flows used in operating activities – net	<u>(1,810,123)</u>	<u>(426,952)</u>
Cash flows used in investing activities – net	<u>(135,802)</u>	<u>(28,221)</u>
Cash flows generated from financing activities – net	<u>2,865,926</u>	<u>1,790,517</u>
Net increase in cash and cash equivalents	920,001	1,335,344
Cash and cash equivalents at 1 January	<u>4,052,623</u>	<u>3,196,257</u>
Cash and cash equivalents at 30 June	<u><u>4,972,624</u></u>	<u><u>4,531,601</u></u>

The notes on pages 8 to 28 are an integral part of this interim consolidated financial information.

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 19 August 2015.

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

Key events

On 20 January 2015, the Company issued corporate bonds with an aggregate principal amount of RMB2,500,000,000. Further details are given in Note 12.

Notes to the Condensed Consolidated Interim Financial Information

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2015 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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”).

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ended 31 December 2015 are not expected to have a material impact on the Group.

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 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 this 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 2014.

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 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 2014.

There have been no changes in the 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 2015 (Unaudited)					
Borrowings (including interests)	4,497,813	4,063,936	9,891,594	5,222,285	23,675,628
Trade and other payables	4,052,039	–	–	–	4,052,039
Financial guarantees (Note 18)	2,781,629	–	–	–	2,781,629
	<u>11,331,481</u>	<u>4,063,936</u>	<u>9,891,594</u>	<u>5,222,285</u>	<u>30,509,296</u>
At 31 December 2014 (Audited)					
Borrowings (including interests)	3,466,369	5,613,377	7,502,536	3,206,367	19,788,649
Trade and other payables	4,156,969	–	–	–	4,156,969
Financial guarantees (Note 18)	2,479,591	–	–	–	2,479,591
	<u>10,102,929</u>	<u>5,613,377</u>	<u>7,502,536</u>	<u>3,206,367</u>	<u>26,425,209</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 responsible for making operation decisions, assessing the operating performance and allocating resources.

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 asset, corporate cash and loan receivable, 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.

Turnover consists of sales from development properties, commercial properties, and investment properties and hotels segments. Revenues recognised during the six months ended 30 June 2015 and 30 June 2014 are as follows:

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Revenue		
Development properties	1,985,291	1,410,925
Commercial properties	126,521	157,345
Investment properties and hotels	1,090,232	971,457
	3,202,044	2,539,727
All other segments	47,423	50,171
	3,249,467	2,589,898

Notes to the Condensed Consolidated Interim Financial Information

6. SEGMENT INFORMATION (Continued)

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	Investment properties and hotels RMB'000	All other segments RMB'000	Total Group RMB'000
Six months ended 30 June 2015 (Unaudited)					
Total segment revenue	1,985,291	126,521	1,096,375	68,994	3,277,181
Inter-segment revenue	–	–	(6,143)	(21,571)	(27,714)
Revenue from external customers	1,985,291	126,521	1,090,232	47,423	3,249,467
Profit/(losses) before income tax	447,281	(8,065)	337,405	(7,847)	768,774
Six months ended 30 June 2014 (Unaudited)					
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/(losses) before income tax	299,281	1,744	289,808	(12,918)	577,915

Notes to the Condensed Consolidated Interim Financial Information

6. SEGMENT INFORMATION (Continued)

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 2015 (Unaudited)					
Total segment assets	27,642,664	1,010,900	6,974,153	1,006,104	36,633,821
Total segment assets include:					
Investments accounted for using equity method	23,130	-	-	-	23,130
Additions to non-current assets (other than deferred tax assets)	925	139	35,392	2,818	39,274
As at 31 December 2014 (Audited)					
Total segment assets	27,603,945	1,060,336	5,903,706	111,163	34,679,150
Total segment assets include:					
Investments accounted for using equity method	-	-	-	-	-
Additions to non-current assets (other than deferred tax assets)	2,564	302	1,359,688	9,088	1,371,642

Reportable segments' profit before income tax is reconciled to the Group's profit before income tax as follows:

	Unaudited Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Profit before income tax for reportable segments	768,774	577,915
Corporate overheads	(32,632)	(30,578)
Corporate finance costs	(221,602)	(175,334)
Corporate finance income	36,634	3,903
Share of loss from investments accounted for using the equity method	(19)	(55)
Fair value (losses)/gains on investment properties (Note 13)	(22,763)	158,036
Reversal of depreciation of investment properties	85,665	83,432
Land appreciation tax (Note 15)	137,320	140,678
Others	1,791	1,791
Profit before income tax	753,168	759,788

Notes to the Condensed Consolidated Interim Financial Information

6. SEGMENT INFORMATION (Continued)

Reportable segments' assets are reconciled to the Group's assets as follows:

	Unaudited As at 30 June 2015 RMB'000	Audited As at 31 December 2014 RMB'000
Total segment assets	36,633,821	34,679,150
Deferred income tax assets	188,674	172,932
Corporate cash	3,447,143	2,525,613
Interest in investments accounted for using the equity method	6,465	28,398
Loan receivable	360,328	277,500
Aggregated fair value gains on investment properties	5,278,883	5,301,646
Reversal of accumulated depreciation of investment properties	1,582,961	1,497,296
Others	(6,302)	(8,093)
Total assets	47,491,973	44,474,442

The Company and its subsidiaries were 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 2015 and 2014.

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 2015 and 31 December 2014, all the Group's non-current assets other than deferred income 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 2015 and 2014.

Notes to the Condensed Consolidated Interim Financial Information

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

	Land use rights <i>RMB'000</i>	Unaudited Property, plant and equipment <i>RMB'000</i>	Investment properties <i>RMB'000</i>
Six months ended 30 June 2015			
Opening net book amount as at 1 January 2015	329,122	2,887,656	11,574,900
Fair value losses (Note 13)	–	–	(22,763)
Additions	–	23,250	17,916
Disposals	–	(236)	(234)
Transfer	–	(33,281)	33,281
Amortisation/depreciation	(4,326)	(77,214)	–
	<u>324,796</u>	<u>2,800,175</u>	<u>11,603,100</u>
Closing net book amount as at 30 June 2015	<u>324,796</u>	<u>2,800,175</u>	<u>11,603,100</u>
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 (Note 13)	–	–	158,036
Acquisition of a subsidiary	–	614	–
Additions	–	26,299	26,564
Disposals	–	(1,249)	–
Amortisation/depreciation	(16)	(70,848)	–
	<u>995</u>	<u>2,029,736</u>	<u>11,523,600</u>
Closing net book amount as at 30 June 2014	<u>995</u>	<u>2,029,736</u>	<u>11,523,600</u>

The investment properties were revalued at 30 June 2015 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.

8. PROPERTIES UNDER DEVELOPMENT

	Unaudited As at 30 June 2015 <i>RMB'000</i>	Audited As at 31 December 2014 <i>RMB'000</i>
Land use rights	9,972,583	9,137,427
Development costs and capitalised expenditure	6,273,191	5,201,891
Finance costs capitalized	2,218,655	1,761,452
	<u>18,464,429</u>	<u>16,100,770</u>

Notes to the Condensed Consolidated Interim Financial Information

9. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2015 RMB'000	Audited As at 31 December 2014 RMB'000
Trade receivables	49,195	72,588
Less: provision for impairment of receivables	(1,162)	(1,156)
Trade receivables – net	48,033	71,432
Other receivables	1,066,158	127,866
Less: provision for impairment of receivables	(14,723)	(14,723)
Other receivables – net	1,051,435	113,143
Prepaid tax	662,394	660,237
Receivables due from related parties (Note 20(iv))	360,328	277,500
Other prepayments	98,762	83,052
Interest receivables (Note 20(iv))	23,763	12,239
	2,244,715	1,217,603
Less: non-current portion	–	(277,500)
	2,244,715	940,103

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 2015 and 31 December 2014, the ageing analysis of the trade receivables were as follows:

	Unaudited As at 30 June 2015 RMB'000	Audited As at 31 December 2014 RMB'000
Trade receivables		
0–30 days	27,234	18,991
31–90 days	10,590	41,374
Over 90 days	11,371	12,223
	49,195	72,588

Notes to the Condensed Consolidated Interim Financial Information

10. SHARE CAPITAL

	Audited As at 31 December 2014 <i>RMB'000</i>	Movement <i>RMB'000</i>	Unaudited As at 30 June 2015 <i>RMB'000</i>
Registered, issued and fully paid (a)	3,367,020	–	3,367,020

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

- (a) Pursuant to the document titled 'Implementation Measure for Transfer of Part of the State-owned Shares in Domestic Securities Market to the National Social Security Fund' (Cai Qi [2010] No. 94) (《境內證券市場轉持部份國有股充實全國社會保障基金實施辦法》(財企(2010)94號)) and announcement No. 63 of 2010 jointly issued by the Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund ("NCSSF"), a total of 150,000,000 shares in the Company held by BNSIGC should be transferred to NCSSF. As at 30 June 2015, the transfer is still in progress and relevant shares are subjected to sales restriction. Except for this, the lock-up period for remaining shares held by BNSIGC expired, and these shares were available for trading.

11. TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2015 <i>RMB'000</i>	Audited As at 31 December 2014 <i>RMB'000</i>
Trade payables	1,614,028	2,085,977
Advance from customers	5,408,823	5,401,732
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	1,078,264	857,810
Accrued interest	91,919	65,383
Other payables	1,338,399	1,309,804
	9,575,016	9,721,868

Notes to the Condensed Consolidated Interim Financial Information

11. TRADE AND OTHER PAYABLES (Continued)

As at 30 June 2015 and 31 December 2014, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) were as follows:

	Unaudited As at 30 June 2015 RMB'000	Audited As at 31 December 2014 RMB'000
Trade payables		
0–180 days	621,225	639,137
181–365 days	573,197	991,793
Over 365 days	419,606	455,047
	<u>1,614,028</u>	<u>2,085,977</u>

12. BORROWINGS

	Unaudited As at 30 June 2015 RMB'000	Audited As at 31 December 2014 RMB'000
Non-current		
Long term borrowings		
– Secured bank borrowings	7,891,360	7,813,500
– Other borrowings (Note a)	6,750,000	5,650,000
– 5 year bonds (Note b)	990,730	–
– 7 year bonds (Note b)	1,485,698	–
– 10 year bonds (Note b)	1,497,691	1,496,474
	<u>18,615,479</u>	14,959,974
Less: current portion of long term borrowings	<u>(2,800,940)</u>	(1,309,750)
	<u>15,814,539</u>	13,650,224
Current		
Short term borrowings		
– Secured borrowings	200,000	–
– Unsecured borrowings	282,208	1,150,000
Current portion of long term borrowings	2,800,940	1,309,750
	<u>3,283,148</u>	2,459,750
Total borrowings	<u>19,097,687</u>	<u>16,109,974</u>

Notes to the Condensed Consolidated Interim Financial Information

12. BORROWINGS (Continued)

- (a) Other borrowings

	Unaudited As at 30 June 2015 RMB'000	Audited As at 31 December 2014 <i>RMB'000</i>
Loans from other financial institutions (Note c)	5,850,000	4,550,000
Entrusted loans from BNSIGC (Note 20(iv))	900,000	1,100,000
	6,750,000	5,650,000

- (b) On 20 January 2015, the Company issued corporate bonds with an aggregate principal amount of RMB2,500,000,000. Among which, RMB1,000,000,000 has a maturity period of 5 years ("5 year bonds"), carries a fixed annual coupon rate of 4.8% and is embedded with an investor put option and a coupon rate upward adjustment option at the end of the third year. The net proceeds of 5 year bonds were RMB989,926,000 (net of issuance costs of RMB10,074,000). The remaining bonds of RMB1,500,000,000 has a maturity period of 7 years ("7 year bonds"), carries a fixed interest rate of 5.2% and is embedded with an investor put option and a coupon rate upward adjustment option at the end of the fifth year. The net proceeds of 7 year bonds were RMB1,484,889,000 (net of issuance costs of RMB15,111,000). The interest of bonds would be paid annually and the principal is fully repayable on 20 January 2020 and 20 January 2022, respectively.

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. The bond carries a fixed annual interest rate of 4.1%, the interest of which would be paid annually and the principal is fully repayable on 29 May 2016. As 10 year bonds will mature within 1 year, they have been reclassified as current portion of long term borrowings.

- (c) Loans of RMB1,700,000,000, which were obtained by the Company, 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 20(vi)) and secured by certain investment properties and properties under development.

Loans of RMB800,000,000, which were obtained by the Company, 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.

Loans of RMB1,000,000,000, which were obtained by the Company, bear interest rate of 7.9% per annum, and are repayable after 36 months from the inception date of the loan, and are secured by certain investment properties.

Loans of RMB1,000,000,000, which were obtained by the Company, bear interest rate of 6.5% per annum, and are repayable after 60 months from the inception date of the loan, and are secured by certain investment properties.

Notes to the Condensed Consolidated Interim Financial Information

12. BORROWINGS (Continued)

(c) (Continued)

Loans of RMB700,000,000, which were obtained by a subsidiary, bear interest rate of 9.6% per annum, and are repayable after 24 months from the inception date of the loan, and are guaranteed by BNSIGC (Note 20(vi)) and secured by certain properties under development.

Loans of RMB650,000,000, which were obtained by a subsidiary, bear interest rate of 11% per annum, and are repayable after 24 months from the inception date of the loan, and are secured by certain properties under development.

Movements in borrowings are analyzed as follows:

	Unaudited Six months ended 30 June 2015 RMB'000
<hr/>	
Six months ended 30 June 2015	
Opening amount as at 1 January 2015	16,109,974
Addition of bank borrowings	2,450,985
Addition of other borrowings	1,582,208
Repayment of borrowings	(3,523,125)
Issuance of bonds	2,474,815
Amortisation of issuance costs of bonds	2,830
	<hr/>
Closing amount as at 30 June 2015	19,097,687
	<hr/>
	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/>

Interest expense on borrowings for the six months ended 30 June 2015 is RMB622,819,000 (six months ended 30 June 2014: RMB442,749,000).

Notes to the Condensed Consolidated Interim Financial Information

12. BORROWINGS (Continued)

The Group has the following undrawn borrowing facilities:

	Unaudited As at 30 June 2015 RMB'000	Audited As at 31 December 2014 RMB'000
Expiring within one year	230,000	–
Expiring between two and five years	3,039,014	2,385,000
Expiring beyond five years	712,500	437,500
	<u>3,981,514</u>	<u>2,822,500</u>

13. OPERATING PROFIT

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

	Unaudited Six months ended 30 June 2015 RMB'000	2014 RMB'000
Investment properties at fair value through profit or loss:		
– fair value (losses)/gains (Note 7)	(22,763)	158,036
Provision for impairment of receivables	(5)	–
Loss on disposal of property, plant and equipment	(44)	(530)
	<u>(71)</u>	<u>(530)</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 2015 and 2014.

Financial assets were reviewed for impairment as at 30 June 2015, and provision for impairment of receivables of RMB5,000 is provided.

No inventory was written-down as at 30 June 2015 (31 December 2014: nil).

Notes to the Condensed Consolidated Interim Financial Information

14. FINANCE INCOME AND COSTS

	Unaudited Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expense	(622,819)	(442,749)
Less: amounts capitalised in properties under development at a capitalisation rate of 7.20% (six months ended 30 June 2014: 6.36%) per annum	401,217	267,415
Finance costs	(221,602)	(175,334)
Bank charges and others	(4,851)	(5,260)
Finance income		
– Interest income on short-term bank deposits	45,791	13,032
Net finance costs	(180,662)	(167,562)

15. INCOME TAX EXPENSES

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 2015 and 2014. 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 2015 and 2014 was 25%.

	Unaudited Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– PRC enterprise income tax	155,048	104,261
– PRC land appreciation tax	137,320	140,678
Deferred income tax	431	57,528
	292,799	302,467

Notes to the Condensed Consolidated Interim Financial Information

16. DIVIDEND

A dividend that relates to the year ended 31 December 2014 amounting to RMB202,021,000 was approved at the annual general meeting in May 2015 (Dividend related to the year ended 31 December 2013: RMB202,021,000).

The Board resolved that no interim dividend will be declared in respect of the six months ended 30 June 2015 (Six months ended 30 June 2014: nil).

During the six months ended 30 June 2015, total dividend that related to the year of 2014 paid by the Group to the equity holders of the Company is RMB159,600,000. The remaining was paid in full in July 2015.

17. PLEDGED ASSETS

As at 30 June 2015, certain investment properties with fair value of RMB11,453,000,000 (31 December 2014: RMB11,415,000,000), property plant and equipment with net book value of RMB2,579,688,000 (31 December 2014: RMB1,824,106,000), properties under development with net book value of RMB10,137,415,000 (31 December 2014: RMB8,258,241,000) and completed properties held for sales with net book value of RMB1,249,512,000 (31 December 2014: 1,987,329,000) were pledged by the Group as securities for long term borrowings of RMB13,741,361,000 (31 December 2014: RMB12,363,500,000).

18. CONTINGENCIES

(a) 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 RMB2,781,629,000 as at 30 June 2015 (31 December 2014: RMB2,479,591,000).

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.

