北辰实业
BEIJING NORTH STAR

(HKEx Stock Code : 0588) (SSE Stock Code : 601588)

北京北辰實業股份有限公司
Beijing North Star Company Limited

INTERIM REPORT

For the six months ended 30 June 2010

- A revenue of RMB2,039,254,000, representing a decrease of 33.9% over the corresponding period of the previous year
- Operating profit was RMB975,104,000, representing a decrease of 29.7% over the corresponding period of the previous year
- Profit attributable to equity holders of the Company was RMB487,819,000, representing a decrease of 38.0% over the corresponding period of the previous year
- Earnings per share was RMB0.14, earnings per share in the same period last year was RMB0.23
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2010 (six months ended 30 June 2009: nil)

Condensed consolidated interim balance sheet

	Note	Unaudited 30 June 2010 *RMB'000*	Audited 31 December 2009 *RMB'000*
ASSETS			
Non-current assets			
Land use rights	5	1,123	1,139
Investment properties	5	9,735,700	9,259,500
Property, plant and equipment	5	2,109,885	2,057,769
Interest in a jointly controlled entity		16,485	26,106
Deferred income tax assets		42,660	34,249
		11,905,853	11,378,763
Current assets			
Properties under development	6	11,472,285	12,347,453
Completed properties held for sale		2,644,188	1,218,728
Inventories		98,629	91,445
Trade and other receivables	7	699,064	438,383
Restricted bank deposits		38,444	72,921
Cash and cash equivalents		4,411,906	4,567,456
		19,364,516	18,736,386
Total assets		31,270,369	30,115,149
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	8	3,367,020	3,367,020
Other reserves		4,043,388	4,043,168
Retained earnings			
— Proposed final dividend		—	101,011
— Others		4,765,667	4,277,848
		12,176,075	11,789,047
Non-controlling interests		181,405	278,287
Total equity		12,357,480	12,067,334

Condensed consolidated interim balance sheet

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings and loans	10	9,505,476	8,486,510
Long term payables		11,710	11,710
Deferred income tax liabilities		1,140,200	1,023,333
Deferred income		2,550	2,550
		10,659,936	9,524,103
Current liabilities			
Trade and other payables	9	6,952,529	6,347,465
Current income tax liabilities		376,424	332,247
Current portion of long term borrowings	10	44,000	1,144,000
Borrowings and loans	10	880,000	700,000
		8,252,953	8,523,712
Total liabilities		18,912,889	18,047,815
Total equity and liabilities		31,270,369	30,115,149
Net current assets		11,111,563	10,212,674
Total assets less current liabilities		23,017,416	21,591,437

The notes on pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim income statement

	Note	Unaudited Six months ended 30 June 2010 *RMB'000*	 2009 *RMB'000*
Continuing operations			
Revenue	4	2,039,254	3,085,442
Cost of sales		(1,172,147)	(1,820,579)
Gross profit		867,107	1,264,863
Selling and marketing expenses		(62,680)	(69,817)
Administrative expenses		(206,965)	(142,706)
Fair value gains on investment properties	11	381,861	336,600
Other losses - net		(4,219)	(2,745)
Operating profit		975,104	1,386,195
Finance income		14,467	19,956
Finance costs		(165,020)	(95,319)
Share of post-tax loss of a jointly controlled entity	4	(9,621)	(2,169)
Profit before income tax	4	814,930	1,308,663
Income tax expense	12	(260,360)	(464,770)
Profit from continuing operations		554,570	843,893
Discontinued operations			
Profit from discontinued operations		—	591
Profit for the period		554,570	844,484

Condensed consolidated interim income statement

	Note	Unaudited Six months ended 30 June 2010 *RMB'000*	 2009 *RMB'000*
Profit attributable to:			
— equity holders of the Company		487,819	786,830
— non-controlling interests		66,751	57,654
		554,570	844,484
		Cents per share	Cents per share
Earnings per share for profit attributable to the equity holders of the Company			
— basic and diluted	13	14.49	23.37
Earnings per share for profit from continuing operations attributable to the equity holders of the Company			
— basic and diluted	13	14.49	23.35
Dividend	14	—	—

The notes on pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim statement of comprehensive income

	Unaudited Six months ended 30 June 2010 *RMB'000*	2009 *RMB'000*
Profit for the period	554,570	844,484
Other comprehensive income	—	—
Total comprehensive income for the period	554,570	844,484
Total comprehensive income for the period attributable to:		
— equity holders of the Company	487,819	786,830
— non-controlling interests	66,751	57,654
	554,570	844,484

The notes on pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim statement of changes in equity

		Unaudited					
		Attributable to equity holders of the Company					
	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2009		3,367,020	4,001,217	3,016,047	10,384,284	227,104	10,611,388
Total comprehensive income for the period ended 30 June 2009		—	—	786,830	786,830	57,654	844,484
Transactions with owners in their capacity as owners							
Dividend relating to 2008 paid in the period ended 30 June 2009		—	—	(101,011)	(101,011)	(88,605)	(189,616)
Acquisition of additional interests in a subsidiary through additional capital injection		—	(2,583)	—	(2,583)	2,583	—
Total transactions with owners		—	(2,583)	(101,011)	(103,594)	(86,022)	(189,616)
Balance at 30 June 2009		3,367,020	3,998,634	3,701,866	11,067,520	198,736	11,266,256
Balance at 1 January 2010		3,367,020	4,043,168	4,378,859	11,789,047	278,287	12,067,334
Total comprehensive income for the period ended 30 June 2010		—	—	487,819	487,819	66,751	554,570
Transactions with owners in their capacity as owners							
Dividend relating to 2009 approved in the period ended 30 June 2010		—	—	(101,011)	(101,011)	(163,633)	(264,644)
Acquisition of a subsidiary	18 (iii)	—	220	—	220	—	220
Total transactions with owners		—	220	(101,011)	(100,791)	(163,633)	(264,424)
Balance at 30 June 2010		3,367,020	4,043,388	4,765,667	12,176,075	181,405	12,357,480

The notes on pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim cash flow statement

	Unaudited Six months ended 30 June 2010 RMB'000	2009 RMB'000
Cash flows from operating activities		
Continuing operations	106,335	196,024
Discontinued operations	—	(3,920)
Cash flows from operating activities - net	106,335	192,104
Cash flows from investing activities		
Continuing operations	(207,287)	(438,468)
Discontinued operations	—	(141)
Cash flows from investing activities - net	(207,287)	(438,609)
Cash flows from financing activities		
Continuing operations	(54,598)	1,420,385
Discontinued operations	—	—
Cash flows from financing activities - net	(54,598)	1,420,385
Net increase in cash and cash equivalents	(155,550)	1,173,880
Cash and cash equivalents at start of period	4,567,456	4,928,303
Cash and cash equivalents at end of period	4,411,906	6,102,183
Included in cash and cash equivalents per the condensed consolidated interim balance sheet	4,411,906	6,076,396
Included in assets of disposal group	—	25,787
	4,411,906	6,102,183

The notes on pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

1. GENERAL INFORMATION

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

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

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

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

These condensed consolidated interim financial information are presented in Renminbi, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 18 August 2010.

This condensed consolidated interim financial information has not been audited.

Key event

On 10 August 2010, the Company acquired the remaining 4% interest of a subsidiary. Further details are given in Note 19.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2010 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 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

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

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements' and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. The revised standard does not have material impact on the Group's financial statements.

