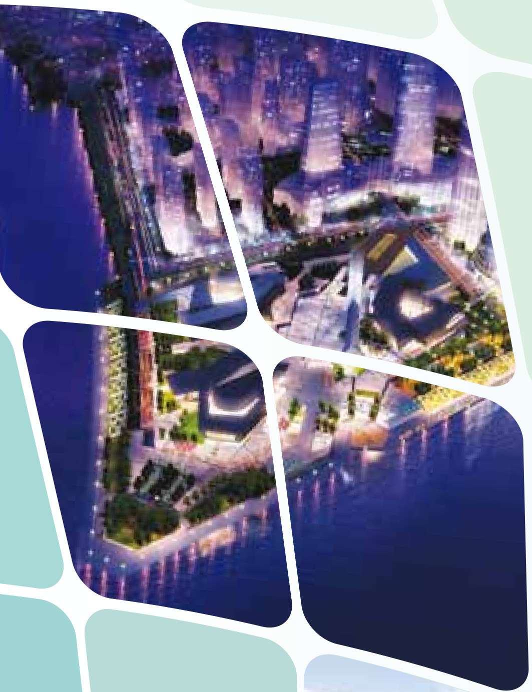
北辰实业
BEIJING NORTH STAR

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



2011 Interim Report

INTERIM REPORT

For the six months ended 30 June 2011

- A revenue of RMB2,470,084,000, representing an increase of 21.1% over the same period last year
- Operating profit was RMB1,285,676,000, representing an increase of 31.9% over the same period last year
- Profit attributable to equity holders of the Company was RMB756,582,000, representing an increase of 55.1% over the corresponding period of the previous year. Among others, the core operating results of the Company's principal business was RMB391,031,000, a substantial increase of 94.1% over last year, and the gain (after taxation) on changes in fair value of investment properties was RMB365,551,000, representing an increase of 27.6% over the same period last year
- Earnings per share was RMB0.2247, earnings per share in the same period last year was RMB0.1449
- The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2011 (six months ended 30 June 2010: nil)

Condensed consolidated interim balance sheet

	Note	Unaudited 30 June 2011 *RMB'000*	Audited 31 December 2010 *RMB'000*
ASSETS			
Non-current assets			
Land use rights	7	1,091	1,107
Investment properties	7	10,863,000	10,375,600
Property, plant and equipment	7	1,898,216	1,959,067
Interest in a jointly controlled entity		—	6,592
Deferred income tax assets		57,663	48,481
		12,819,970	12,390,847
Current assets			
Properties under development	8	11,387,934	10,865,895
Completed properties held for sale		3,364,119	4,163,588
Inventories		125,972	119,302
Trade and other receivables	9	687,533	475,887
Restricted bank deposits		61,451	38,988
Cash and cash equivalents		2,840,459	2,520,146
Total current assets		18,467,468	18,183,806
Total assets		31,287,438	30,574,653
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	10	3,367,020	3,367,020
Other reserves		4,069,939	4,069,943
Retained earnings			
— Proposed final dividend		—	67,340
— Others		6,053,920	5,297,338
		13,490,879	12,801,641
Non-controlling interests		183,298	173,511
Total equity		13,674,177	12,975,152

Condensed consolidated interim balance sheet

	Note	Unaudited 30 June 2011 *RMB'000*	Audited 31 December 2010 *RMB'000*
LIABILITIES			
Non-current liabilities			
Long term borrowings	12	7,993,316	7,402,702
Long term payables		9,636	9,636
Deferred income tax liabilities		1,352,334	1,208,661
Deferred income		2,550	2,550
		9,357,836	8,623,549
Current liabilities			
Trade and other payables	11	5,540,503	5,763,010
Current income tax liabilities		300,922	363,796
Current portion of long term borrowings	12	1,714,000	1,969,146
Short term borrowings	12	700,000	880,000
		8,255,425	8,975,952
Total liabilities		17,613,261	17,599,501
Total equity and liabilities		31,287,438	30,574,653
Net current assets		10,212,043	9,207,854
Total assets less current liabilities		23,032,013	21,598,701

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

Condensed consolidated interim income statement

	Note	Unaudited Six months ended 30 June 2011 *RMB'000*	 2010 *RMB'000*
Revenue	6	2,470,084	2,039,254
Cost of sales		(1,363,939)	(1,172,147)
Gross profit		1,106,145	867,107
Selling and marketing expenses		(83,233)	(62,680)
Administrative expenses		(224,117)	(206,965)
Fair value gains on investment properties	13	487,400	381,861
Other losses — net		(519)	(4,219)
Operating profit		1,285,676	975,104
Finance income		15,721	14,467
Finance costs		(167,835)	(165,020)
Share of post-tax loss of a jointly controlled entity		(6,592)	(9,621)
Profit before income tax	6	1,126,970	814,930
Income tax expense	14	(356,159)	(260,360)
Profit for the period		770,811	554,570

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

Condensed consolidated interim income statement

	Note	Unaudited Six months ended 30 June 2011 *RMB'000*	 2010 *RMB'000*
Profit attributable to:			
— equity holders of the Company		756,582	487,819
— non-controlling interests		14,229	66,751
		770,811	554,570
		Cents per share	Cents per share
Earnings per share for profit attributable to the equity holders of the Company			
— basic and diluted		22.47	14.49
Dividend	15	—	—

Condensed consolidated interim statement of comprehensive income

	Unaudited Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Profit for the period	770,811	554,570
Other comprehensive income	—	—
Total comprehensive income for the period	770,811	554,570
Total comprehensive income for the period attributable to:		
— equity holders of the Company	756,582	487,819
— non-controlling interests	14,229	66,751
	770,811	554,570

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

Condensed consolidated interim statement of changes in equity

		Unaudited					
		Attributable to equity holders of the Company					
	Note	Share capital *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2011		3,367,020	4,069,943	5,364,678	12,801,641	173,511	12,975,152
Total comprehensive income for the period ended 30 June 2011		—	—	756,582	756,582	14,229	770,811
Transactions with owners in their capacity as owners							
Dividend relating to 2010 approved in the period ended 30 June 2011		—	—	(67,340)	(67,340)	—	(67,340)
Changes in ownership interests in subsidiaries without change of control		—	(4)	—	(4)	(4,442)	(4,446)
Total transactions with owners		—	(4)	(67,340)	(67,344)	(4,442)	(71,786)
Balance at 30 June 2011		3,367,020	4,069,939	6,053,920	13,490,879	183,298	13,674,177
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		—	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 these condensed consolidated interim financial statements.