(b) Pending arbitration

On 20 April 2005, the Company's prior wholly-owned subsidiary, Beijing North Star Convention Centre Development Co., Limited ("BNSCCD"), signed the general construction contract for National Convention Centre Project located in Beijing Olympic Park, section B with Beijing Construction Engineering Group Company Limited ("BCEGC"). The construction of the project was completed on 30 October 2009. Subsequent to the completion, dispute arose between BNSCCD and BCEGC regarding the final settlement amount of the project. In November 2011, the Company proposed the merger of BNSCCD and the cancellation of BNSCCD as an independent legal person. In December 2013, upon the approval of Beijing Industry and Commerce Bureau, relevant procedures for cancellation of BNSCCD were completed. After the merger, all of BNSCCD's assets, liabilities and other obligations and responsibilities thereunder were assumed by the Company.

In July 2014, BCEGC submitted an application to the Beijing Arbitration Commission, and required the Company to pay for the remaining construction cost, late payment interests and related attorney's fees totaling RMB176,201,000. Currently, the arbitration case is still in hearing.

Notes to the Condensed Consolidated Interim Financial Information

19. COMMITMENTS

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

	Unaudited As at 30 June 2015 RMB'000	Audited As at 31 December 2014 RMB'000
Properties under development		
Contracted but not provided for	3,071,165	2,858,006
Authorised but not contracted for	19,877,214	7,396,337
	<u>22,948,379</u>	<u>10,254,343</u>

(b) **At 30 June 2015 and 31 December 2014, the Group had future aggregate minimum rental receivables and payables under non-cancellable operating leases as follows:**

	Unaudited As at 30 June 2015 RMB'000	Audited As at 31 December 2014 RMB'000
As lessor:		
Rental receivables in respect of investment properties		
Not later than one year	583,922	580,274
Later than one year and not later than five years	719,517	537,330
Later than five years	486,134	418,369
	<u>1,789,573</u>	<u>1,535,973</u>

	Unaudited As at 30 June 2015 RMB'000	Audited As at 31 December 2014 RMB'000
As lessee:		
Rental payables in respect of land use rights and buildings		
Not later than one year	18,092	18,994
Later than one year and not later than five years	67,576	69,042
Later than five years	249,534	256,664
	<u>335,202</u>	<u>344,700</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 itself is a state-owned enterprise controlled by the PRC government. For the six months ended 30 June 2015 and 2014, 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 privatization 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 relative to related party transactions has been disclosed.

In addition to 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	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Rental		
– a joint venture	<u>159</u>	<u>13,323</u>

(ii) Purchases of goods and services

	Unaudited Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
BNSIGC		
– operating lease payment in respect of land	7,100	7,130
– office lease acceptance	450	450
– brand royalty fee	5	5
	<u>7,555</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

20. RELATED PARTY TRANSACTIONS (Continued)

(iii) Entrusted loans from BNSIGC

	Unaudited Six months ended 30 June 2015 RMB'000
At 1 January 2015	1,102,067
Repayments of entrusted loans	(200,000)
Interest accrued	28,243
Interest paid	(28,845)
	<u>901,465</u>
At 30 June 2015	<u>901,465</u>
	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>

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

Principal RMB'000	Borrowing Date	Maturity Date	Interest Rate
200,000	30 August 2013	30 August 2015	Fixed rate 6.15%
300,000	4 April 2014	1 April 2016	Fixed rate 6.15%
150,000	10 June 2014	9 June 2016	National benchmark interest rate
50,000	25 July 2014	24 July 2016	National benchmark interest rate
200,000	15 August 2014	14 August 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 investment

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Trade and other receivables from related parties		
Joint Venture – Wuhan Modern Land North Star Real Estate Co., Limited (“WHMLNSRE”)	291,000	277,500
Associate – Hangzhou Xufa Real Estate Co., Limited	69,328	–
	<u>360,328</u>	<u>277,500</u>
Entrusted loans from related parties		
– BNSIGC (Note 12(a))	900,000	1,100,000
Interest payable of entrusted loans from related parties		
– BNSIGC	1,465	2,067
Interest receivables from a related party		
– WHMLNSRE (Note 9)	23,763	12,239

Except for the project cooperation funds to a related party, the amount receivables and payables are unsecured, interest free and have no fixed terms of repayment.

At 30 June 2015 and 31 December 2014, there were no provisions for impairment of receivables from related parties. No provisions for impairment of receivables from related parties were charged to income statement for the six months ended 30 June 2015 and 2014.

Notes to the Condensed Consolidated Interim Financial Information

20. RELATED PARTY TRANSACTIONS (Continued)

(v) Key management compensation

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Salaries and other short-term employee benefits	6,639	4,477
Post-employment benefits	329	602
	6,968	5,079

(vi) Accept financial guarantee

Pursuant to agreements signed by BNSIGC, BNSIGC provides joint liability guarantee for the loans from certain financial institutions amounting to RMB3,495,000,000 as at 30 June 2015 (31 December 2014: RMB2,100,000,000).

21. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 17 July 2015, the Company convened the second extraordinary general meeting of 2015, the first A Share class meeting of 2015 and the first H Share class meeting of 2015, to consider and approve the proposal of the Non-public Issuance. The total funds to be raised under the Non-public Issuance shall not exceed RMB2,500,000,000. After considering the 2014 profit distribution plan, the issue price shall not be less than RMB4.45 per share, and the number of Shares issued under the Non-public Issuance shall be no more than 561,790,000. Until the issuance of the interim financial information, the China Securities Regulatory Commission has accepted the application by company, and the administrative approval is still in progress.

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 2015 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	As at 31 December
	2015	2014	2015	2014
	Unaudited	Unaudited	Unaudited	Audited
	RMB'000	RMB'000	RMB'000	RMB'000
As stated in accordance with CAS	379,731	237,960	11,078,664	10,900,954
Impact of HKFRS adjustments:				
1. Reversal of depreciation of investment properties under CAS	64,248	62,574	1,187,221	1,122,973
2. Fair value adjustment of investment properties under HKFRS	(17,071)	118,527	3,959,163	3,976,234
3. Differences on revaluation of certain assets upon the reorganisation in 1997	1,343	1,343	(4,720)	(6,063)
As stated in accordance with HKFRS	428,251	420,404	16,220,328	15,994,098

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company

I. BUSINESS ENVIRONMENT

The year of 2015 is the final year for completing the Twelfth Five-Year Plan. During such a crucial year to transform economic development mode and deepen the reform comprehensively, the state continues to adhere to the general principle of seeking progress while keeping stability, positively adapts to the new norm of economic development, implements proactive fiscal policies and prudent monetary policies, while continuously highlights the driving effect of creation, strengthens risk prevention and control, resulting in a good development trend of national economy and the GDP growth rate in the first half of 2015 remained at 7.0%.

1. Development Properties

In the first half of 2015, against the backdrop of macro-economic control of classification guidance and measure implementation according to local conditions, the government set about to improve the real estate market environment by simultaneously adjusting both the supply end and the demand end. On the supply end, the government controlled the supply and regulated the supply structure in the land market to guide the potential supply in the property market. On the demand side, the government adjusted the exemption period of sales tax and implemented the policy of fiscal subsidies through some local governments to realize steady consumption, promote the demand and speed up the destocking process. In addition, under the influence of favorable policies in the reduction of the reserve-requirement ratio and interest rate many times, the financial and credit environments became loose, and the market recovery momentum in the second quarter of 2015 increased significantly. The sales area of commodity housing around the whole country in the first half of 2015 started to rise other than fall on year-on-year basis. Among 70 large and medium-sized cities, the number of cities with an increased price index (MoM) grew month by month and had reached 27 by June. According to the statistics data of State Statistics Bureau (the same below), commodity housing sales area in the real estate market of China was 443.89 million square meters, rising 4.5% year on year and the corresponding average sales price was RMB6,520 per square meter, rising 8% year on year.

Due to comprehensive factors like favorable policies in real estate market in first-tier cities, and active sales pushing by developers, as well as the rapid release of rigid demand and improvement demand, the sales target became stabilized and started to pick up since the second quarter. Sales area and the contractual sales amount of commercial housing in Beijing were respectively 4.81 million square meters and RMB101.9 billion, up 25% and 41% respectively over the same period last year. The average selling price was RMB21,172 per square meter, up 7% over the same period last year.