3. ACCOUNTING POLICIES *(CONTINUED)*

(a) New and amended standards adopted by the Group *(continued)*

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Land use rights", and amortised over the lease term.

  The Group has reassessed the classification of unexpired land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and no land use rights is recognised as finance lease.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

- HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009.
- 'Additional exemptions for first-time adopters' (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010.
- HKAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009.
- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010.
- First improvements to HKFRS (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.
- Second improvements to HKFRS (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- Amendment to HKFRS 1 First-time Adoption of HKFRS.
- HKFRS 9, 'Financial instruments'.
- 'Limited exemption from comparative HKFRS 7 disclosures for first-time adopters' (Amendment to HKFRS 1).
- Third improvements to HKFRS issued in May 2010 by HKICPA.

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors. The board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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.

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

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

Total assets mainly exclude deferred tax assets and corporate cash, both of which are managed on a central basis; the investment properties are measured at cost; certain assets injected by the state-owned shareholder are measured at the revaluated cost. These are part of the reconciliation to total balance sheet assets.

Total liabilities mainly exclude deferred tax liabilities, corporate borrowings and other corporate liabilities, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet liabilities.

Turnover consists of sales from development properties, commercial properties and investment properties and hotels segments. Revenues recognised during the six months ended 30 June 2010 and 30 June 2009 are as follows:

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Revenue		
Development properties	1,183,297	2,523,014
Commercial properties	195,600	192,292
Investment properties and hotels	612,690	332,354
	1,991,587	3,047,660
All other segments	47,667	37,782
	2,039,254	3,085,442

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

4. SEGMENT INFORMATION *(CONTINUED)*

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

	Unaudited						
Business segment	Development properties *RMB'000*	Commercial properties *RMB'000*	Investment properties and hotels *RMB'000*	All other segments *RMB'000*	Total continuing operations *RMB'000*	Total discontinued operations *RMB'000*	Total Group *RMB'000*
Six months ended 30 June 2010							
Total segment revenues	1,183,297	195,600	623,104	75,338	2,077,339	—	2,077,339
Inter-segment revenues	—		(10,414)	(27,671)	(38,085)	—	(38,085)
Revenues (from external customers)	1,183,297	195,600	612,690	47,667	2,039,254	—	2,039,254
Profit before tax	348,355	23,255	79,944	133	451,687	—	451,687
Depreciation and amortisation	1,368	11,881	135,182	3,344	151,775	—	151,775
Finance income	1,642	25	110	50	1,827	—	1,827
Finance costs	—	—	—	—	—	—	—
Share of post-tax loss of a jointly controlled entity	—	9,621	—	—	9,621	—	9,621
Six months ended 30 June 2009							
Total segment revenues	2,523,014	192,292	334,203	51,686	3,101,195	31,126	3,132,321
Inter-segment revenues	—	—	(1,849)	(13,904)	(15,753)	—	(15,753)
Revenues (from external customers)	2,523,014	192,292	332,354	37,782	3,085,442	31,126	3,116,568
Profit before tax	795,697	9,233	47,038	(9,901)	842,067	822	842,889
Depreciation and amortization	1,185	12,630	78,842	3,524	96,181	314	96,495
Finance income	2,375	339	359	1,102	4,175	9	4,184
Finance costs	—	—	—	—	—	—	—
Share of post-tax loss of a jointly controlled entity	—	2,169	—	—	2,169	—	2,169

4. 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 continuing operations RMB'000	Total discontinued operations RMB'000	Total Group RMB'000
				Unaudited			
As at 30 June 2010							
Total segment assets	15,295,632	592,297	7,301,570	100,680	23,290,179	—	23,290,179
Total segment assets include:							
Interest in a jointly controlled entity	—	16,485	—	—	16,485	—	16,485
Additions to non-current assets (other than deferred tax assets)	727	6,618	205,746	783	213,874	—	213,874
Total segment liabilities	10,768,852	166,811	4,535,599	238,823	15,710,085	—	15,710,085
As at 31 December 2009							
Total segment assets	14,882,322	609,650	7,255,024	146,914	22,893,910	—	22,893,910
Total segment assets include:							
Interest in a jointly controlled entity	—	26,106	—	—	26,106	—	26,106
Additions to non-current assets (other than deferred tax assets)	233	4,947	427,108	682	432,970	141	433,111
Total segment liabilities	10,223,996	165,196	4,595,272	139,963	15,124,427	—	15,124,427

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

	Unaudited Six months ended 30 June 2010 RMB'000	2009 RMB'000
Profit before income tax for reportable segments	451,687	842,067
Corporate overheads	(22,556)	(20,235)
Corporate finance costs	(165,020)	(95,319)
Corporate finance income	12,640	15,781
Fair value gains on investment properties *(Note 11)*	381,861	336,600
Reversal of depreciation of investment properties	83,818	45,164
Land appreciation tax	70,709	180,596
Others	1,791	4,009
Profit before income tax and discontinued operations	814,930	1,308,663

4. SEGMENT INFORMATION *(CONTINUED)*

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

	As at 30 June 2010 Unaudited *RMB'000*	As at 31 December 2009 Audited *RMB'000*
Total segments' assets	23,290,179	22,893,910
Deferred income tax assets	42,660	34,249
Corporate cash	3,710,882	3,427,812
Aggregated fair value gains on investment properties	3,400,901	3,019,040
Reversal of accumulated depreciation of investment properties	729,779	645,961
Others	95,968	94,177
Total assets per balance sheet	31,270,369	30,115,149

	As at 30 June 2010 Unaudited *RMB'000*	As at 31 December 2009 Audited *RMB'000*
Total segments' liabilities	15,710,085	15,124,427
Deferred income tax liabilities	1,140,200	1,023,333
Corporate borrowings	1,727,945	1,696,903
Other corporate liabilities	334,659	203,152
Total liabilities per balance sheet	18,912,889	18,047,815

The reconciliation of the Group's depreciation and amortisation for reportable segments and corresponding amount per disclosure for property, plant and equipment and land use rights (Note 5) for the six months ended 30 June 2010 are mainly reversal of depreciation of investment properties and other related adjustments amounting to RMB 85,609,000 (six months ended 30 June 2009: RMB49,173,000).

The Company and its subsidiaries are domiciled in the PRC and all the revenue from external customers of the Group are derived in the PRC for the six months ended 30 June 2010 and 2009.

At 30 June 2010 and 31 December 2009, all the Group's non-current assets other than deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the PRC.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the six months ended 30 June 2010 and 2009.