Condensed consolidated interim statement of cash flows

	Unaudited Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Cash flows from operating activities — net	295,935	106,335
Cash flows used in investing activities — net	(126,834)	(207,287)
Cash flows from/(used in) financing activities — net	151,212	(54,598)
Net increase/(decrease) in cash and cash equivalents	320,313	(155,550)
Cash and cash equivalents at 1 January	2,520,146	4,567,456
Cash and cash equivalents at 30 June	2,840,459	4,411,906

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

Notes to the Condensed Consolidated Interim Financial Information

1. GENERAL INFORMATION

Beijing North Star Company Limited (the "Company") is a joint stock limited 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 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 29 August 2011.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2011 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 2010, 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 2010, 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 amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

- Amendments to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group.

- Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group.

- Amendment to HK(IFRIC) - Int-14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group.

- HK(IFRIC) - Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by Hong Kong Institute of Certified Public Accountants, except for amendment to HKAS 34 'Interim financial reporting' as disclosed in Note 3(a), all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

3. ACCOUNTING POLICIES *(CONTINUED)*

(c) The following new standard and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

- HKFRS 9, 'Financial instruments'.
- Amendment to HKAS 12 'Deferred tax: Recovery of underlying assets'.
- Amendment to HKFRS 7 'Disclosures – Transfers of financial assets'.

4. ESTIMATES

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

In preparing 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 2010.

5. FINANCIAL RISK MANAGEMENT

5.1. Financial Risk Factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

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

5. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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 2011					
Borrowings (including interests)	**3,008,081**	**721,134**	**6,324,881**	**2,792,294**	**12,846,390**
Trade and other payables	**3,177,338**	**—**	**—**	**—**	**3,177,338**
	6,185,419	**721,134**	**6,324,881**	**2,792,294**	**16,023,728**
At 31 December 2010					
Borrowings (including interests)	1,602,650	1,425,983	2,467,187	5,242,027	10,737,847
Bonds subject to a repayment on demand clause *(a)*	1,839,400	—	—	—	1,839,400
Trade and other payables	3,523,168	—	—	—	3,523,168
	6,965,218	1,425,983	2,467,187	5,242,027	16,100,415

(a) As described in note 12(a), on June 17, 2011, none of the bonds holders exercised his or her discretion to demand immediate repayment, and consequently, such bonds will be repaid in accordance with the scheduled maturity dates set out in the agreements.

6. 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.

6. SEGMENT INFORMATION *(CONTINUED)*

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.

Turnover consists of sales from development properties, commercial properties and investment properties and hotels segments. Revenues recognised during the six months ended 30 June 2011 and 30 June 2010 are as follows:

	Unaudited Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Revenue		
Development properties	1,424,099	1,183,297
Commercial properties	208,375	195,600
Investment properties and hotels	781,573	612,690
	2,414,047	1,991,587
All other segments	56,037	47,667
	2,470,084	2,039,254

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

6. SEGMENT INFORMATION *(CONTINUED)*

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the board 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 Group RMB'000
Six months ended 30 June 2011					
Total segment revenue	1,429,280	208,375	788,563	79,022	2,505,240
Inter-segment revenue	(5,181)	—	(6,990)	(22,985)	(35,156)
Revenue from external customers	1,424,099	208,375	781,573	56,037	2,470,084
Profit before Tax	425,389	27,144	187,728	(1,609)	638,652
Six months ended 30 June 2010					
Total segment revenue	1,183,297	195,600	623,104	75,338	2,077,339
Inter-segment revenue	—	—	(10,414)	(27,671)	(38,085)
Revenue from external customers	1,183,297	195,600	612,690	47,667	2,039,254
Profit before Tax	348,355	23,255	79,944	133	451,687

			Unaudited		
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 2011					
Total segment assets	16,417,100	597,164	6,955,031	77,831	24,047,126
Total segment assets include:					
Additions to non-current assets (other than deferred tax assets)	1,036	371	5,123	835	7,365
As at 31 December 2010					
Total segment assets	16,085,555	631,620	7,119,116	84,693	23,920,984
Total segment assets include:					
Interest in a jointly controlled entity	—	6,592	—	—	6,592
Additions to non-current assets (other than deferred tax assets)	727	6,618	205,746	783	213,874

6. SEGMENT INFORMATION *(CONTINUED)*

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

	Unaudited Six months ended 30 June 2011 RMB'000	2010 RMB'000
Profit before income tax for reportable segments	638,652	451,687
Corporate overheads	(29,691)	(22,556)
Corporate finance costs	(161,911)	(165,020)
Corporate finance income	13,809	12,640
Fair value gains on investment properties *(Note 13)*	487,400	381,861
Reversal of depreciation of investment properties	85,503	83,818
Land appreciation tax	91,417	70,709
Others	1,791	1,791
Profit before income tax	1,126,970	814,930

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

	Unaudited As at 30 June 2011 RMB'000	Audited As at 31 December 2010 RMB'000
Total segments' assets	24,047,126	23,920,984
Deferred income tax assets	57,663	48,481
Corporate deposit	1,773,311	1,770,544
Aggregated fair value gains on investment properties	4,528,473	4,041,073
Reversal of accumulated depreciation of investment properties	901,487	815,984
Others	(20,622)	(22,413)
Total assets per balance sheet	31,287,438	30,574,653

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 2011 and 2010.

At 30 June 2011 and 31 December 2010, 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 2011 and 2010.

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

	Land use rights	Unaudited Property, plant and equipment	Investment properties
	RMB'000	*RMB'000*	*RMB'000*
Six months ended 30 June 2011			
Opening net book amount as at 1 January 2011	1,107	1,959,067	10,375,600
Fair value gains *(Note 13)*	—	—	487,400
Additions	—	7,365	—
Disposals	—	(350)	—
Amortisation/depreciation	(16)	(67,866)	—
Closing net book amount as at 30 June 2011	1,091	1,898,216	10,863,000
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 13)*	—	—	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

The investment properties were revalued at 30 June 2011 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.