Real estate market in second-tier cities as a whole was relatively stable. In a general background of strengthened stimulus of macro policies and especially relatively loosened financial policies, although oversupply still existed, as the trading volume of commodity housing rebounded rapidly, the property market appears to remain stable and healthy. Among the prefecture-level cities that the Company has successfully accessed:

Sold area and amount of commercial housing in the real estate market in Changsha were 7.74 million square meters and RMB42.4 billion respectively, up 48% and 44% respectively year on year and the corresponding average transaction price was RMB5,481 per square meter, down 3% year on year;

Sold area and amount of commercial housing in the real estate market in Wuhan were 9.79 million square meters and RMB79.7 billion respectively, up 19% and 32% respectively year on year and the corresponding average transaction price was RMB8,140 per square meter, up 10% year on year;

Sold area and amount of commercial housing in the real estate market in Hangzhou were 5.74 million square meters and RMB84.6 billion respectively, up 70% and 88% respectively year on year and the corresponding average transaction price was RMB14,746 per square meter, up 10% year on year;

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company

I. BUSINESS ENVIRONMENT *(Continued)*

1. Development Properties *(Continued)*

Sold area and amount of commercial housing in the real estate market in Chengdu were 11.09 million square meters and RMB71.7 billion respectively, down 3% and 4% respectively year on year and the corresponding average transaction price was RMB6,459 per square meter, down 1% year on year;

Sold area and amount of commercial housing in the real estate market in Suzhou were 7.56 million square meters and RMB76.6 billion respectively, up 28% and 34% respectively year on year and the corresponding average transaction price was RMB10,133 per square meter, up 5% year on year;

Sold area and amount of commercial housing in the real estate market in Nanjing were 4.33 million square meters and RMB56.0 billion respectively, up 2% and 11% respectively year on year and the corresponding average transaction price was RMB12,951 per square meter, up 9% year on year.

2. Investment Properties (including hotels)

With optimization of economic development structure and increased investment in infrastructure in Beijing as the background, investment properties (including hotels) market presents good prospects for development, among which office buildings saw a great demand. The rent for office buildings in Beijing kept rising, ranking the highest all over the country. The net take-up rate significantly increased compared with the same period last year and the vacancy rate remained at low level. After experiencing previous market changes, as well as the enterprises' active adjustments to respond, the imbalance between supply and demand in high-end hotel industry and catering industry had been alleviated, the index of physical quantity saw a rebound trend and the market outlook was positive in the first half of the year. The expansion capacity of exhibition market in Beijing is relatively broad and the importance of the exhibition is further underlined because Beijing is a metropolis for Asian conference and exhibition and is among the top five global conferences host cities, as well as a leader of Chinese exhibition industry. Supply and demand of apartments was relatively stable. Rental price and occupancy rate were basically flat over the same period last year.

3. Commercial Properties

In recent years, as the growth of residents' consumption slowed down, apart from which the commercial properties market was impacted to a certain extent due to distracted customers because of competition from e-commerce, resulting in fiercer and fiercer competition. Therefore, a new business model is built to focus on the experience of customers' pursuit and integrating various on-line and off-line channels to satisfy their needs, which becomes the mainstream for market development.

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company

II. BUSINESS REVIEW DURING THE REPORTING PERIOD

In the first half of 2015, facing situation changes and fierce competition, the Company actively grasped the market development opportunities under the new economy and new norm, and with low-cost expansion, brand expansion and capital expansion as the three expansion strategies (“Three Strategies”), regional layout continued to improve, land reserve grew stably, brand extension obtained significant results, diversified financing achieved another high and core competitiveness and sustainable development ability of the Company enhanced continuously.

In the first half of 2015, revenue of the Company was RMB3,249.467 million, up 25.47% year on year. Due to the transfer and settlement of real estate project and stable development of investment properties operation, the after-tax core operating results of the principal businesses of the Company (excluding gains arising from the changes in fair value) was RMB445.322 million, up 47.52% year on year. Due to the decreased in gains arising from the changes in fair value of investment properties compared with last year, profits before income tax and profits attributable to equity holders of the Company were RMB753.168 million and RMB428.251 million respectively, down 0.87% and up 1.87% respectively. Loss arising from the changes in fair value of investment properties was RMB17.071 million in this period (after tax) and gains arising from the changes in fair value of investment properties (after tax) in the first half of 2014 was RMB118.527 million. Earnings per share was RMB0.1272, up 1.84% over the same period.

1. Development Properties

During the reporting period, the Company grasped the rebound of market, continued to speed up the development and turnover of projects, positively coped with the market demands, created new sales and promotion models, strengthened the integration between the Internet and real estate business and carried out circle-layer marketing to further raise the popularity of its products.

In Beijing area, the Company strengthened uncovering regional customers of North Star Xianglu project, and achieved a contractual sales amount of RMB350 million (totalling 56 sets). The Company accelerated the construction of Royal Oak Villa and also popularized the project by online, offline and the combination of promoting first-hand and second-hand houses. Before the complete release of the house purchase quota policy in Beijing, the Villa contractual sales amount has reached RMB140 million (totalling 15 sets), ranking among the top of villa sales in north Olympic area. Signing contracts with customers who subscribed houses at the preliminary stage of Bihai Fangzhou Villa project was completed with enhanced speed, and the contractual sales amount was RMB60 million. Through communication with relevant government departments, Contemporary North Star Yue MOMA (Shunyi Qianjin New City project) became the first one approved for housing for personal use online application, and 23,376 customers applied in total, which reached a new high of online application number of the self-housing project in Shui Yi in 2015. In addition, the entire decoration of showrooms in the sales office and other preliminary preparations of North Star Villa 1900 (Shunyi Ma Po project) have been finished, which laid a sound foundation to grasp an opportunity to enter the market in the latter half year.



Photo of North Star Xianglu



Sales office of Royal Oak Villa



Photo of Bihai Fangzhou Villa



Commercial virtual street view of Contemporary North Star Yue MOMA



Photo of North Star Villa 1900 Phase One

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company

II. BUSINESS REVIEW DURING THE REPORTING PERIOD (Continued)

1. Development Properties (Continued)

In south areas, as the most influential urban complex in Changsha, the development and sales of North Star Delta project is always at the leading level in the area. Up to the first half of 2015, its accumulative construction area was 3,070,000 square meters and its accumulative completed area was 1,650,000 square meters, which account for 56% and 30% of the total gross floor area respectively. During the reporting period, the Company followed the rebound trend of the market, grasped chances in the policy window period and relied on its brand influence in Changsha, as a result of which the sales of North Star Delta project continued to rise, ranking the top both in single-project sales amount and sales area in Changsha. In the first half of 2015, the sales area of North Star Delta project was 136,000 square meters (totalling 1,060 sets), the contract amount (including parking space) was RMB1.3 billion. Through preliminary preparation of customer collection, continuous deployment for marketing and introduction of quality education resources and supporting facilities, the sales performance of North Star Central Park project – another masterpiece in south Changsha – ranked the top of villa sales in Tianxin District, and the contractual sales amount was RMB230 million (totalling 260 sets) during the reporting period.



Photo of D2 Block of North Star Delta in Changsha



Photo of North Star Central Park in Changsha

At the same time, the Company continued to insist on the low cost expansion strategy and strengthened the market expansion of projects in all respects. Having entered Wuhan and Hangzhou markets in 2014, while focusing on the deepening of Hangzhou market in the first half of 2015, the Company also entered Chengdu, Suzhou and Nanjing markets, and 5 new land parcels were added to its land reserves, reaching 710,000 square meters.

In the first half of 2015, due to the increased area with amount capable of being settled and transferred of real estate development projects, revenue of development property reached RMB1,985.291 million (including parking space), significantly up 40.71% year on year, and the profit before income tax was RMB447.281 million, up 49.45% year on year. In the first half of 2015, the resumed construction area of development property was 2.206 million square meters, and the completed area was 76,000 square meters, the contractual sales amount and the sales area were RMB2.1 billion (including parking space) and 192,000 square meters respectively.