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

	Land use rights RMB'000	Unaudited Property, plant and equipment RMB'000	Investment properties RMB'000
Six months ended 30 June 2010			
Opening net book amount as at 1 January 2010	1,139	2,057,769	9,259,500
Fair value gains *(Note 11)*	—	—	381,861
Additions	—	119,535	94,339
Disposals	—	(1,269)	—
Amortisation / depreciation	(16)	(66,150)	—
Closing net book amount as at 30 June 2010	1,123	2,109,885	9,735,700
Six months ended 30 June 2009			
Opening net book amount as at 1 January 2009	1,171	4,393,911	4,382,600
Transfer of investment properties under construction	—	(2,432,208)	2,432,208
Fair value gains *(Note 11)*	—	—	336,600
Additions	—	13,178	419,792
Disposals	—	(870)	—
Amortisation / depreciation	(16)	(46,992)	—
Closing net book amount as at 30 June 2009	1,155	1,927,019	7,571,200

The investment properties were revalued at 30 June 2010 by an independent, professionally qualified valuer, Greater China Appraisal Limited. Valuations were based on either capitalization of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

6. PROPERTIES UNDER DEVELOPMENT

	As at 30 June 2010 Unaudited *RMB'000*	As at 31 December 2009 Audited *RMB'000*
Land use rights	7,406,274	7,873,630
Development costs and capitalised expenditure	3,150,267	3,695,785
Finance costs capitalised	915,744	778,038
	11,472,285	12,347,453

7. TRADE AND OTHER RECEIVABLES

	As at 30 June 2010 Unaudited *RMB'000*	As at 31 December 2009 Audited *RMB'000*
Trade receivables	48,563	37,668
Less: provision for impairment of receivables	(6,503)	(6,494)
Trade receivables - net	42,060	31,174
Other receivables	106,742	88,254
Less: provision for impairment of receivables	(16,999)	(16,999)
Other receivables - net	89,743	71,255
Prepaid tax	293,793	246,494
Prepaid land deposits	210,000	—
Other prepayments	63,468	89,460
	699,064	438,383

The majority of the Group's sales are on cash or advance basis. The remaining amounts are with credit terms of 30 to 90 days. At 30 June 2010 and 31 December 2009, the ageing analysis of the trade receivables is as follows:

	As at 30 June 2010 Unaudited *RMB'000*	As at 31 December 2009 Audited *RMB'000*
Trade receivables		
0 - 30 days	24,369	17,568
31 - 120 days	12,992	5,024
Over 120 days	11,202	15,076
	48,563	37,668

8. SHARE CAPITAL

	Unaudited Registered, issued and fully paid				
		Liquid shares subject to sales restrictions	Listed shares		
	Number of shares (thousands)	Shares held by State owned legal person RMB'000	Shares listed in the Mainland (A shares) RMB'000	Shares listed in Hong Kong (H shares) RMB'000	Total RMB'000
Opening balance at 1 January 2010	3,367,020	150,000	2,510,000	707,020	3,367,020
Restricted A shares became eligible for listing and circulation	—	—	—	—	—
At 30 June 2010	3,367,020	150,000	2,510,000	707,020	3,367,020
Opening balance at 1 January 2009	3,367,020	1,161,000	1,499,000	707,020	3,367,020
Restricted A shares became eligible for listing and circulation	—	—	—	—	—
At 30 June 2009	3,367,020	1,161,000	1,499,000	707,020	3,367,020

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

9. TRADE AND OTHER PAYABLES

	As at 30 June 2010 Unaudited *RMB'000*	As at 31 December 2009 Audited *RMB'000*
Trade payables	295,402	436,137
Advance from customers	3,678,143	3,626,621
Dividends payable to shareholders of the Company	101,011	—
Dividends payable to minority shareholders of a subsidiary	1,162	1,162
Accrued long term assets construction costs	649,355	814,890
Accrued properties under development costs	1,460,134	803,962
Amount due to BNSIGC *(Note 18)*	39,834	33,102
Accrued interest	150,677	111,114
Other payables	576,811	520,477
	6,952,529	6,347,465

9. TRADE AND OTHER PAYABLES *(CONTINUED)*

As at 30 June 2010 and 31 December 2009, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) is as follows:

	As at 30 June 2010 Unaudited *RMB'000*	As at 31 December 2009 Audited *RMB'000*
Trade payables		
0–180 days	105,650	244,393
181–365 days	136,693	82,375
Over 365 days	53,059	109,369
	295,402	436,137

10. BORROWINGS AND LOANS

	As at 30 June 2010 Unaudited *RMB'000*	As at 31 December 2009 Audited *RMB'000*
Non-current		
Long term borrowings		
— Secured borrowings	4,785,010	4,970,000
— Unsecured borrowings	1,600,000	1,500,000
— 10 year bonds	1,486,521	1,485,534
— 5 year bonds	1,677,945	1,674,976
	9,549,476	9,630,510
Less: current portion of long term borrowings	(44,000)	(1,144,000)
	9,505,476	8,486,510
Current		
Short term borrowings		
— Unsecured borrowings	880,000	700,000
— Current portion of long term borrowings	44,000	1,144,000
	924,000	1,844,000
Total borrowings and loans	10,429,476	10,330,510

10. BORROWINGS AND LOANS *(CONTINUED)*

Movements in borrowings are analysed as follows:

	Six months ended 30 June 2010 Unaudited *RMB'000*
Opening amount as at 1 January 2010	10,330,510
Addition of borrowings	1,495,010
Repayment of borrowings	(1,400,000)
Amortisation of issuance costs of bonds	3,956
Closing amount as at 30 June 2010	10,429,476

	Six months ended 30 June 2009 Unaudited *RMB'000*
Opening amount as at 1 January 2009	9,442,812
Addition of borrowings	1,610,000
Amortisation of issuance costs of bonds	3,678
Closing amount as at 30 June 2009	11,056,490

Interest expense on borrowings and bonds for the six months ended 30 June 2010 is RMB 325,430,000 (six months ended 30 June 2009: RMB 315,346,000).

The Group has the following undrawn borrowing facilities:

	As at 30 June 2010 Unaudited *RMB'000*	As at 31 December 2009 Audited *RMB'000*
Floating rate:		
— expiring between one and two years	600,000	—
— expiring between two and five years	934,990	—
	1,534,990	—

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

11. OPERATING PROFIT

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

	Unaudited Six months ended 30 June 2010 RMB'000	2009 RMB'000
Investment properties at fair value through profit or loss:		
— fair value gains	381,861	336,600
Provision / (reversal of provision) for impairment of receivables	9	(2,399)
Loss on disposal of property, plant and equipment	(29)	(137)

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 2010 and 2009.

Financial assets were reviewed for impairment as at 30 June 2010, and provision for impairment of receivables of RMB 9,000 is provided.

No inventory was written-down as at 30 June 2010 (31 December 2009: nil).

12. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2010 and 2009. 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 2010 and 2009 is 25%.

	Unaudited Six months ended 30 June 2010 RMB'000	2009 RMB'000
Current income tax		
— PRC enterprise income tax	81,195	188,705
— PRC land appreciation tax	70,709	180,596
Deferred income tax	108,456	95,469
	260,360	464,770

13. EARNINGS PER SHARE

Earnings per share attributable to equity holders of the Company arise from continuing and discontinued operations as follows:

	Unaudited Six months ended 30 June (Cents per share)	
	2010	2009
	RMB'000	*RMB'000*
Earnings per share for profit from continuing operations attributable to the equity holders of the Company — basic and diluted	14.49	23.35
Earnings per share for profit from discontinued operations attributable to the equity holders of the Company — basic and diluted	—	0.02

14. DIVIDEND

A dividend that relates to the period to 31 December 2009 and that amounts to RMB 101,011,000 was approved by the Annual General Meeting in June 2010 and paid in July 2010 (2009: RMB 101,011,000).

The Board resolved that no interim dividend will be declared in respect of the six months ended 30 June 2010 (Six months ended 30 June 2009: nil).