8. PROPERTIES UNDER DEVELOPMENT

	Unaudited As at 30 June 2011	Audited As at 31 December 2010
	RMB'000	*RMB'000*
Land use rights	8,230,820	8,188,787
Development costs and capitalised expenditure	2,129,855	1,817,170
Finance costs capitalised	1,027,259	859,938
	11,387,934	10,865,895

9. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2011 *RMB'000*	Audited As at 31 December 2010 *RMB'000*
Trade receivables	126,381	97,880
Less: provision for impairment of receivables	(3,847)	(3,873)
Trade receivables — net	122,534	94,007
Other receivables	79,269	81,570
Less: provision for impairment of receivables	(15,609)	(15,609)
Other receivables — net	63,660	65,961
Prepaid tax	248,760	235,964
Other prepayments	252,579	79,955
	687,533	475,887

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 2011 and 31 December 2010, the ageing analysis of the trade receivables were as follows:

	Unaudited As at 30 June 2011 *RMB'000*	Audited As at 31 December 2010 *RMB'000*
Trade receivables		
0 - 30 days	21,659	83,701
31 - 120 days	3,880	1,665
121 days - 365 days	92,809	4,979
Over 365 days	8,033	7,535
	126,381	97,880

10. SHARE CAPITAL

	Number of shares (thousands)	Unaudited Registered, issued and fully paid — Liquid shares subject to sales restrictions: Shares held by State owned legal person RMB'000	Listed shares: Shares listed in the Shanghai (A shares) RMB'000	Listed shares: Shares listed in Hong Kong (H shares) RMB'000	Total RMB'000
Opening balance at 1 January 2011	3,367,020	150,000	2,510,000	707,020	3,367,020
At 30 June 2011	3,367,020	150,000	2,510,000	707,020	3,367,020
Opening balance at 1 January 2010	3,367,020	150,000	2,510,000	707,020	3,367,020
At 30 June 2010	3,367,020	150,000	2,510,000	707,020	3,367,020

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

11. TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2011 RMB'000	Audited As at 31 December 2010 RMB'000
Trade payables	886,187	1,048,306
Advance from customers	2,303,371	2,151,965
Dividends payable to shareholders of the Company	67,340	—
Dividends payable to minority shareholders of a subsidiary	1,162	1,162
Accrued long term assets construction costs	348,840	774,033
Accrued properties under development costs	949,880	1,001,252
Amount due to BNSIGC *(Note 19)*	12,292	5,163
Accrued interest	151,521	112,179
Other payables	819,910	668,950
	5,540,503	5,763,010

11. TRADE AND OTHER PAYABLES *(CONTINUED)*

As at 30 June 2011 and 31 December 2010, 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 2011 *RMB'000*	Audited As at 31 December 2010 *RMB'000*
Trade payables		
0 - 180 days	326,504	876,666
181 - 365 days	397,905	35,570
Over 365 days	161,778	136,070
	886,187	1,048,306

12. BORROWINGS

	Unaudited As at 30 June 2011 *RMB'000*	Audited As at 31 December 2010 *RMB'000*
Non-current		
Long term borrowings		
— Secured borrowings	4,534,371	4,603,159
— Unsecured borrowings	2,000,000	1,600,000
— 10 year bonds	1,488,572	1,487,543
— 5 year bonds *(Note a)*	1,684,373	1,681,146
	9,707,316	9,371,848
Less: current portion of long term borrowings	(1,714,000)	(1,969,146)
	7,993,316	7,402,702
Current		
Short term borrowings		
— Unsecured borrowings	700,000	880,000
— Current portion of long term borrowings	1,714,000	1,969,146
	2,414,000	2,849,146
Total borrowings and loans	10,407,316	10,251,848

12. BORROWINGS *(CONTINUED)*

(a) On 18 July 2008, the Company issued bonds with an aggregate principal amount of RMB1,700,000,000 and a maturity period of 5 years ("5 year bonds"). The net proceeds were RMB1,667,510,000 (net of issuance costs of RMB32,490,000) and were raised as repayment of bank loans for the amount of RMB800,000,000 and the remaining amount is used for operating. The bond carries a fixed annual interest rate of 8.2%, the interest of which will be paid annually and the principal is fully repayable on 18 July 2013. The bond holders have the right to re-sell all or part of the bond at its face value to the Company on 18 July 2011 at their's sole discretion, and according to the agreement, the register date for the bond holders to apply such right is 17 June 2011. On 17 June 2011, according to the register record, none of the bonds holders exercised such rights, and the bonds will be repaid in accordance with the scheduled maturity dates set out in the agreements.

Movements in borrowings are analysed as follows:

	Unaudited Six months ended 30 June 2011 *RMB'000*
Six months ended 30 June 2011	
Opening amount as at 1 January 2011	**10,251,848**
Addition of borrowings	**825,212**
Repayment of borrowings	**(674,000)**
Amortisation of issuance costs of bonds	**4,256**
Closing amount as at 30 June 2011	**10,407,316**

	Unaudited Six months ended 30 June 2010 *RMB'000*
Six months ended 30 June 2010	
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

Interest expense on borrowings and bonds for the six months ended 30 June 2011 is RMB329,232,000 (six months ended 30 June 2010: RMB325,430,000).

12. BORROWINGS *(CONTINUED)*

The Group has the following undrawn borrowing facilities:

	Unaudited As at 30 June 2011 *RMB'000*	Audited As at 31 December 2010 *RMB'000*
Floating rate:		
— expiring within one year	200,000	—
— expiring between two and five years	641,629	1,366,840
	841,629	1,366,840

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

13. OPERATING PROFIT

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

	Unaudited Six months ended 30 June 2011 *RMB'000*	2010 *RMB'000*
Investment properties at fair value through profit or loss:		
— fair value gains *(Note 7)*	487,400	381,861
Provision for impairment of receivables	(229)	(9)
Loss on disposal of property, plant and equipment	(310)	(29)

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 2011 and 2010.

Financial assets were reviewed for impairment as at 30 June 2011, and provision for impairment of receivables of RMB229,000 is provided.

No inventory was written-down as at 30 June 2011 (31 December 2010: nil).

14. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2011 and 2010. 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 2011 and 2010 is 25%.

	Unaudited Six months ended 30 June 2011 *RMB'000*	 2010 *RMB'000*
Current income tax		
— PRC enterprise income tax	130,251	81,195
— PRC land appreciation tax	91,417	70,709
Deferred income tax	134,491	108,456
	356,159	260,360

15. DIVIDEND

A dividend that relates to the year ended 31 December 2010 amounting to RMB67,340,000 was approved by the Annual General Meeting in June 2011 and paid in July 2011 (Dividend related to the year ended 31 December 2009: RMB101,011,000).