Table 1: Summary Statement of Sales of Real Estate Project in the First Half of 2015 of the Company

Project	Location	Equity	Total investment planned (100 million Yuan)	Total floor area (10,000 sq. m.)	Total sellable area (10,000 sq. m.)	Current sales area (10,000 sq. m.)	Accumulative sales area (10,000 sq. m.)	Current sales amount (100 million Yuan)	Current area settled (10,000 sq. m.)	Accumulative area settled (10,000 sq. m.)	Current amount settled (100 million Yuan)
North Star Xianglu	Haidian, Beijing	100%	26.1	31.2	21.6	1.48	16.12	3.45	1.25	14.89	2.89
North Star Fudi	Chaoyang, Beijing	100%	27.5	45.9	38.9	0.01	35.25	0.02	0.82	34.07	1.70
North Star Villa 1900	Shunyi, Beijing	100%	24.4	21.3	13.3	-	-	-	-	-	-
Bihai Fanghizou	Chaoyang, Beijing	50.5%	17.4	7.7	4.7	0.06	4.61	0.60	0.29	4.19	2.87
Royal Oak Villa	Changping, Beijing	99.1%	27.6	21.4	13.8	0.42	3.63	1.40	-	2.74	-
North Star Delta											
in Changsha	Changsha, Hunan	100%	330.0	549.0	392.0	13.63	103.09	13.05	11.21	67.30	12.15
North Star Central Park	Changsha, Hunan	51%	48.0	90.6	71.1	3.57	5.00	2.35	-	-	-
Remaining buildings of other projects	-	-	-	-	-	0.06	-	0.17	0.12	-	0.24

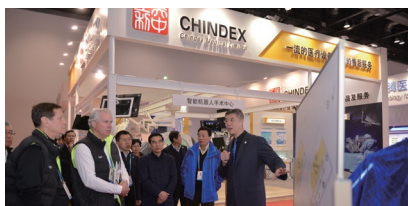
Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company

II. BUSINESS REVIEW DURING THE REPORTING PERIOD (Continued)

2. Investment Properties (including hotels)

In the first half of 2015, revenue of investment properties (including hotels) was RMB1,090.232 million, up 12.23% year on year, and the profit before income tax was RMB337.405 million without taking into account the interests costs apportionment, up 16.42% year on year. In the face of market changes, the Company made full use of strong linkage of investment properties (including hotels) and the position advantage in the core of Asia Olympic Area, and timely adjusted its marketing measures to constantly improve the business performance.

The National Convention Center and Beijing International Convention Center are the core of the North Star Exhibition Function Area, and has totally hosted 868 conferences and exhibitions, increasing 11 on year-on-year basis during the reporting period. Among them, the National Conference Center focused on the popular industries in the market, introduced TMT quality customer groups and realized a series of large TMT conferences such as the Global Software Case Summit (TOP100) and the Global Internet Technology Conference (GITC). In addition, the National Conference Center effectively integrates internal and external resources, and actively tried to cultivate and expand exhibition upstream business, and it successfully hosted the independent brand project of "Mobile Internet + Convention and Exhibition Summit Forum of 2015 Global Mobile Internet Conference" and jointly organized "the 12th National Nutrition Science Conference", injecting new vigor for development of enterprise innovation operation and light-asset service business. Beijing International Conference Center maintained its business performance stable through deepening small and medium-sized convention markets, extending new convention market, strengthening market exploitation and continuously improving operation service level.



The evaluation panel for 2022 Winter Olympics inspected the National Convention Center The holding of IAAF Congress at the National Convention Center

As for the business in office buildings, the Company strengthened to integrate customer resources, optimize the customer structure, communicate with property owners for feedbacks and promote the soft power of property services. The occupancy rate and leasing price increased continuously and steadily, becoming an important source of profits of investment properties (including hotels).



Photo of office buildings of North Star Century Center

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company

As for hotel business, the Company actively responded to market changes, constantly increased investment in commercial interactive activities and mass catering, adopted Internet marketing mode, gradually increased brand awareness and strengthened customer satisfaction of experience. The room rate and occupancy rate were higher than the industry average.



Di Chinese cuisine restaurant at Intercontinental Beijing North Star Hotel

As for apartment business, aiming at the diversified requirements of different customer groups, the Company improved the hardware facilities, and at the same time focused on improving effective settlement of convention customer demands to keep occupancy rate at a high level and the average prices rose steadily.



Exterior view of North Star Huiyuan Apartments

Table 2: Summary Statement of Property Operation Held by the Company in the First Half of 2015

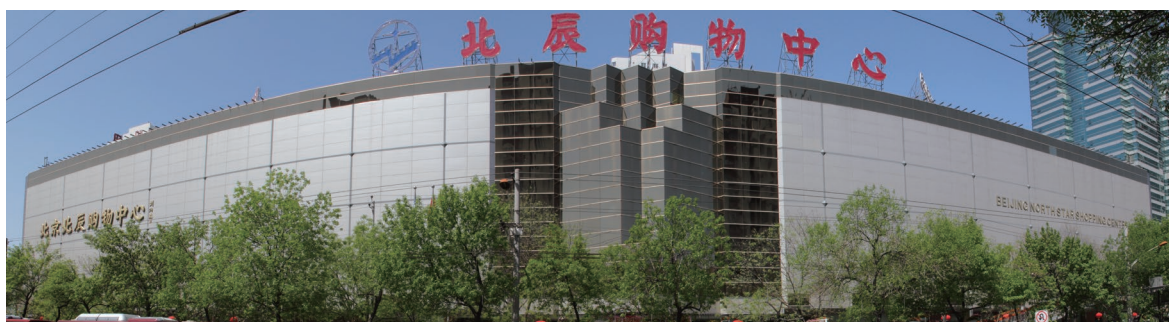
Commercial type	Gross floor area (Ten thousand sq.m.)	Rentable area (Ten thousand sq.m.)	Occupancy rate (%)	Average rent
Convention center	32.6	12.5	52	RMB15-55m ² / day
Office building	32.1	21.4	92	RMB180-280m ² / month
Apartment	18.0	10.1	80	RMB7m ² / day
Hotel	28.6	2,157 guest rooms	65	RMB550-1,100 room/ night

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company

II. BUSINESS REVIEW DURING THE REPORTING PERIOD (Continued)

3. Commercial Properties

Facing a keen market competition of commercial properties, the Company enriched the commodity classification and adjusted the combination of commercial brands to enhance the supply to meet consumer experience needs, strengthen the application of Internet promotion mode and strive to reduce the impact of e-commerce on sectional businesses.



Asian Games Village Store, North Star Shopping Center

In the first half of 2015, revenue of commercial properties was RMB126.521 million, down 19.59% year on year and the loss before income tax was RMB8.065 million.

Table 3: Summary Statement of Commercial Properties Operation of the Company in the First Half of 2015

Commercial type	Gross floor area (Ten thousand sq.m.)	Type of business	Mode of operation	Rentable area (Ten thousand sq.m.)	Occupancy rate (%)	Average rent
Asian Games Village Store, North Star Shopping Center	3.0	Store, supermarket, renting	Joint operation first, renting and private operation second	0.08	100	Retail rent is RMB5.46-10 m ² / day
Beiyuan Store, North Star Shopping Center	6.5	Store, supermarket, renting	Joint operation first, renting and private operation second	0.54	100	

Notes: Joint operation: jointly carry out marketing with suppliers, and settle accounts according to the deduction rate in the contract;

Private operation: including distribution and consignment.

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company

II. BUSINESS REVIEW DURING THE REPORTING PERIOD *(Continued)*

4. Development Strategy Implementation of the Company

Relying on the business modes of both “property development and sale” and “property holding operation”, the Company speeded up the implementation of the Three Strategies of low cost expansion, brand expansion and capital expansion, land reserve grew stably, brand expansion obtained remarkable results and multi-channel financing achieved another height.

As for the strategy of low cost expansion, the Company achieved gratifying results based on the deepened exploration of Beijing and Changsha markets, speeding up the layout in the whole country, taking vital node cities for harmonious development of first and second-tier cities and Beijing, Tianjin and Hebei as the mainline and rapidly promoting regional expansion in multiple forms. During the reporting period, the Company newly entered Chengdu, Nanjing and Suzhou, and till the end of the reporting period, the Company has totally entered 7 cities, namely Beijing, Changsha, Wuhan, Hangzhou, Chengdu, Nanjing and Suzhou, nation-wide development has taken preliminary shape.

Table 4: Summary Statement of Newly Increased Real Estate Projects of the Company in the First Half of 2015

Project	Land reserve (Ten thousand sq.m.)	Equity land reserve (Ten thousand sq.m.)
Zhonghui, Hangzhou Project (Land D18)	10.06	5.03
Zhonghui, Hangzhou Project (Land D-23)	3.06	1.53
Dayuan, Chengdu Project	22.78	9.11
Huashan Road, Suzhou Project	26.75	13.38
Hexi New City, Nanjing Project	8.69	8.69
Total	71.34	37.74

Note: The data of land reserve and equity land reserve above are those at the time of project auction calculated with reference to the transfer conditions.