15. PLEDGED ASSETS

As at 30 June 2010, certain investment properties with fair value of RMB 9,680,600,000 (31 December 2009: RMB 9,205,500,000) and property plant and equipment with net book value of RMB 1,165,693,000 (31 December 2009: RMB 1,200,640,000) were pledged by the Group as securities for long term bank borrowings of RMB 3,770,000,000 (31 December 2009: RMB 3,420,000,000).

As at 30 June 2010, certain completed properties held for sale with net book value of RMB 1,265,726,000 (31 December 2009: RMB 163,151,000) and properties under development with net book value of RMB 3,720,198,000(31 December 2009: RMB 2,462,908,000) were pledged by the Group as securities for long term bank borrowings of RMB 1,015,010,000 (31 December 2009: RMB 1,550,000,000).

16. FINANCIAL GUARANTEES

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The outstanding guarantees amounted to RMB 1,569,490,000 as at 30 June 2010 (31 December 2009: RMB 1,472,798,000).

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.

17. COMMITMENTS

(a) Capital commitments in respect of development costs attributable to investment property and property, plant and equipment:

	As at 30 June 2010 Unaudited *RMB'000*	As at 31 December 2009 Audited *RMB'000*
Investment property and property, plant and equipment		
Authorised but not contracted for	122,382	190,920

(b) Commitments in respect of development costs attributable to properties under development and land use rights:

	As at 30 June 2010 Unaudited *RMB'000*	As at 31 December 2009 Audited *RMB'000*
Properties under development		
Contracted but not provided for	1,066,760	752,485
Authorised but not contracted for	979,422	979,422
Land use rights		
Contracted but not provided for	3,167,080	3,167,080
Authorised but not contracted for *(i)*	1,046,000	—
	6,259,262	4,898,987

(i) On 25 June 2010, the Company acquired the land use right of a piece of land located in Beijing with total consideration amounting to RMB 1,256,000,000 from Beijing Land Reserve Center. Relevant contract was signed on 20 July 2010 and the remaining consideration of RMB 1,046,000,000, after deduction of prepaid deposits in June 2010, amounting to RMB 210,000,000, was disclosed as commitment and paid in July 2010.

(c) The Company's capital commitments in respect of the acquisition of additional interest in a subsidiary from the non-controlling interest:

	As at 30 June 2010 Unaudited *RMB'000*	As at 31 December 2009 Audited *RMB'000*
Authorised but not contracted for	26,400	—

17. COMMITMENTS *(CONTINUED)*

(d) At 30 June 2010 and 31 December 2009, the Group had future aggregate minimum rental receivables and payables under non-cancellable operating leases as follows:

	As at 30 June 2010 Unaudited *RMB'000*	As at 31 December 2009 Audited *RMB'000*
Rental receivables in respect of investment properties		
Not later than one year	429,511	142,592
Later than one year and not later than five years	709,049	292,017
Later than five years	805,284	767,331
	1,943,844	1,201,940
Rental payables in respect of land use rights and buildings		
Not later than one year	15,429	15,429
Later than one year and not later than five years	58,791	59,376
Later than five years	320,830	327,960
	395,050	402,765

18. RELATED PARTY TRANSACTIONS

The Group is controlled by BNSIGC, which owns 34.5% of the Company's shares. The remaining 65.5% 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 2010 and 2009, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government mainly include most of its bank borrowings and part of purchases of goods and services. The price and other terms of such transactions are settled in the fair value.

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

In addition to the above-mentioned transactions with the government related entities and the related party information shown elsewhere in the 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 BNSIGC and a jointly controlled entity:

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Rental		
— BNSIGC	1,458	1,552
— a jointly controlled entity	16,234	—
	17,692	1,552
Electricity and telephone		
— BNSIGC	79	78

18. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(ii) Purchases of goods and services

	Unaudited Six months ended 30 June 2010 *RMB'000*	2009 *RMB'000*
BNSIGC		
— operating lease payment in respect of land	6,732	6,732
— office lease acceptance	450	450
	7,182	7,182

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

(iii) Acquisition of a subsidiary

On 21 April 2010, the Company acquired 100% interest of a subsidiary, Beijing North Star Hotel Management Company Limited, from BNSIGC ("BNSHMC"), at a consideration of RMB 802,000. The excess of net assets acquired over the consideration paid amounting to RMB 220,000 was recognised in equity.

BNSHMC's assets and liabilities as of 30 June 2010 and the profit for the six months ended 30 June 2010 are as follows:

	As at 30 June 2010 Unaudited *RMB'000*
Cash and cash equivalents	356
Trade and other receivables	666
	1,022

	Six months ended 30 June 2010 Unaudited *RMB'000*
Profit for the period	—

18. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	30 June 2010 Unaudited *RMB'000*	31 December 2009 Audited *RMB'000*
Trade and other receivables from related parties		
— BNSIGC	5,806	5,942
Trade and other payables to related parties		
— BNSIGC	39,834	33,102

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

At 30 June 2010 and 31 December 2009, there were no provisions for impairment of receivables from related parties and there were no provisions for impairment of receivables for related parties charged to income statement for the six months ended 30 June 2010 and 2009.

(v) Key management compensation

	Unaudited Six months ended 30 June 2010 *RMB'000*	2009 *RMB'000*
Salaries and other short-term employee benefits	2,050	2,041
Post-employment benefits	203	220
	2,253	2,261

(vi) Accept financial guarantee

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

Pursuant to an agreement signed by BNSIGC, BNSIGC provides joint liability counter-guarantee for the 5 year bonds issued by the Company during the period the bond issued and two years after maturity of the 5 year bonds, charging at the price of RMB 8,500,000 which was fully paid in 2008.

19. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 10 August 2010, the Company acquired the remaining 4% interest of a subsidiary, Changsha North Star Real Estate Development Company Limited ("CNSRE"), from a non-controlling interest at a consideration amounting to RMB 26,400,000. After the acquisition, the Company's ownership on CNSRE has been increased from 96% to 100%.

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 2010 in accordance with Chinese Accounting Standards ("CAS") issued by the China Ministry of Finance. The differences between the financial information prepared under the CAS and Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants are summarised as follows:

	Profit attributable to equity holders of the Company For the six months ended 30 June		Capital and reserves attributable to equity holders of the Company	
			As at 30 June	As at 31 December
	2010 Unaudited *RMB'000*	2009 Unaudited *RMB'000*	2010 Unaudited *RMB'000*	2009 Audited *RMB'000*
As stated in accordance with CAS	137,216	497,500	9,096,214	9,059,789
Impact of HKFRS adjustments:				
1. Reversal of depreciation of investment properties under CAS	62,864	33,873	547,335	484,471
2. Fair value adjustment of investment properties under HKFRS	286,396	252,450	2,550,676	2,264,280
3. Differences on revaluation of certain assets upon the reorganisation in 1997	1,343	3,007	(18,150)	(19,493)
As stated in accordance with HKFRS	487,819	786,830	12,176,075	11,789,047

2010 INTERIM DIVIDEND

The Board resolved that no interim dividend will be declared in respect of the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

Review of Operations

I. OPERATING ENVIRONMENT

In the first half of 2010, in response to successive eruption of sovereign debt crises in some countries and a global economy that was slow to roar out of recession, the state introduced fiscal initiatives and a flexible, targeted and moderately easy monetary policy around targets to "adjust the structure, expand domestic demand and boost growth". The robust investment growth in China was thereby sustained and domestic consumption swiftly picked up. The improving international climate provided an underpinning to the stead-fast momentum of the domestic economy and a firm foundation for measuring up the country's economic target of 8% GDP growth over the year.