The Board resolved that no interim dividend will be declared in respect of the six months ended 30 June 2011 (Six months ended 30 June 2010: nil).

Total dividend paid by the Group to the equity holders of the Company and non-controlling interests is nil for the six months ended 30 June 2011 (Six months ended 30 June 2010: RMB163,600,000).

16. PLEDGED ASSETS

As at 30 June 2011, certain investment properties with fair value of RMB10,805,000,000 (31 December 2010: RMB10,320,000,000), property plant and equipment with net book value of RMB1,071,693,000 (31 December 2010: RMB1,089,291,000), properties under development with net book value of RMB1,348,432,000(31 December 2010: RMB1,348,432,000) and completed properties held for sales with net book value of RMB1,066,581,000 (31 December 2010: RMB1,272,792,000) were pledged by the Group as securities for long term bank borrowings of RMB4,534,371,000 (31 December 2010: RMB4,603,160,000).

17. FINANCIAL GUARANTEES

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The outstanding guarantees amounted to RMB1,140,836,000 as at 30 June 2011 (31 December 2010: RMB1,328,240,000).

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

18. COMMITMENTS

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

	Unaudited As at 30 June 2011 *RMB'000*	Audited As at 31 December 2010 *RMB'000*
Investment property and property, plant and equipment		
Authorised but not contracted for	92,744	188,078

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

	Unaudited As at 30 June 2011 *RMB'000*	Audited As at 31 December 2010 *RMB'000*
Properties under development		
Contracted but not provided for	2,144,033	1,764,695
Authorised but not contracted for	1,042,135	1,039,108
Land use rights		
Contracted but not provided for	2,864,928	2,906,946
	6,051,096	5,710,749

18. COMMITMENTS *(CONTINUED)*

(c) At 30 June 2011 and 31 December 2010, the Group had future aggregate minimum rental receivables and payables under non-cancellable operating leases as follows:

	Unaudited As at 30 June 2011 *RMB'000*	Audited As at 31 December 2010 *RMB'000*
Rental receivables in respect of investment properties		
Not later than one year	389,644	256,931
Later than one year and not later than five years	519,018	473,202
Later than five years	631,137	726,128
	1,539,799	1,456,261
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	57,621	58,207
Later than five years	306,571	313,700
	379,621	387,336

19. 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 2011 and 2010, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government mainly include most of its bank borrowings and part of purchases of goods and services. The price and other terms of such transactions are settled in the fair value.

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

19. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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	
	2011	2010
	RMB'000	*RMB'000*
Rental		
— BNSIGC	1,493	1,458
— a jointly controlled entity	16,105	16,234
	17,598	17,692
Electricity and telephone		
— BNSIGC	71	79

(ii) Purchases of goods and services

	Unaudited Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
BNSIGC		
— operating lease payment in respect of land	7,130	6,732
— office lease acceptance	450	450
	7,580	7,182

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

19. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	Unaudited 30 June 2011 *RMB'000*	Audited 31 December 2010 *RMB'000*
Trade and other receivables from related parties		
— BNSIGC	5,141	5,141
Trade and other payables to related parties		
— BNSIGC	12,292	5,163

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

At 30 June 2011 and 31 December 2010, there were no provisions for impairment of receivables from related parties and no provisions for impairment of receivables for related parties charged to income statement for the six months ended 30 June 2011 and 2010.

(iv) Key management compensation

	Unaudited Six months ended 30 June	
	2011 *RMB'000*	2010 *RMB'000*
Salaries and other short-term employee benefits	2,054	2,050
Post-employment benefits	257	203
	2,311	2,253

(v) Accept financial guarantee

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

Pursuant to an agreement signed 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 RMB8,500,000 which was fully paid in 2008.

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 2011 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	
	2011	2010	**As at 30 June 2011**	As at 31 December 2010
	Unaudited	Unaudited	**Unaudited**	Audited
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As stated in accordance with CAS	**325,565**	137,216	**9,433,877**	9,175,656
Impact of HKFRS adjustments:				
1. Reversal of depreciation of investment properties under CAS	**64,123**	62,864	**676,111**	611,988
2. Fair value adjustment of investment properties under HKFRS, net of tax	**365,551**	286,396	**3,396,355**	3,030,804
3. Differences on revaluation of certain assets upon the reorganisation in 1997	**1,343**	1,343	**(15,464)**	(16,807)
As stated in accordance with HKFRS	**756,582**	487,819	**13,490,879**	12,801,641

Review of Operations

I. OPERATING ENVIRONMENT

In the first half of 2011, though faced with headwinds such as an ever-changing international scenario and surging commodity prices in the operation of the domestic economy, China continued to exercise macro-control in a more flexible and targeted manner through the introduction of proactive fiscal initiatives and moderate currency policies, so as to achieve the objective of "facilitating economic structural adjustment and transformation of development mode". As a result, the GDP growth rate for the first half of the year hit 9.6%.

1. Development Properties

In the first half of 2011, due to strengthened efforts in the construction of social security housing and tightened policy restrictions on purchase and mortgage issuance, the property market began to cool down under proper adjustments, as evidenced by the decrease in area sold and the loosening of trading prices. In the first half of 2011, the area sold of commodity residential units registered 398.05 million m^2, representing a year-on-year increase of 12.1%, slightly down 0.6 percentage point in growth rate. The average sales price of commodity residential units increased by 9% over the same period of 2010 to RMB5,190 per m^2, 4.4% lower than the average sales price of RMB5,431 per m^2 over the period from January to March, signaling that property prices began to ease.

Under the compound impact of a stringent state-run macro control and other local regulations such as the "fifteenth regulatory provision" in Beijing (京十五條), the downward expectation of the market continued to mount, along with the slump in sales volume and fluctuations of trading prices within a narrow range. According to statistics, the area sold, sales amount and average sales price of commodity residential units of Beijing in the first half of 2011 registered 3.89 million m^2, RMB72.0 billion and RMB18,495 per m^2, representing a decrease of 19.8%, 22.6% and 3.5% from the same period of 2010, respectively. On supply and sales, the newly approved pre-sale area and area sold of commodity residential units (exclusive of social security housing) dropped by 18.3% and 26.5% from the same period last year to 3.39 million m^2 and 3.54 million m^2, respectively. The supply to sales ratio was 0.96:1. The plunge of major indicators, particularly the indicator of the balance/imbalance between supply and demand, added further uncertainty to the prospect of Beijing's real estate market.