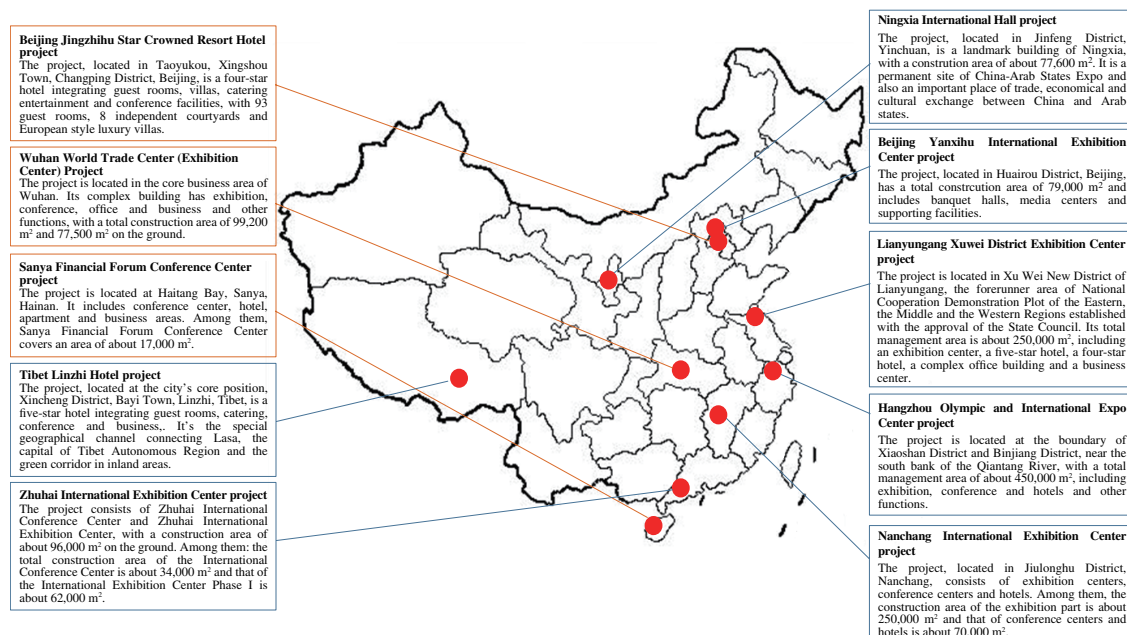
In respect of brand expansion strategy, in addition to expand the upstream business of the convention and exhibition industry chain, the Company advanced the output of management services of convention venues and hotels continuously. During the reporting period, the Company successfully signed contracts of the entrusted operation and management for the Hangzhou Olympic and International Expo Center project and Ningxia International Hall project. The Company was entrusted to operate a total construction area of about 450,000 square meters for the former project, covering businesses such as exhibitions, conferences and hotels, the entrusted operation period is ten years; and made preparations for 2015 China-Arab States Expo to be held in the second half of the year in a construction area of 77,600 square meters for the latter project. In addition, under the construction professional team operation management, Zhuhai International Exhibition Center project which was entrusted to the Company, offered services for conferences that increased month on month since the opening of business in October 2014, the number of conference and exhibition reception were over 130 totally, including numerous large-scale conferences and exhibitions with more than one thousand people each time.

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company

II. BUSINESS REVIEW DURING THE REPORTING PERIOD (Continued)

4. Development Strategy Implementation of the Company (Continued)

Table 5: Summary Statement of Entrusted Operation Projects and Consulting Projects of the Company in the First Half of 2015



Visual illustration of Ningxia International Hall

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company

II. BUSINESS REVIEW DURING THE REPORTING PERIOD *(Continued)*

4. Development Strategy Implementation of the Company *(Continued)*

In terms of capital expansion strategy, the Company optimized the structure of corporate debt to carry out diversified financing channels with the “headquarters financing” platform. During the reporting period, it has made public issuance of corporate bond with a 2.5 billion offering size and a real estate credit financing scheme with New China Life Insurance for the financing of RMB1 billion respectively, and also launched the non-public issuance of A shares for the equity refinancing of no more than RMB2.5 billion.

As of the first half of 2015, the main financing channels of the Company consisted of bank loans, trust financing, insurance credit financing and corporate bond financing, and the balances at the end of reporting period of the financing channels mentioned above were respectively RMB9,243.57 million, RMB2,380 million, RMB3,500 million and RMB3,974.12 million. During the reporting period, the capitalized amount of borrowing costs was RMB401.22 million with a capitalisation rate of 7.2%, and the weighted average interest rate of the borrowing was 7.16%. During the reporting period, no form of external guarantee exists except for the guarantee offered by the Company in stages for the mortgage loans issued by banks to house purchasers in accordance with market practices.

III. COMPETITION PATTERN AND DEVELOPMENT TREND IN THE INDUSTRY

In the second half of 2015, China will continue to insist on the general guideline of seeking improvement while maintaining stability, actively adapt to the new norm of economic development and keep the economy running within a reasonable range. Through micro stimulation in monetary policy, fiscal policy, and public investment, China will strive to revitalize the market, deepen the reform of the fiscal and taxation, finance, investment and financing systems, give full play to the basic role of consumption, effectively raise the quality of economic development and promote the sustainable and healthy development of national economy.

As for the development of the property, due to the multiple favorable policies in the first half of the year, the real estate industry now welcome a period of loosening policy, the market confidence is further boosted and the rigid demands and improvement demands are released gradually. At the same time, the regional differentiation of real estate market will intensify, and the upward tendency of turnover in the first-tier cities will continue in the second half of the year depending on their strong in-take capacity of population and supporting facilities; while even though the inventory pressure in part of the second-tier cities is higher, the market still tends to develop steadily and healthily. In the second half of 2015, the real estate industry will develop in a diversified and differentiated way by deepening the integration with the internet, creating new business models and broadening financing channels continuously.

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company

III. COMPETITION PATTERN AND DEVELOPMENT TREND IN THE INDUSTRY *(Continued)*

In terms of investment properties (including hotels), the Several Opinions on Further Promoting the Reform and Development of the Exhibition Industry (hereinafter referred to as "Opinions") issued by the State Council of the People's Republic of China on 19 April 2015 put forward that: basically complete the establishment of the exhibition industry system with optimized structure, perfect functions, solid foundation, reasonable layout and balanced development in China by 2020. Under the guidance of the "Opinions", Beijing will continue to accelerate the industrial transformation and upgrading, booster the development of the convention and exhibition industry, and at the same time drive the coordinated development of hotels, office buildings and apartment market along with the increasingly intensified core functional positioning of the capital as the "political center", "cultural center", "international communication center" and "science and technology innovation center", etc, which will further positively affect investment properties (including hotels) business of the Company.

As for commercial properties, the country and relevant government departments continue to issue preferential policies, vigorously develop the consumer market and strengthen the basic role of consumption to economic growth, which will promote the development of the commercial properties of the Company.

IV. DEVELOPMENT STRATEGY OF THE COMPANY

Facing the complicated and changing business environment, the Company will strengthen the research and the anticipation of policy guidance and market trend, seize the important strategic expansion opportunity period, give full play to the pioneering and innovative spirits, actively promote innovation and development of the Three Strategies of low cost expansion, brand expansion and capital expansion, strive to transform to the mode of parallel development of both heavy-asset investment business and light-asset service business, and continuously enhance the sustainable development capacity of the Company. In the second half of 2015, the Company will strictly control the cost, continue to cut down expenses, strengthen budget rigidity and standardize the budget enforcement.

1. Development Properties

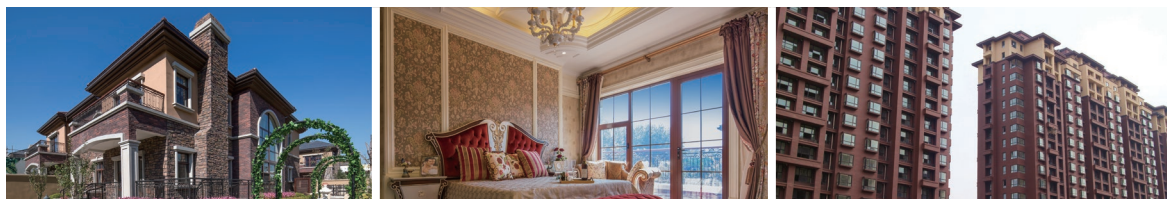
The Company will further study the dynamic integration between external market changes and internal Company business arrangement under the new norm, accelerate the development progress of existing projects and improve the overall operating efficiency to achieve high product sales, ensure fast capital turnover and at the same time rush to improve the regional layout of the key cities and increase quality land reserves with marketing as the orientation and de-stocking as the core.

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company

IV. DEVELOPMENT STRATEGY OF THE COMPANY (*Continued*)

1. Development Properties (*Continued*)

In Beijing area, the Company will continue to promote the brand marketing and sales ability, adopt the flexible and effective way of joint sales, and comprehensively promote the sales and carry forward the Royal Oak Villa, North Star Villa 1900, North Star Xianglu, North Star Fudi and other projects, to achieve the goal of speeding up project turnaround.