1. Development Properties

A raft of macroeconomic control policies by the state and authorities to adjust the housing supply structure, clamp down on irrational housing demand, strengthen land appreciation tax settlement, lift down-payment ratio and tighten the "second home" threshold had prompted the real estate market to return to the sideline in the first half of 2010. The growth in area sold quickly slowed down, putting pressure on sales. Average trading price of commodity residential units in China's real estate market was RMB4,760 per m^2 in the first half of 2010, a modest increase of 6.7% over the first half of 2009. Though area sold and contracted sales surged by 12.7% and 20.3% to 354,970,000 m^2 and RMB1,689.5 billion over the same period in 2009 respectively, the growth nonetheless lagged behind the first-quarter levels in 2010 by 21.5 percentage points and 34.9 percentage points, respectively.

Hit by austerity measures such as new "Ten Measures of the State Council" (國十條) and local government regulations, Beijing's real estate market witnessed precipitous fall in both the housing demand and new area approved for pre-sale in May and June. With growing consensus of a market downturn, the market saw a decrease in transaction volume and stagnation in price as sales price went down after hitting a peak and trading tumbled in the first half. Average trading price of commodity residential units in Beijing was RMB19,162 per m^2 in the first half of 2010, down 1.5% from the average price from January to April. Area sold and contracted sales in Beijing's real estate market decreased by 42.6% and 5.8% from the same period in 2009 to 4,854,000m^2 and RMB93.01 billion in the first half of 2010, respectively, including new area approved for pre-sale of 4,813,000m^2 and area of commodity residential units sold of 3,949,000m^2, respectively. The supply to sales ratio reached 1.22 times, a significant increase over the same period of 2009, i.e 0.64 times. A more uncertain future outlook is therefore suggested.

I. OPERATING ENVIRONMENT *(CONTINUED)*

1. Development Properties *(continued)*

As opposed to its first-tier counterparts which underwent sharp decline in transaction volume, Changsha real estate market maintained a relatively healthy operation and was subject to less pressure and influence from austerity control. In the first half of 2010, the area of commodity residential units applied for sale in five districts in Changsha city significantly increased by 48.2% over the same period in 2009 to 6,859,000m^2. In proportion to the area approved for pre-sale of 5,788,000m^2, the supply to sales ratio of commodity residential units was only 0.84 times. The supply/demand imbalance in the real estate market drove the trading price consecutively higher to record highs. In the first half of 2010, the average price of new commodity residential units in five districts in Changsha city being put on record surged by 19.0% year-on-year to RMB4,389 per m^2. In addition, as various national real estate developers set foot in Changsha, the brand effect and economies of scale that took shape are set to enhance the quality of development and consumption in Changsha real estate market.

2. Investment Properties and Hotels

Rapid macro-economic growth, a more sanguine international outlook as well as the steady recovery in demand had gradually turned Beijing's investment property market around in spite of continuing market disequilibrium evidenced by pent-up inventories across certain segments. In particular, as the supply of high-grade hotel market slowed down and business activities and high-end business travelers increased, the gap between demand and supply gradually narrowed, driving the average room rent and occupancy rate higher. The rebound in demand for foreign financing and a steadily growing domestic demand underpinned the rise in the net take-up of office buildings as compared with the same period in 2009, with vacancy moving down and the overall rent of the market relatively stable. Driven by factors including the pick up of business activities of multi-national companies and rent budgets of high-end customers, rent and occupancy rate bottomed out and rebounded whilst the balance between demand and supply improved. Under the support of active state-run economic adjustment and tertiary industry development as well as improvement in economic and business activities, the convention and exhibition market has been expanding and its spill-over effect on relevant sectors has been all the more significant.

I. OPERATING ENVIRONMENT *(CONTINUED)*

3. Commercial Properties

In the first half of 2010, the accumulated retail sales of consumer goods in Beijing's commercial market amounted to RMB290.22 billion, representing an increase of 16.0% or 2.8 percentage points over the same period last year. RMB94.1 billion was also added to the value of the wholesale and retail business of Beijing in the first half, representing a year-on-year increase of 30.3% and contributing 37.3% of the economic growth. Consumption has become the most important driver of Beijing's economic development. Strengthened by a buoyant consumption market, Beijing's commercial market peaked in the first half of 2010-the very first time ever since the onset of the financial crisis-and saw an influx of retail property projects. Since overall oversupply of commercial properties remained in the market trend for a short-term, business promotion of new commercial projects still faced a lot of difficulties.

II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD

In face of a new phase of macro control policies and an ever-increasing market competition in the first half of 2010, the Company focused on fostering the spillover effect from its convention operation to other business segments as an ongoing commitment to the marketing tactic of "co-sale of convention and exhibition". It also developed its sustainable development capacity by stepping up efforts in studying and tapping into the real estate market under such new scenario, seeking chances to snap up quality land reserve for projects in Beijing whilst making solid progress of existing projects. In the first half of 2010, under the influence of seasonality of real estate development and the decrease in products available for settlement, the Company recorded an operating revenue of RMB2,039,254,000, posting a year-on-year decrease of 33.9% from 2009. During the reporting period, as a result of the decrease in settlement income from real estate development, the large quantity of additional properties held under the initial struggling period and a higher fixed operating expenses (interest included) as interest expenses were no longer capitalized after being transferred to investment properties/fixed assets, the Company recorded the profit before tax of RMB814,930,000, representing a decrease of 37.7% as compared with the same period of 2009. Profit attributable to equity holders amounted to RMB487,819,000, representing a year-on-year decrease of 38.0%. Among them, the core operating results of the Company's principal operations amounted to RMB201,423,000, representing a year-on-year decrease of 62.3%. The post-tax gain on changes in fair value of investment properties amounted to RMB286,396,000, posting a year-on-year increase of 13.4%. Earnings per share were RMB14.49 cents, representing a decrease of 38.0% as compared with the same period of 2009. During the reporting period, the Company continuously strengthened its professional capabilities, improved its management standards and proactively adopted expenses control initiatives, so as to achieve targets set and ensure sustainable and healthy development of the Company.

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

1. Development Properties

In response to another round of macro control on the real estate market, the Company adhered to a market-oriented and customer-foremost approach in the first half of 2010. A tailored marketing strategy was adopted, where efforts were made to boost residence sales whilst vigorous promotion campaigns targeting major customers with strong purchasing power were kick stared. In particular, an agreement with a major customer was reached on the sale of Beichen Epoch office plaza located in the residential area of Beichen Green Garden. The area sold reached 35,000m^2. The entering into the agreement and filing of sales of the project will be completed in the second half of 2010. Apart from strengthening its sales initiatives, the Company also pressed ahead with its existing projects. During the reporting period, Phase II of the two low-density projects of the Company, namely Changhe Yushu Garden Villas and Bihai Fangzhou Garden Villas, had made progress in obtaining project approvals, i.e. they had completed the public announcement on planning proposals and obtained the Approval Regarding Project Planning Proposal (《項目規劃設計方案的覆函》), respectively, thanks to the Company's efforts in the optimisation and adjustment of the planning proposals. The preliminary preparation for construction of the above two projects have been in smooth progress. The construction of the projects may commence immediately once relevant approvals are obtained, which will contribute to the Company's sales results. In respect of land reserves, by conducting in-depth studies on the trend of Beijing's real estate market and keeping a close track of the market supply of land, the Company acquired a piece of land with a planned gross floor area of 147,000m^2 above ground (total gross floor area of approximately 200,000m^2) in Mapo Town, Shunyi District of Beijing City in June 2010. The successful expansion of land bank for Beijing projects helped boost the Company's sustainable development capability.