Photo of the integrated properties of National Convention Centre

I. OPERATING ENVIRONMENT *(CONTINUED)*

1. Development Properties *(Continued)*

As opposed to Beijing which underwent a sharp decrease in transaction volume, Changsha's real estate market still maintained a moderate growth in sales volume under the impact of the underlying demand and the spillover effect in first-tier cities. Area of commodity residential units sold reached 7.44 million m^2 in the first half of 2011, representing an increase of 10.1% over the same period last year. Driven by the imbalance between supply and demand, property price mounted continuously and the average trading price of commodity residential units increased remarkably by 32.9% over the same period of 2010 to RMB5,317 per m^2. The overall operation of the market remained promising. Besides, as various well-known real estate developers expedited their expansion into Changsha and riverside and prime property projects came on the market in batches, the development of the real estate market of Changsha was further bolstered up as a whole.

2. Investment Properties (including hotels)

Owing to rapid macro-economic growth and a more sanguine international outlook, Beijing's investment property (including hotels) market quickly picked up with a sustained growth in demand. In particular, the market of office buildings, under the robust investment demand at home and abroad, saw a sharp decrease in vacancy rate with the average rent getting close to a record high. Though market supply of high-class hotel slowed down, such imbalance between supply and demand was mitigated due to the quick pickup of demand, driving the average room rent and occupancy rate up on an on-going basis. The apartment market, influenced by both the slowdown in the supply and the surging demand from multi-national companies, remained hectic and saw a substantial increase in the rent and occupancy rate. Against the backdrop of building Beijing into a world-class city, the convention and exhibition market reaped benefit from the steady increase in demand for convention, exhibition and training and grew in scale, thus playing a more prominent role in stimulating other industries' development.

I. OPERATING ENVIRONMENT *(CONTINUED)*

3. Commercial Properties

Beset by the financial crisis, openings in Beijing's commercial market are set to peak once more in 2011. Four new projects with a total area of 160,000 m^2 opened in the first half of this year and it was estimated that 13 new projects with a total area of 740,000 m^2 would enter the market in the second half of this year. Though Beijing's commercial property market saw a steady growth and retailers at home and abroad continuously expanded their scales- as evidenced by the considerable increase in the opening rate of new projects- supply of commercial properties in the market was still in excess of demand as a whole in the near term. The imbalance between the supply and demand will still trouble new commercial projects during business promotion and initial operation.

II. REVIEW OF OPERATIONS DURING THE REPORTING PERIOD

In face of strict macro control and ever-increasing market competition, the Company stepped up efforts in market forecast and seizing opportunities under such new scenario, striving to facilitate the sales of existing properties whilst making solid progress of existing projects. Meanwhile, by fostering the spillover effect from its convention and exhibition operation to other business segments as an ongoing commitment to the marketing tactic of "co-sale of convention and exhibition", additional assets ramped up rapidly and outperformed in operation, thus driving the Company's overall profitability to rally sharply. In the first half of 2011, the Company recorded an operating revenue of RMB2,470,084,000, representing a year-on-year increase of 21.1%. Given the development and the settlement cycle of properties as well as the quick ramp-up of new projects, the Company's profit before tax and profit attributable to equity holders posted RMB1,126,970,000 and RMB756,582,000, representing an increase of 38.3% and 55.1%, respectively as compared with the same period of 2010. Among them, the core operating results of the Company's principal operations increased remarkably by 94.1% year on year to RMB391,031,000 during the reporting period, as projects of the parent contributed to a higher proportion of revenue in the development and settlement of properties. Gains on changes in fair value of investment properties (after tax) amounted to RMB365,551,000, posting a year-on-year increase of 27.6%. Earnings per share were RMB0.2247, representing an increase of 55.1% as compared with the same period of 2010. In addition, during the reporting period, the Company unswervingly improved its professionalism and management skills, put cost control into practice, brought expenses under control and constrained controllable expenses through proactive measures, thus achieving the target set and ensuring the steady and sound development of the Company.

A bird's eye view of the construction site of Beichen Delta

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

1. Development Properties

The Company adhered to a market-oriented and customer-foremost approach. In adherence to a specific project-oriented marketing strategy, it stepped up efforts in marketing to target customers and smoothly completed the block sale of the available units of House 7 in the northern area of Olympic Media Village at a transaction value of RMB541.76 million. As a result, the performance of both the development properties segment and the Company were improved as a whole. In addition, projects of phase II of the two low-density projects of the Company, namely Changhe Yushu Garden Villas and Bihai Fangzhou Garden Villas, had made solid progress in planning modification and proposals approval. So far, the project of Bihai Fangzhou Garden Villas had obtained the permit of construction in June and had commenced operation in July. The project of Changhe Yushu Garden Villas had received the letter of approval on the planning proposal whilst preliminary preparation for construction was under smooth progress. Once relevant approvals are obtained, the project will commence operation immediately and contribute to the Company's sales results.

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

1. Development Properties *(Continued)*

Apart from the smooth operation of projects in Beijing, the Company expedited the construction of the project of "Beichen Delta" in Changsha and municipal road network within the region. D3 Area (phase I of initial block residence) has completed the installation of secondary structure and external window frames as well as the external insulation construction, and commenced exterior coating and installation of indoor electrical and mechanical equipment. Construction of the main structure of E5 Area (phase II of initial block residence) has completely topped out at present. Following the constant optimisation of the proposed design of A1 and D1 (commercial, infrastructural and residential facilities along the riverside with an area of 800,000 m^2), basic structure construction had been launched in full swing correspondingly. In particular, the A-class office building in A1 Area is currently under application for the certification by the Green Building Certification System under the U.S. Green Building Council for its low-carbon and environment-friendly architectural design and the utilisation of large quantities of energy-saving materials. As to the construction of municipal facilities, 85% of phase I and 50% of phase II of the whole project of 11 commissioned municipal roads within the region were completed. Upon completion of the whole project within the year, the value of the project within the region will further appreciate.