Exterior view of the show flat of Royal Oak Villa

Bedroom view of the show flat of Royal Oak Villa

Photo of North Star Villa 1900 Phase Two

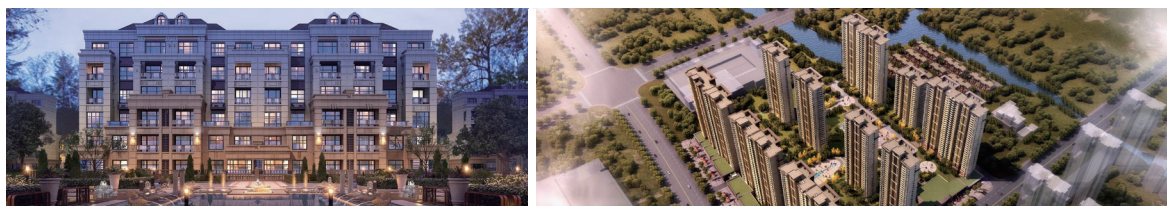
In south areas, with the location advantage of building the area into Changsha sub-center, North Star Delta project will explore new real estate opportunities in the process of urban upgrading, constantly dig value and selling points of the North Star Delta project, improve the added value of products and adsorbability of the project. In the second half of the year, the project will strengthen marketing and promotion, continue to speed up the project sales, and comprehensively promote sales and brand influence. Since its entering into the market in November 2014, North Star Central Park project has been widely recognized by customers. In the second half of the year, the Company will further broaden customer channels and strive to hit a record high in sales by conducting large-scale marketing activities.



Panoramic View of North Star Delta in Changsha (from the angle of Hexi)

Visual illustration of North Star Central Park Phase Two in Changsha

In addition, the Company will accelerate the construction of the newly added project in the second half of 2014, namely North Star Best+ (North Star Contemporary Wuhan Optics Valley project), North Star Olympic Garden (Hangzhou North Star Light project) and Contemporary North Star Yue MOMA (Shunyi Qianjin New City project), and plan to commence the opening and enter the market at a proper time in the second half of 2015.



Virtual illustration of garden house under North Star Best in Changsha

Aerial visual illustration of North Star Olympic Garden in Hangzhou



Virtual panoramic street view of Contemporary North Star Yue MOMA

In the second half of 2015, the Company is expected to construct a new area of 810,000 square meters, a resumed construction area of 2,940,000 square meters and complete an area of 590,000 square meters, strive to sell 430,000 m², and sign contracts with an amount of RMB5.5 billion (including parking space).

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company

IV. DEVELOPMENT STRATEGY OF THE COMPANY (*Continued*)

2. Investment Properties (including hotels)

The Company will continue to be market-oriented, explore the potential of each section of investment properties (including hotels), and further enhance the level of asset returns.

As for the convention and exhibition business, the Company will combine the core functional positioning of Beijing as the capital, pay attention to promoting the service operation level of the existing investment properties and actively guide the integration and the upgrade of the traditional industry, gradually realizing the development of the entire exhibition industry chain and continuously expand the output of management services of exhibition venues. At the same time, the Company will focus on the preparation, coordination and service and reception of 2015 Athletics World Championships, and successfully complete the reception service for 2015 China-Arab States Expo in Ningxia International Hall.

As for office buildings, the Company will continue to optimize the customer structure and explore the opportunity of the renewal price, strengthen staff training and the communication with customers, continuously, enhance the level of property management and service, speed up brand building and improve the market competitiveness.

As for hotels, the Company will strive to explore market consumption hotspots in view of customer needs, customize characteristic products and services, expand market share, and further deepen the cooperation with new media and innovate customer experience.



Visual illustration of North Star Intercontinental Hotel in Changsha

In terms of apartment, the Company will vigorously promote the service level and stabilize the number of long-term tenants, make full use of the network channels to create new promotion ways and increase the income from individual customers, and strengthen the development of residential and commercial market for small and medium-sized companies.

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company

IV. DEVELOPMENT STRATEGY OF THE COMPANY *(Continued)*

3. Commercial Properties

As for commercial properties, the Company will focus on changes in the retail market, so as to optimize the brand and category combination, improve the community information service ability, enrich the layout of experience store and make efforts to achieve operational stability.

4. Financing and Capital Expenditure

The Company will adopt the “headquarters financing” mode to strengthen the unified deployment of funds, innovate diversified financing modes and channels, strengthen the organic combination of real estate development and financial elements and provide guarantee of capital for enlarging its business scale.

The Company is expected to make fixed asset investment of RMB220 million in the second half of 2015, which will be paid on the basis of work progress. The capital is planned to be sourced from the internal fund.

V. POTENTIAL RISKS FACED BY THE COMPANY

1. Market Risks

Influenced by positive factors like the urbanization construction and the implementation of regional strategies, the real estate market will maintain a steady and healthy development in the future period. However, it is estimated that, in the real estate market, contradictions caused by change of supply and demand as well as various management measures leading and enhancing the sustainable, stable and healthy development of real estate industry which occupies important status in the national economy will exist for a long time, which in all will bring certain risks to overall operation of the real estate project of the Company.

In response to the foresaid risks, the Company will, through in-depth research of new economic models and constant exploration of low cost expansion models, accelerate the pace of real estate project development and velocity of turnover, be rationally distributed in the national market and decentralize regional market risks so as to enhance the sustainable development ability of the Company.

2. Policy Risks

In recent years, China and relevant departments have taken a series of macro-control measures to establish and improve the long-term mechanism for the healthy development of real estate industry, by adjusting the supply and demand in the real estate market from finance, tax, land and housing supply structure. The policy uncertainty resulting from such measures will bring certain risks for the operation of real estate projects. In addition, adjustments in high-end hotel and catering industry caused by supply and demand changes may influence the business of some segments of the Company.

In response to the foresaid risks and in terms of property development, the Company will strive to improve its ability to accurately grasp the macro-control situation and actively conform to the policy orientation to strengthen the development of products with rigid demand supported by the country and improvement demand and focus on improving development period and turnaround period of the projects. In terms of investment properties (including hotels), the Company will research market demand changes in depth, build a management concept centered on marketing, accurately position the consumption crowd and take flexible sales means to promote sound and sustainable development of hotels and catering industry.

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company

V. POTENTIAL RISKS FACED BY THE COMPANY *(Continued)*

3. Marketing Risks

Real estate development is a long term systematic project which is with multiple links involving large capital investment. Under this circumstance, the inability to correctly grasp the change of consumer demands and to quickly respond in project positioning, planning, and design, may affect the sales of products.

In response to the foresaid risks, the Company will be customer-oriented, strengthen the product research and development, and accelerate the velocity of turnover of projects to withstand the risks from market changes.

VI. CORE COMPETITIVENESS ANALYSIS

After several years of development, the Company has formed a complete industrial chain of real estate investment, development and operation, among which the real estate development is the main source of the Company's revenue growth and the operation of the property held by the Company is the basis of a stable earning. These two modules connect and support each other, which improves the Company's risk resistance capacity. Company's advantages and core competitiveness mainly appear as the integrated ability to operate the real estate and its brand effect.

Over more than two decades of development, China's real estate industry has gradually become more rational and mature during the process of startup, exploration, development and adjustment. In recent years, it has shown signs of rapid expansion, a significant increase in industry concentration, continuous innovation of business model and increasingly diversified means of financing and other characteristics.

In terms of the future development of China's real estate industry and under the general situation of seeking improvement in stability for its economy, China will keep its national macroeconomic policy and monetary policy smooth and steady and with a relatively low probability of promulgating large-scale stimulating policy. At the same time, with the continuous improvement of urbanization rate and per capita GDP, China's real estate industry will enter into the Silver Age and in the next ten years maintain a steady increase. In addition, China's real estate industry will gradually enter into a transitional phase where development and property held by the Company are of equal importance and portion of the latter will increase further.

Under the foresaid general background, the Company's advantages and core competitiveness mainly appears in the following two aspects:

On one hand, the Company has the ability to develop and operate complex real estate and brand advantage. Property types developed by it includes luxury houses, apartments, villas, office buildings, commerce, security housing and other projects for multiple commercial activities. In addition, it also has strong professional competence and competitiveness in the development of large-scale and comprehensive real estate projects. Since 2007, it has been awarded consecutively for eight years as the "Composite Real Estate Leading Brands in China" by TOP10 China's real estate research group. Besides, the Company in recent years has insisted on the strategy of low cost expansion and has taken various measures for accelerated regional expansion to balance the regional distribution. Up to the end of the reporting period, it has launched real estate development business in Beijing, Changsha, Wuhan, Hangzhou, Chengdu, Suzhou and Nanjing, 7 cities in all, which means the Company has been equipped with the basic conditions and professional capability of development on a national scale.