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

1. Development Properties *(continued)*

During the reporting period, the Company expedited the construction of Changsha municipal project as well as the construction and sales preparation of a 600,000m^2 initial block residence. The construction of a road network comprising "Four Verticals, Seven Horizontals and One Cycle" in the region had been in full swing. While 25 storeys of phase I of a 300,000m^2 initial block residence completed construction, 45% of the piling work of phase II of a 300,000m^2 initial block residence was completed. Sales preparations, on the other hand, had been launched on a full scale as scheduled. Upon confirmation of the final project name and the logo of the "Beichen Delta" promotion campaign, the project will be put for pre-sale in the market by the end of the year. In the first half of 2010, the Company deepened its research efforts in Changsha's real estate market. Bearing in mind its development concept featuring "culture and leisure, business and commerce and eco-living", the Company pressed ahead and optimized the construction planning and design, hotel and office building planning and design, transportation planning and design, commercial planning and design, residential planning and design, traveling and urban subway planning and design and greenery and scenery planning and design of Beichen Delta Project in joint cooperation with the world's top seven planning and design organisations JERPE and RTKL in the United States, MVA in Hong Kong, GVA in the United Kingdom, Aedas, AECOM and Belt Collins. Meanwhile, the Company accelerated the optimisation and deepening of the design of the 800,000m^2 riverside commercial and residential facilities and partnered with InterContinental Hotel Group and Huayi Brothers (華誼兄弟) to develop high-grade hotels and entertainment and leisure facilities for the project respectively during the reporting period. In particular, the collaboration with Huayi Brothers (華誼兄弟) not only marked a combination of strength in development of commercial ancillary facilities of real estate projects and the media and entertainment industry, but also heralded a promising start for the commercial property business of Beichen Delta Project. In addition to its capital increase and increased shareholdings in Changsha North Star Real Estate Development Company Limited to 96% in 2009, the Company further acquired the remaining 4% equity interest held by Beijing City Development Co., Ltd. through China Beijing Equity Exchange upon negotiation in March this year. On 10 August 2010, the related matters of the equity acquisition including change of business registration for the transfer of equity interest were completed. Accordingly, interest held by the Company in Beichen Delta Project increased to 100%. The Company went full steam ahead with the development of the project on its own to show its confidence to the future development of Changsha's property market and the profit expectations of the project.

In the first half of 2010, the seasonality of real estate development and the decrease in products available for settlement had drove the operating revenue and profit before tax of the Company's development properties to decrease year-on-year by 53.1% and 56.2% to RMB1,183,297,000 and RMB348,355,000, respectively. In the first half of 2010, the development properties segment of the Company achieved area commenced construction of 259,000m^2, area under construction of 1,315,000m^2 and area completed construction of 171,000m^2, respectively. Due to the decline in area ready for sale, contracted sales and area sold of development properties were RMB907,350,000 and 65,600m^2, respectively, accomplishing 43.8% and 31.3% of the annual plan respectively (excluding the agreed sale of Beichen Epoch office plaza with a major customer where an agreement was reached but had not yet been filed for sales), representing a year-on-year drop in market share.

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

1. Development Properties *(continued)*

Sales and settlement performance of each project of the Company during the first half of 2010

Project name	Total saleable area	In the first half 2010 Area sold	Contracted sales	Settled area	Revenue	Accumulated Area sold	Settled area	Interest of the Company
	('000m²)	*('000m²)*	*(RMB million)*	*('000m²)*	*(RMB million)*	*('000m²)*	*('000m²)*	*(%)*
Green Garden residential units	950.3	3.5	42.90	15.5	183.50	924.5	918.0	100%
Green Garden (綠色家園) commercial and office buildings	146.5	1.6	19.24	32.4	408.35	61.5	42.3	100%
Beichen • Xiang Lu (Phase I)	60.9	14.5	199.54	16.2	208.40	36.8	16.2	100%
Beichen • Xiang Lu (Phase II)	68.6	36.4	588.94	—	—	36.4	—	100%
Beichen • Fudi (Dual Restriction Project)	287.7	9.6	56.73	—	—	256.3	—	100%
Fragrant Hill Qingqin Villas	143.7	—	—	7.0	383.05	135.6	115.8	49.50%
Total	1,657.7	65.6	907.35	71.1	1,183.30	1,451.1	1,092.3	—

Note: The agreed sale of Beichen Epoch office plaza with a major customer, on which an agreement was reached but sales of which had not yet been completed, was not included in the sales statistics of the first half 2010 in the table.

2. Investment Properties and Hotels

As the National Convention Centre and its ancillary projects commenced full operation in 2010, the operation area of investment properties of the Company quickly increased from 510,000m² to 1,040,000m². Although the office of North Star Century Center was in the initial stage of investment promotion and the utilisation rate of the National Convention Centre fall below expected level, both operation area and the turnover of investment properties of the Company doubled and the goal of "growing stock assets at a stable pace and commencing operation at high starting point for a new asset" for investment properties of the Company was fulfilled in the first half of the year. During the reporting period, the revenue from principal business of the Company's investment properties and hotels increased significantly by 84.3% year-on-year to RMB612,690,000. Without taking into account the amortisation of interest expenses, profit before taxation of investment properties and hotels for the reporting period amounted to RMB79,944,000, posting a growth of 70.0% over the same period in 2009. In addition, gains from changes in fair value of investment properties of the Company amounted to RMB381,861,000 (before taxation) in the first half of 2010, which increased by 13.4% over the same period last year, among the total, gains from change in fair value of the China National Convention Centre and its ancillary projects amounted to RMB299,786,000 (before taxation).

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

2. Investment Properties and Hotels *(continued)*

During the first half of 2010, the Company fully capitalised on the advantage of stock and additional assets in the geographically preferred Asian Games core district, adhered to the "co-sale of convention and exhibition" marketing strategy through market division, lean management, professional operation and brand building and actively drew upon the synergy among different business segments, thus highlighting our operations in various areas. Leverage on the meticulously prepared opening and by vigorously extending its market footprint, the China National Convention Centre delivered reception for 209 convention projects and 32 exhibition projects during the first half of 2010, 39 of which were conferences comprising over 1,000 people, boosting its industry presence and earning wide recognition. Through differentiated positioning with the China National Convention Centre, in-depth exploration of project potential, focused strengthening of development and marketing efforts in medium-sized markets and the training market, the income and results of Beijing International Convention Centre remained stable. By adopting the "co-sale of convention and exhibition" marketing strategy, the Company successfully maximised demand driven by the convention and exhibition industry for its investment properties out of increasing customer traffic, which in turn pushed up the occupancy rate of hotels and apartments. The office building of North Star Times Tower is a landmark in the Asian Games core district, being the best in terms of quality, facilities and environment. Taking advantage of the steadily unfreezing leasing market of office buildings in Beijing and striving to keep its quality and price in line with CBD, North Star Times Tower reached a contract rate (時點簽約率) of 75% in June 2010. Not only has the goal of commencing operation at high starting point for a new asset been fulfilled, but North Star Times Tower also saw a major profit growth in the investment properties segment of the Company.