As an urban complex with the best location, the best view and the best ancillary facilities in Changsha and even in the metropolitan area comprising Changsha, Zhuzhou and Xiangtan, the project of "Beichen Delta" became a huge success as soon as it hit the market in October 2010 and sustained hectic sales. On 28 May 2011, E5 Area residence was introduced to the market. 345 out of 388 units released on debut were immediately contracted with a contract rate up to 90%, which not only marked another round of feverish sales following phase I, but also enabled the project to become one of the best-sellers in Changsha's real estate market for its remarkable sales results, despite the impact of macro control. As at the end of the reporting period, the contracted area of the project of "Beichen Delta" accumulated to 224,000 m^2 and the contract amount reached RMB1,740.695 million. To be specific, D3 Area had contracted area of 186,000 m^2 with contract amount of RMB1,452.831 million with a sales rate up to 90.5% whilst E5 Area had contracted area of 37,000 m^2 with contract amount of RMB287.864 million.

During the reporting period, due to the impact of development and settlement cycle of properties, the Company's development properties recorded an operating revenue and profit before tax of RMB1,424,099,000 and RMB425,389,000, representing an increase of 20.4% and 22.1% over the same period last year, respectively. In the first half of 2011, the development properties segment achieved area commenced construction of 1,510,000 m^2. Meanwhile, attributable to the increase in saleable area, the contracted sales and area sold amounted to RMB1,436.73 million and 128,000 m^2, respectively, with market share on a par with that of last year.

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

2. Investment Properties (including hotels)

The Company fully capitalised on the advantage of its stock and additional assets in the geographically preferred Asian Games core district, continued to enhance its capability of market forecasting, marketing and professional operation and captured the external opportunities in Beijing's promising investment property (including hotels) market by fully leveraging the comprehensive competitiveness of its two pillar products – venues for conventions and exhibitions as well as office buildings. As a result, the Company saw a steady growth in stock projects, a steep rise in additional projects, a rapid increase in profitability and other numerous bright spots in operations. In the first half of 2011, the investment properties (including hotels) segment of the Company recorded an operating revenue from principal business of RMB781,573,000, representing a year-on-year increase of 27.6%. Without taking into account the amortization of interest expenses, the profit before tax amounted to RMB187,728,000, representing a substantial increase of 134.8% over the same period last year. In particular, North Star Times Tower, the North Star Century Centre and China National Convention Centre began to make profit through their operation. The profit from such projects (before tax) increased by RMB97,740,000 over the same period last year, which accounted for 90.7% of the profit growth in the investment properties (including hotels) segment. In addition, gains from changes in fair value of the investment properties segment (before tax) amounted to RMB487,400,000, representing a year-on-year increase of 27.6%, among the total, gains from change in fair value of North Star Times Tower, the North Star Century Centre and the China National Convention Centre (before tax) amounted to RMB19,000,000, RMB370,000,000 and RMB21,000,000, respectively.

During the reporting period, guided by the core principle of "earning wide recognition and boosting its industry presence", the China National Convention Centre actively explored markets for small and medium conferences through vigorous promotion campaigns and market expansion, in addition to consolidating its market share of conferences with over 1,000 attendees. The outcome was satisfactory. During the first half of 2011, it delivered reception services for 341 convention projects and 33 exhibition projects, representing growth of 63% and 18% respectively, which not only strengthened the Company's industry presence and enhanced its public profile, but also consolidated the leading position of convention and exhibition business in the Company's investment properties (including hotels) segment. By differentiating its positioning in collaboration with the China National Convention Centre, Beijing International Convention Centre deepened market exploration by capitalising on its strength of providing conference rooms in a centralised and flexible manner, whilst mainly focusing on medium and small conferences in the government market, training market and medicine market. By tapping the potential of "double-sales" of exhibition projects in boosting revenue, the Company maintained stable income and results. By adopting the "co-sale of convention and exhibition" marketing strategy, the Company maximised the demand for its investment properties (including hotels) out of the rapid expansion of conventions in both number and scale, and in turn pushed the occupancy rate of hotels and apartments higher.

As one of the Company's additional assets, North Star Times Tower and North Star Century Centre not only fulfilled the goal of commencing operation at a vantage point which was in line with their rapid growth at operating level, but also turned office business into the most important growth engine of the investment properties (including hotels) segment and even the core operating results of the Company's principal operation. In particular, North Star Times Tower is a landmark in the Asian Games core district, being the best in terms of quality, facilities and environment. With its rental on par with that of CBD offices, its average occupancy rate jumped from 73% for 2010 to 88% for the first half 2011. Taking advantage of the growing demand for office buildings in Beijing, North Star Century Centre has successfully lured a great deal of prominent domestic and international enterprises to set foot in Beijing, apart from achieving soaring price and occupancy rate as well as a sharp increase in profitability.

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

3. Commercial properties

In face of growing market competitions in the northern region of Beijing, the Company conducted in-depth study on target consumer patterns in respect of commercial properties, continued to accelerate adjustments to brand and product mix and reinforced the replacement of brand stores rented so as to meet customers' demand in the commercial circle, As such, sales figures and customer unit price grew on a steady course. In addition, following the full-scale launch of additional projects of commercial properties and leveraging on its promotional advantage for co-sale of several projects, the Company bolstered brand recognition and presence of Beichen Business (北辰實業) in northern Asia.

During the reporting period, the revenue from commercial properties segment of the Company amounted to RMB208,375,000, representing a year-on-year increase of 6.5%. Although new projects were still at their infant stage, given the sustained growth in the operation of Asia Game Village Store of Beichen Shopping Centre, the profit before tax from commercial properties increased by 16.7% year on year to RMB27,144,000 in the first half of 2011.

III. OUTLOOK OF BUSINESS ENVIRONMENT IN THE SECOND HALF OF 2011

To address issues such as severe structural conflicts in the present economy system and upward pressure of commodity prices, the State's major objectives will be to "promote development, adjust the structures and stabilise the prices". To this end, the State will stay put with active financial policies and prudent monetary policies, whilst strengthening and optimising its macro-economic control policies unceasingly according to changing dynamics as an effort to introduce more specific, flexible and forward-looking policies. Through liquidity management, management of inflation expectations and accelerated economic restructuring, the State makes every effort to stabilise the overall commodity price level and is committed to ensuring a sustainably stable and sound national economy.