Aerial visual illustration of the core area of Asia Olympic Area



Panoramic view of North Star Delta in Changsha (from the angle of Fuyuan Road Bridge)

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company

VI. CORE COMPETITIVENESS ANALYSIS (Continued)

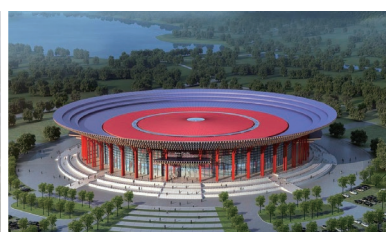
On the other hand, as one of the country's largest operators of exhibition centers, the Company has the ability to conduct business and provide high-end services for exhibitions and hotels at the same time, with an extremely high level of brand recognition and influence in the industry. The Company holds and operates an area of more than 1.2 million square meters in the core area of Asia Olympic Area for property investment (including hotels). Equipped with more than 20 years experience of exhibition and hotel operation and the ability of international professional operation service, it has succeeded in completion of a series of reception service for national, integrated and international conferences represented by Olympic Games, APEC summit, Beijing Fair, achieving a great North Star brand in the world. In addition, the Company has intensively strengthened exhibition brand expansion in recent two years, gaining remarkable achievement in the output of the exhibition brand throughout the country. Up to the end of the reporting period, it has in aggregate signed trusteeship management and consulting services agreements for 14 exhibition centers and hotel projects such as Zhuhai International Exhibition Center, Nanchang International Exhibition Center and Hotel, Beijing Yanxihu International Exhibition Center, Beijing Jingzhihu Star Crowned Resort Hotel, Ningxia International Hall, Hangzhou Olympic and International Expo Center, Lianyungang Xuwei District Exhibition Center and Hotel, Wuhan World Trade Center, Tibet Linzhi Hotel, and Sanya Financial Forum Conference Center and Hotel, and has successfully held independent brand project of "Mobile Internet + Convention and Exhibition Summit Forum of 2015 Global Mobile Internet Conference" and co-organized "the 12th National Nutrition Science Conference", which laid a sound foundation for the Company's vertical development of the whole exhibition industrial chain and horizontal expansion of exhibition center brand management.



Beijing Jingzhihu Star Crowned Resort Hotel



Nanchang International Exhibition Center and Hotel



Beijing Yanxihu International Exhibition Center



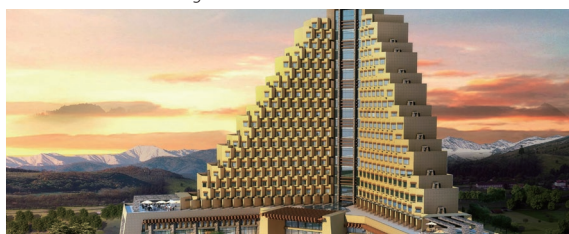
Zhuhai International Exhibition Center



Visual illustration of Ningxia Intercontinental Hall



Lianyungang Xuwei District Exhibition Center and Hotel



Tibet Linzhi Hotel

In the future, the Company will further focus on the Three Strategies, namely, low cost expansion, brand expansion and capital to accelerate high degree of fusion of new economy, new businesses and traditional businesses of the Company as well as speed up the establishment of parallel development model of heavy-asset investment business and light-asset service business, trying to build the Company into nation's top composite real estate brand and the country's most influential exhibition brand.

Discussion and Analysis of Financial Performance

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2015, the capital and reserve attributable to the Company's equity holders increased by 1.41% compared to 31 December 2014. The increase was primarily attributable to additional profit attributable to equity holders of the Company of RMB428,251,000 during the Period.

The Group's borrowings as at 30 June 2015 amounted to RMB19,097,687,000, among which the Group had long-term borrowings of RMB13,741,361,000 secured by certain investment properties, properties, plants and equipment, properties under development and completed properties held for sale. As at 30 June 2015, the Group's balances of corporate bonds amounted to RMB3,974,118,000. The gearing ratio of the Group was 65.40% (calculated by dividing total liabilities by total assets) as at the end of the reporting period (31 December 2014: 63.65%).

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, amounted to RMB32,545,633,000 as at 30 June 2015, whereas the Group's current liabilities amounted to RMB13,524,849,000. As at 30 June 2015, the balance of cash at bank and on hand amounted to RMB4,972,624,000 (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 have no material impact on the financial position of the Group. As at 30 June 2015, the outstanding amount of financial guarantees provided in phases was RMB2,781,629,000 (31 December 2014: RMB2,479,591,000).

The gross amount of bonds (hereinafter referred to as the "Bonds") issued by the Company in 2014 was RMB2.5 billion, with the issue price being RMB100 per bond. The Bonds were issued by way of both public issue online to public investors and offline placement based on book-building to institutional investors. The Bonds were approved by CSRC on 9 December 2014 and issued totally on 23 January 2015. The Bonds were listed in the Shanghai Stock Exchange on 10 February 2015 for transactions.

The board of directors of the Company approved with deliberation on 16 April 2015 that the Company's planned private placement was no more than 554,320,000 A shares (including 554,320,000 shares) (hereinafter referred to as "Non-public Issuance"), the issue price was no less than RMB4.51/A share, and the fund to be raised was no more than RMB2,500,000,000 (including RMB2,500,000,000). After the Company performed the profit distribution scheme relating to the year of 2014, the bottom issue price of the Non-public Issuance was adjusted to RMB4.45/A share, the issuance number was adjusted to no more than 561,790,000 shares (including 561,790,000 shares), and the fund to be raised remained unchanged. Relevant matters of the Non-public Issuance have been approved by the Stated-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality and the Company's General Meeting of Shareholders, and CSRC has decided to accept the application of the Non-public Issuance administrative licensing. By the date of this report, the Non-public Issuance has yet to be approved by CSRC and other securities market supervision departments.

Discussion and Analysis of Financial Performance

SHARE CAPITAL AND SHAREHOLDERS

Share Capital

The Company's registered capital as at 30 June 2015 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 2015, 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 1}	Corporate interest	Beneficial owner	A shares	1,352,140,653 (L) ^{Note 2}	50.832%	40.158%
UBS AG	Corporate interest	Beneficial owner and Person having a security interest in shares	H shares	42,483,548 (L) 782,000 (S)	6.009% 0.111%	1.262% 0.023%
UBS Group AG	Corporate interest	Person having a security interest in shares and Interest of Corporation Controlled by the Substantial Shareholder	H shares	42,483,548 (L) 782,000 (S)	6.009% 0.111%	1.262% 0.023%

(L) Long Position, (S) Short Position

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 2015.

Note 1: Pursuant to the document titled "Implementation measure for the transfer of part of the state-owned shares to the National Council for Social Security Fund in domestic securities market" (Cai Qi [2009] No. 94) (《境內證券市場轉持部分國有股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.

Note 2: BNSIGC beneficially held 1,161,000,031 A shares as of 30 June 2015, representing 43.647% of total A shares issued by the Company and 34.482% of total shares issued by the Company. In addition, BNSIGC signed a conditional subscription agreement with respect to the subscription of A shares by BNSIGC on 16 April 2015, pursuant to which BNSIGC agreed to subscribe in cash and the Company agreed to place shares to BNSIGC corresponding to approximately 34.482% of total A shares finally issued under the Non-public Issuance (the number of shares being rounded down to the nearest integer without decimal). As at the date of this announcement, the Non-public Issuance of A shares by the Company and the subscription of A shares by BNSIGC have not been completed.

Discussion and Analysis of Financial Performance

INTERESTS OF DIRECTORS AND SUPERVISORS OF THE COMPANY

As at 30 June 2015, 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 2015.

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 2015.

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 2015 have been reviewed by the Audit Committee and the Board. The Audit Committee comprises three independent non-executive directors of the Company.

Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung retired and ceased to be independent non-executive directors and members of the Audit Committee at the annual general meeting on 28 May 2015.

Mr. FU Yiu-Man, Mr. GUO Li and Mr. WU Ge were appointed as independent non-executive directors and members of the Audit Committee on 28 May 2015.

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 2015, 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.

Discussion and Analysis of Financial Performance

EMPLOYEES

As at 30 June 2015, the Company had 5,122 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 2015 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.beijingsns.com.cn> in due course.

DOCUMENT FOR INSPECTION

The original copy of the 2015 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
19 August 2015

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

Corporate Information

REGISTRATION

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

AUDITORS

PRC auditor:	PricewaterhouseCoopers Zhong Tian LLP
Address:	11/F, PricewaterhouseCoopers Centre 2 Corporate Avenue 202 Hu Bin Road, Huangpu 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

Corporate Information

LEGAL ADVISERS

PRC lawyer:	Beijing Da Cheng Solicitors Office
Address:	7th Floor, Building D Parkview Green FangCaoDi No. 9 Dongdaqiao Road Chaoyang 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
Telephone:	(852) 2847 7999
Fax:	(852) 2845 9225

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712–1716, 17/F
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183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

H share:	0588
A share:	601588