3. Commercial properties

On commercial properties, the Company conducted in-depth study on target consumer patterns, accelerated the adjustment of brand and product mix and reinforced the replacement of brand stores rented, constantly increased number of brands and improved diversity of products to meet customers' demand in the commercial circle. As such, sales figures, trading volume and customer unit price grew on a steady course whilst its profit registered a remarkable growth. During the reporting period, the revenue from business of commercial properties of the Company increased slightly by 1.7% over the same period in 2009 to RMB195,600,000. Driven by the rally in gross profit margin and rental income, profit before tax of commercial properties for the first half of 2010 posted a considerable growth of 151.9% year-on-year to RMB23,255,000.

On preparation of new projects, against the backdrop of intensifying competition upon an influx of quality retail properties onto the market after the financial crisis, the Company coordinated, arranged, carefully deployed and steadily pressed ahead with preparations for the opening of new projects and marketing promotions. Currently, promotion to attract commercial tenant of new projects was smoothly underway and interior renovation has fully commenced, setting the stage for the scheduled opening of the project.

III. OUTLOOK OF BUSINESS ENVIRONMENT IN THE SECOND HALF OF 2010

While strong sentiment lingers in the PRC's manufacturing industry and urban investment in fixed assets is still at record levels, consumption of residents is on stable climb and external environment is on the path to recovery. As such, the state will continue its macro control which aims to curb overly fast property price growth, restrain local debt expansion, contain inflation expectations and close down, suspend, merge or transform high energy consuming industries, and the economy may turn from boom to bust in the second half of the 2010. Nevertheless, the state's economy is very unlikely to head into a "double dip" since such minor dynamic adjustments in economy growth were initiated by the government and the macro economy keeps up its momentum. Under such circumstances, it is expected that a more targeted and flexible macro control will be high on the state's agenda in the second half of 2010. The state will manage inflation expectations and go full steam ahead with economic structural adjustment by adopting proactive fiscal measures and a relatively easy monetary policy, in a bid to maintain a steady and organic growth of the economy.

For development properties, the new property policy promulgated in April 2010 made reasonable guidance on ruling out mortgages demand. As supply dropped and prices became stagnant in the real estate market, macro control has come into effect. In the second half of 2010, the state's macro control policy on real estate is expected to maintain its coherence and stability. Before the price level of assets sees sharp improvement, the state will continue to stringently enforce limits on development loans and adopt differentiated measures on residential mortgages and further implement the loan policy of "Encouragements and Discouragements" to property developers and buyers with a view to bolstering the healthy growth of the real estate market. Given the contraction of capital, the property sector is likely to face once again the pressure brought by increased difficulty in financing and the surge in costs of capital. Furthermore, as trading volume in certain cities take a nosedive and consumers incline to wait and see, demands long unsatisfied may expose the property market to potential volatility. With the impacts of all these factors, the property market's mid- to short-term trends are subject to more uncertainties. Worse still, since a property project involves a longer operation cycle, in case material fluctuations take place in the market, there will be greater risks brought to the Company's sales.

As for investment and commercial properties, from the short term perspective, though demand-supply imbalances remain in certain industries, the market shows signs of upturn as demand increased at a steady pace. From the mid and long term perspective, the government's future objectives will attach importance to structural adjustment and management of inflation expectations. Before the GDP growth and the consumer price index (CPI) have yet to fall, it is less likely that the state's proactive macro control will ease up. Looking ahead, the government is poised to step further on its support to the tertiary industry and accelerate the development of the service market and consumption market in a bid to minimize the down-side impacts on the economic growth as a result of the adjustment to the economic structure. In addition, according to the preliminary judgment of competent government departments and professional organizations, the overall demand in the Beijing convention and exhibition market will maintain an average annual growth rate of 15% to 20% in the coming few years. During the "Eleventh-Five Year" period, Beijing has already positioned the convention and exhibition industry as the pillar industry of tertiary industry. As the progress of building Beijing into a world class city accelerates, in particular the establishment of the city for international conventions, the government and relevant departments will implement more preferential policies and supporting measures to facilitate stead-fast development of the Beijing convention and exhibition economy and maximise the spillover effect to other industries. Since the Company holds and operates a great deal of investment properties and commercial properties, the Company's operation will be affected positively if demand rallies, the market picks up and favourable policies launch and, in the meantime, the "initial struggling period" of new properties will be shortened correspondingly.

IV. MANAGEMENT'S MEASURES FOR THE SECOND HALF OF 2010

1. Development Properties

In the second half of 2010, the Company will focus on strengthening its ability to prejudge the trend of the real estate market under the new landscape, push forward the development and construction of stock projects and the preliminary preparation for new projects, adopt well-targeted marketing tactics and strive to speed up the turnover rate of projects. Meanwhile, the Company will actively tap market opportunities, continue to seek chances to increase land reserve and boost the core competitiveness of its development properties and enhance its sustainable development capability continuously. Application procedures for approval for the construction of Phase II of the two low-density projects, namely Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas, will be accelerated, aiming to commence construction in the year and contribute to the results of the Company as soon as possible.

While ensuring completion of the sales garden (銷售公園) of Beichen Delta Project by the end of September and top out of the 300,000m² residential main structure of Phase I initial block, the Company will leverage on the significant impacts and consumer expectations brought by the launching ceremony of the project, continue to strengthen promotion and marketing targeted at major customers and attract more potential customers to provide support for an overwhelming sales of the project by the end of the year. Besides, the Company will also seek optimal and more in-depth design of the 800,000m² riverside commercial and residential facilities and strive to commence operations of the project by the end of the year. As development intensifies continually and surrounding ancillary facilities improves gradually in the future, the Company will leverage on the advantages of its projects in respect of scale, ancillary facilities, environment and location not only to turn Beichen Delta Project into a city landmark with the residence philosophy of "Riverside city with landscape and sea view (一江兩岸，山水洲城)", but also to position the project into the "dream land for Changsha residents, dream home for homebuyers and dream city for the government and the community".

In the second half of 2010, the development properties segment of the Company is expected to commence construction of an area of 135,000m² and complete construction of an area of 548,000m². Area sold is estimated to be 147,000m² and contracted sales is estimated to be RMB1.28 billion, of which Beichen • Fudi (Dual Restriction Project) and low rent housing are expected to see an area sold of 46,000m² and contracted sales of RMB0.24 billion.

2. Investment Properties and Hotels

Given the favourable environment arising from the gradual recovery of the Beijing investment property market, the Company will tap the opportunity of building Beijing into a world class city and a city for international conventions and, apart from enhancing its professional operation capability and comprehensive operation capability, enter the second half of 2010 with clear targets to intensify its "co-sale of convention and exhibition" strategy. Efforts will be made on strengthening market exploration and service innovation for the National Convention Centre, enhancement of the utilisation efficiency and operation efficiency of new projects, shortening the initial struggling period, enhancing the core competitiveness of the Company which "taps on the convention industry to facilitate the joint development of other businesses" and minimising the impacts of fixed costs on the operating results for the year.

3. Commercial Properties

In the second half of 2010, for commercial properties, apart from maintaining the stable growth of operation of Beichen Shopping Centre and consolidating the market position and market share of our commercial segment in the Olympic core district, the Company will strive to improve the operation of Legend Shopping Centre project, further strengthen investment promotion and marketing efforts in its drives to achieve our goals.