Regarding development properties, the in-depth macro-economic control in 2010 and the tougher control policies that followed in 2011 to bestride property purchase and issuance of mortgage indicate that the macro control policies over the real estate market will not only be sustained but even deepen before the property price sees significant signs of loosening. In spite of a sustainably high rate of growth in the national economy for the first half of 2011, the reserve ratio and the interest rate had been adjusted upward for six times and three times, respectively. Henceforward, the real estate industry is not only exposed to increasing financing difficulty and upward pressure of capital costs arising from liquidity crunch, but also put to test in terms of sales and liquidity under purchase and mortgage restrictions. In line with a quick fall in commodity residential units in the real estate market and greater effort in the construction of social security housing, property prices of several cities began to ease, while anticipation of changes had further prompted more consumers in the market to wait on the sideline. Pent-up demand may expose the property market to potential volatility in the long-run. With the impacts of all these factors, the property market trends in mid- to short-term 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, the Company's operation stability and sales of real estates may be exposed to risks.

III. OUTLOOK OF BUSINESS ENVIRONMENT IN THE SECOND HALF OF 2011 *(CONTINUED)*

As for investment properties (including hotels) and commercial properties, the market shows signs of sharp upturn as the national economy registered stable and healthy momentum and demand saw a fast rebound. In the second half of 2011, stabilising the overall commodity price level without compromising the fundamental directions of macro-economic control policies will be the government's foremost mission. As long as the GDP growth and the consumer price index (CPI) have yet to fall, it is less likely that proactive macro control will ease up. To offset the downside of rate hikes on economic growth, the government is thereby poised to step further on its support to the tertiary industry and push forward economic restructuring and industry upgrade, which will in turn speed up the development of the service market and consumption market. In addition, Beijing's proposal to build a "world-class city with Chinese characteristics" in the Twelfth Five-Year Plan and its endeavors to create a "capital of international events" will bring huge unprecedented opportunities for the rapid development of Beijing's service economy and convention and exhibition economy, whereas the rapid and healthy development of the convention and exhibition economy will boost appetite for high-end residence, business and commerce in Beijing. Since the Company holds and operates a great deal of investment properties (including hotels) and commercial properties, the Company's operation will benefit if the market quickly picks up and Beijing's construction of a "world-class city with Chinese characteristics" speeds up. The steady momentum of its stock projects will be sustained and profitability of its new projects is set to escalate.

IV. MANAGEMENT MEASURES FOR THE SECOND HALF OF 2011

1. Development Properties

The Company will focus on enhancing its ability to forecast the trend of the real estate market under the new landscape. It will also push ahead with high-quality development and construction of its existing projects by constantly improving its positioning capability and marketing planning of products. Meanwhile, it will adopt flexible marketing tactics with reference to changes in market demand as a means to expedite the launch of commercial properties, the sales of existing property projects, and ultimately the turnover rate. To cope with the current doldrums of the land market, the Company will actively tap market opportunities, snap up land reserve when the right opportunity presents itself and boost the core competitiveness and sustainability of its development properties continuously.

Taking advantage of the active market response on project debut as well as customer's high recognition, Beichen Delta Project will continue to strengthen its promotion campaign to quicken the pace of broadening the customer base of "3+5 City Cluster" (3+5城市群) in Hunan and such other regions as southern China, in a bid to keep project sales humming. In addition, 800,000 m^2 riverside (A1 and D1) commercial, public construction and residential facilities have commenced construction. Taking this opportunity, the Company aligned the project with its "business and commerce and eco-living-led" development concept, sparing no efforts in building a high-end commercial and business cluster in Binjiang. Furthermore, it pressed ahead with the promotion of investment and commercial and business sentiment, so as to enhance the brand prominence of Beichen Delta as well as the performance-to-price ratio and integrated competitiveness of its products. In the future, leveraging on its extensive experience in "city development" together with the competitive advantages of its projects in respect of scale, ancillary facilities, environment and location, the Company not only aims to turn Beichen Delta Project into an exemplary riverside construction in Changsha and even across the nation, but also aspires to create a city landmark in Changsha that exemplifies the residence philosophy of a "riverside city with landscape and sea views" (一江兩岸，山水洲城).

In the second half of 2011, the Company expects to commence construction of an area of 670,000 m^2 and complete construction of an area of 120,000 m^2. Due to the increase in resources ready for sale, area sold is targeted at 168,000 m^2 and contracted sales at RMB2,430 million.

IV. MANAGEMENT MEASURES FOR THE SECOND HALF OF 2011 *(CONTINUED)*

2. Investment Properties (including hotels)

By taking advantage of Beijing's development into a world-class city and a "capital of international events", the Company will fully capitalise on the advantage of its stock and additional properties in the geographically preferred Asian-Olympic core district, emphasise the intensification of market development and service innovation and attach importance to lifting property utilisation efficiency and marginal benefit of operation. With these measures, the Company aims to achieve the goal of maximising benefits out of its stock properties and profit from its new properties on all fronts, and in turn safeguard the continuous growth of the core operating results of its investment properties (including hotels) and principal operations. Furthermore, the Company will improve its professional and comprehensive operation by leveraging features of properties in hand, including large scale, comprehensive business mode, high class and strong synergy. It will also intensify the "co-sale of convention and exhibition" operating mode to develop the core competitiveness of its investment properties (including hotels) which "taps on the convention industry to facilitate the joint development of other businesses".

3. Commercial properties

In the second half of 2011, the Company will expedite and optimise adjustments to brands, products and storey plans of its commercial properties so as to ensure stable growth of profitability of Asia Game Village Store (亞運村店) of Beichen Shopping Centre. By continuously improving the multi-store operating mode and management structure of Beichen business profile, the Company is fully gearing up for operation of new projects whilst pressing ahead with investment promotion and shortening the initial struggling period of new projects. By means of joint marketing and promotion of several projects, the Company will be positioned to consolidate and strengthen the presence and market shares of Beichen's business profile in Asian-Olympic core district.

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.

1. Market risks for development properties

The successive implementation of more stringent control policies-such as restrictions on property purchase and mortgage issuance in the first half of 2011-indicates that the macro control policies over the real estate market will not only prevail but also intensify until the asset price sees significant signs of loosening. In line with a quick fall in the transaction volume of commodity residential units in the real estate market and more robust construction of social security housing, growth in property prices of several cities began to slow down. Coupled with buyers' anticipation of changes, the market will be more inclined to take a wait-and-see attitude. If demand cannot be effectively released for a prolonged period, the real estate market may see a bumpy ride. Taking into account the impacts of the above factors, there are great uncertainties as to the direction of the property market in the short-and mid-term. Worse still, since a property project involves a longer operation cycle, any market turbulence may put the Company's operation stability and sales of real estates at risk.