V. ANALYSIS ON THE COMPANY'S DEVELOPMENT PROBLEMS AND RISKS

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

①Market risks for development properties. In the first half of 2010, given the successive launch of new macro control policies by the central government and relevant authorities to temper the real estate industry, the market started to see the effect of such macro control as the increase in area sold saw a steep slump and sales pressure gradually mounted. As trading volume in certain cities dropped rapidly, consumers are becoming more inclined to wait on the sideline. If demand cannot be effectively released for a prolonged period, the real estate market may see a bumpy ride. With the impacts of all these factors, the property market's mid to short-term trend is subject to more uncertainties. In addition, since a property project involves a longer operation cycle, the Company's sales will be subject to greater risks in case material fluctuations take place in the market.

To cope with the aforesaid market risks for development properties, the Company will focus on strengthening its ability to prejudge the trend of the real estate market under the new landscape, push forward the development and construction of stock projects and the preliminary preparation for new projects, adopt well-targeted marketing tactics and strive to speed up the turnover rate of projects, actively tap market opportunities, continue to seek chances to increase land reserve and boost the core competitiveness of its development properties and enhance its sustainable development capability continuously.

②Short-term operational risks of the Company. On development properties, in spite of the phased completion of the planning session and application for approval for Phase II of the two low-density projects, namely Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas, suspension of the projects due to policy regulation led to a decrease in products with a high profit margin recognisable from 2010 onwards and hence effected our operating results. As regards additional assets of investment properties, upon their transfer to fixed assets/investment properties by the end of 2009, the Company's National Convention Centre and its ancillary projects were in the initial struggling period after commencement of operation in 2010. As the projects were large in scale and high in investment amount, which will therefore incur uncapitalised interest expenses of approximately RMB0.2 billion each year. Therefore, in the preliminary operation of the projects, the results of operations of the Company will be depressed and affected by the higher fixed costs.

To fend off the aforesaid short-term operation risks, the Company will make use of some of the progress made over the construction of Phase II of the two low-density projects, namely Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas to accelerate application procedures for approval. The target of the Company is to commence construction of the projects in the year so as to add to the results of the Company as soon as possible. For additional assets, the Company will endeavour to find new sources of income, reduce consumption, increase revenue and lower costs. Tapping on its existing edges on resources and brands, it will further its "co-sale of convention and exhibition" strategy with a focus on strengthening market exploration and service innovation for the National Convention Centre, enhancing the utilisation efficiency and operation efficiency of new projects, shortening the initial struggling period, enhancing the core competitiveness of the Company which "taps on the convention industry to facilitate the joint development of other businesses" and minimising the impacts of fixed costs on the operating results for the year.

Discussion and Analysis of Financial Performance

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2010, the capital and reserve attributable to the Company's equity holders increased by 3.3% compared to 31 December 2009. The increase primarily was attributable to profit attributable to equity holders of the Company during the Period of RMB487,819,000.

The Group's bank borrowings as at 30 June 2010 amounted to RMB7,265,010,000, among which the Group had long-term bank borrowings of RMB4,785,010,000 secured by certain investment properties, property, plant and equipment, properties under development and completed properties held for sale. As at 30 June 2010, the net amount for the Group's 10-year corporate bonds was RMB1,486,521,000 as at the end of the period, and balances of the 5-year corporate bonds as at the end of the period amounted to RMB1,677,945,000. The assets-liability ratio of the Group was 60.5% (calculated by dividing total liabilities by total assets) as at the end of the reporting period.

Current assets of the Group, which mainly comprised cash at bank and on hand, trade and other receivables, completed properties held for sale and properties under development for sale, amounted to RMB19,364,516,000, whereas the Group's current liabilities amounted to RMB8,252,953,000. As at 30 June 2010, cash at bank and on hand amounted to RMB4,411,906,000 (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 phrasal financial guarantees will have no material effects on the financial position of the Group. As at 30 June 2010, the outstanding amount of the phrasal financial guarantees was RMB1,569,490,000 (31 December 2009: RMB1,472,798,000).

SHARE CAPITAL AND SHAREHOLDERS

Share Capital

The Company's registered share capital as at 30 June 2010 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 2010, the following person, other than a director, supervisor or chief executive of the Company, had 5% or more interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests in the shares and short positions required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance ("SFO"):

Long positions in shares of the Company

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

Save as disclosed above, the register required to be kept under Section 336 of Part XV of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 30 June 2010.

Note: Pursuant to the document titled "Implementation measure for the transfer of part of the state-owned shares to the National Social Security Fund in domestic securities market (Cai Qi [2009] No.94)"(《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and announcement No.63 of 2009 jointly issued by the Ministry of Finance of the 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, 150,000,000 shares held by BNSIGC, the controlling shareholder of the Company, are frozen at present.

INTERESTS OF DIRECTORS AND SUPERVISORS OF THE COMPANY

As at 30 June 2010, 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 otherwise 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 Companies. 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 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has strived to maintain and establish a high level of corporate governance and has fully complied with the code provisions set out in the "Code on Corporate Governance Practices" 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiries from 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 2010.

AUDIT COMMITTEE

An Audit Committee has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Company. The Group's unaudited interim results for the six months ended 30 June 2010 have been reviewed by the Audit Committee and the Board of the Company. The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DESIGNATED DEPOSITS AND DUE FIXED DEPOSITS

As at 30 June 2010, the Group had no designated deposits that were placed with financial institutions in the PRC. All of the Group's cash deposits have been placed with commercial banks in the PRC in compliance with relevant laws and regulations. The Group has not experienced any incidents of not being able to withdraw bank deposits when due.

EMPLOYEES

As at 30 June 2010, the Company had 4,677 employees. Adjustments of employee remuneration will be made according to the Company's results and profitability and are determined by assessing the correlation between the total salary paid and the economic efficiency of the enterprise. Under this mechanism, the management of employee remunerations will be more efficient while employees will be motivated to work hard to bring good results to 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 any bonus. The Company regularly provides for its administrative personnel 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 FINANCIAL INFORMATION

The Company's 2010 interim report which sets out all the information required by the Listing Rules will be published on the designated website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.beijingns.com.cn in due course.

DOCUMENT FOR FUTURE REFERENCE

The original copy of the 2010 interim report, signed by the Chairman is available for inspection at the Secretariat of the Board, of which the address is:

Beijing North Star Company Limited
707, Tower A, Hui Xin Building
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
18 August 2010

Corporate Information

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

COMPANY INFORMATION ENQUIRY

Address:	Room 707, Tower A, Hui Xin Building, No.8 Bei Chen Dong Road, Chao Yang District, Beijing, the PRC
Postal code:	100101
Telephone:	86 (10) 6499 1277
Fax:	86 (10) 6499 1352
Website:	www.beijingns.com.cn

REGISTRATION

Date and place of first registration:	2nd April 1997, Beijing, the PRC
Registration number with the Industry and Commerce Bureau:	11509936
Organisation Code:	63379193-0
Registration number with the Taxation Bureau:	110105633791930

AUDITORS

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

LEGAL ADVISERS

PRC lawyer:	Beijing Da Cheng Solicitors Office
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Telephone:	86 (10) 5813 7799
Fax:	86 (10) 5813 7788
Hong Kong lawyer:	Woo, Kwan, Lee & Lo
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Corporate Information

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