V. ANALYSIS ON THE COMPANY'S DEVELOPMENT PROBLEMS AND RISKS *(CONTINUED)*

1. Market risks for development properties *(Continued)*

To cope with the aforesaid market risks against development properties, the Company will operate development properties with a focus on strengthening its forecast of real estate market dynamics under the new landscape. To speed up turnover rate, it will spare no effort in fostering quality development and sales of its existing projects through constant improvement in product positioning and marketing planning. Moreover, in order to alleviate the impact of national macro control and local regulations upon the implementation of its sales plan, the Company will, in accordance with changes in market demand, accelerate sale of commercial real estate properties that are subject to smaller policy restrictions (primarily consisted of commercial units of lower floors in the media village with an area of 28,000 m^2, street-side commercial stores of Beichen•Fudi with an area of 23,000 m^2 and public utilities in Beichen•Xiang Lu with an area of 28,000 m^2, in a bid to accomplish the annual sales plan.

2. Short-term operational risks of the Company

On development properties, in spite of the fact that Phase II of Bihai Fangzhou Garden Villas has commenced construction in July, it takes time for completion and occupancy. As the Company is still in the process of application for approval of Phase II of Changhe Yushu Garden Villas, the number of products which had high gross profit margin and were available for settlement of the Company in the short run shrank and hence affected the operating result. As regards investment properties, additional projects such as the National Convention Centre and the office building of North Star Century Centre were still undergoing the initial struggling period. The aforesaid new projects began to generate operating results and profits before taxation (excluding gains from changes in fair values) surged during the reporting period. However, given their large scale and high investment amount which will incur uncapitalised interest expenses of approximately RMB0.2 billion each year, such expenses will, to a certain extent, affect the results of operation of the Company at this stage. Furthermore, the policies promulgated by relevant authorities in February 2011, which serve to regulate and restrict the organisation of international conferences financed or subsidised by the Ministry of Finance in the PRC, are likely to impede the operation of the two convention centres of the Company to a certain degree.

To cope with the aforesaid short-term operational risks of the Company, as regards construction of Phase II of two low-density projects, namely Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas, the Company will expedite sales preparation for Bihai Fangzhou Garden Villas with reference to market dynamics, in a bid to add to the Company's future operating results within the shortest period of time. As for Changhe Yushu Garden Villas, the Company will speed up various approval application procedures and preliminary preparation for construction, and will strive for early debut sales once relative approvals are obtained. As regards additional assets of investment properties (including hotels), efforts will be made to shorten the initial struggling period. To this end, the Company will further strengthen its professional and comprehensive operation capabilities and increase the efficiency of utilisation and operation with a focus on identifying new sources of income, reducing consumption, increasing revenue and lowering costs and taking advantage of properties held that feature large scale, comprehensive business mode, high class and strong synergy. As regards the two convention centres, the Company will adopt more specific pricing strategies and marketing tactics based on features of use of conference and exhibition rooms, with a view to deepening market exploration and actively coping with potential fallouts arising from administration and restriction policies on the organisation of international conference in the PRC. By virtue of ongoing intensification of the "co-sale of convention and exhibition" operating mode, the Company will develop the core competitiveness of its investment properties (including hotels), which "taps on the convention industry to facilitate the joint development of other businesses".

Discussion and Analysis of Financial Performance

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2011, the capital and reserve attributable to the Company's equity holders increased by 5.4% compared to 31 December 2010. The increase was primarily attributable to additional profit attributable to equity holders of the Company of RMB756,582,000 during the Period.

The Group's bank borrowings as at 30 June 2011 amounted to RMB7,234,371,000, among which the Group had long-term bank borrowings of RMB3,820,371,000 secured by certain investment properties, properties, plants and equipment, properties under development and completed properties held for sale. As at 30 June 2011, the net amount for the Group's 10-year corporate bonds was RMB1,488,572,000 as at the end of the period, and balances of the 5-year corporate bonds as at the end of the period amounted to RMB1,684,373,000. The assets-liability ratio of the Group was 56.3% (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 RMB18,467,468,000, whereas the Group's current liabilities amounted to RMB8,255,425,000. As at 30 June 2011, the balance of cash at bank and on hand amounted to RMB2,840,459,000 (excluding restricted bank deposits).

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

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The abovementioned financial guarantees provided in phases will have no material effects on the financial position of the Group. As at 30 June 2011, the outstanding amount of financial guarantees provided in phases was RMB1,140,836,000 (31 December 2010: RMB1,328,240,000).

SHARE CAPITAL AND SHAREHOLDERS

Share Capital

The Company's registered capital as at 30 June 2011 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 2011, 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 2011.

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 2011, 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 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 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 2011.

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 2011.

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 2011 and the Company's 2011 interim report 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.

CHANGE OF SUPERVISORS

Mr. CHEN Yuan-Chao resigned as a supervisor representing the shareholders on 1 June 2011 and Mr. LI Ji-Shu was elected as a supervisor representing the shareholders on 1 June 2011.

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 2011, 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 2011, the Company had 4,756 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 to employees and the economic efficiency of the enterprise. Under this policy, the management of the Company's remunerations will be more efficient 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 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 2011 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 2011 interim report, signed by the Chairman is available for inspection at the Secretariat of the Board of the Company, of which the address is:

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

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

Beijing, the PRC
29 August 2011

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
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
Telephone:	(852) 2289 8888
Fax:	(852) 2810 9888

LEGAL ADVISERS

PRC lawyer:	Beijing Da Cheng Solicitors Office
Address:	12-15/F, Guohua Plaza, 3 Dongzhimennan Avenue, Dongcheng District, Beijing, the PRC
Postal code:	100007
Telephone:	86 (10) 5813 7799
Fax:	86 (10) 5813 7788
Hong Kong lawyer:	Woo, Kwan, Lee & Lo
Address:	26/F, Jardine House, 1 Connaught Place, Central, Hong Kong
Telephone:	(852) 2847 7999
Fax:	(852) 2845 9225

Corporate Information

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

H Share:	0588
A Share:	601588