2012 Interim Report

北辰实业
BEIJING NORTH STAR

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

INTERIM REPORT

For the six months ended 30 June 2012

- A revenue of RMB2,674,901,000, representing an increase of 8.29% over the same period last year
- Operating profit was RMB857,759,000, representing a decrease of 33.28% over the same period last year
- Profit attributable to equity holders of the Company was RMB494,382,000, representing a decrease of 34.66% over the same period last year. Among others, the core operating results of the Company's principal business was RMB363,734,000, a year-on-year decrease of 6.98%, and the gain (after taxation) on changes in fair value of investment properties was RMB130,648,000, representing a decrease of 64.26% over the same period last year
- Earnings per share was RMB0.1468, earnings per share in the same period last year was RMB0.2247
- The board of directors resolved that no interim dividend would be declared in respect of the six months ended 30 June 2012 (six months ended 30 June 2011: nil)

Condensed Consolidated Interim Balance Sheet

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	1,059	1,075
Investment properties	7	11,152,100	11,142,400
Property, plant and equipment	7	2,209,501	1,848,726
Investment in a jointly controlled entity		—	—
Deferred income tax assets		26,884	49,623
		13,389,544	13,041,824
Current assets			
Properties under development	8	14,657,993	14,461,894
Completed properties held for sale		2,827,539	3,297,804
Other inventories		106,586	122,560
Trade and other receivables	9	536,923	531,575
Restricted bank deposits		70,915	79,285
Cash and cash equivalents		2,855,720	2,808,106
		21,055,676	21,301,224
Total assets		34,445,220	34,343,048
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	10	3,367,020	3,367,020
Other reserves		4,160,622	4,160,622
Retained earnings			
— Proposed final dividend		—	101,011
— Others		6,815,206	6,320,824
		14,342,848	13,949,477
Non-controlling interests		109,904	110,478
Total equity		14,452,752	14,059,955

Condensed Consolidated Interim Balance Sheet

	Note	Unaudited 30 June 2012 *RMB'000*	Audited 31 December 2011 *RMB'000*
LIABILITIES			
Non-current liabilities			
Long term borrowings	12	9,776,403	9,033,793
Long term payables		8,666	8,666
Deferred income tax liabilities		1,524,919	1,457,452
Deferred income		2,550	2,550
		11,312,538	10,502,461
Current liabilities			
Trade and other payables	11	6,433,136	7,218,885
Current income tax liabilities		284,044	282,747
Current portion of long term borrowings	12	362,750	1,579,000
Short term borrowings	12	1,600,000	700,000
		8,679,930	9,780,632
Total liabilities		19,992,468	20,283,093
Total equity and liabilities		34,445,220	34,343,048
Net current assets		12,375,746	11,520,592
Total assets less current liabilities		25,765,290	24,562,416

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

Condensed Consolidated Interim Income Statement

	Note	Unaudited Six months ended 30 June 2012 *RMB'000*	 2011 *RMB'000*
Revenue	6	2,674,901	2,470,084
Cost of sales		(1,645,780)	(1,363,939)
Gross profit		1,029,121	1,106,145
Selling and marketing expenses		(93,937)	(83,233)
Administrative expenses		(244,350)	(224,117)
Fair value gains on investment properties	13	174,197	487,400
Other losses — net		(7,272)	(519)
Operating profit		857,759	1,285,676
Finance income		8,309	15,721
Finance costs		(178,708)	(167,835)
Finance costs — net		(170,399)	(152,114)
Share of loss of a jointly controlled entity		—	(6,592)
Profit before income tax	6	687,360	1,126,970
Income tax expenses	14	(193,552)	(356,159)
Profit for the period		493,808	770,811
Profit attributable to:			
— Equity holders of the Company		494,382	756,582
— Non-controlling interests		(574)	14,229
		493,808	770,811
		RMB Cents per share	RMB Cents per share
Earnings per share attributable to the equity holders of the Company during the period			
— Basic and diluted		14.68	22.47
Dividend	15	—	—

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

Condensed Consolidated Interim Statement of Comprehensive Income

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Profit for the period	493,808	770,811
Other comprehensive income	—	—
Total comprehensive income for the period	493,808	770,811
Attributable to:		
— Equity holders of the Company	494,382	756,582
— Non-controlling interests	(574)	14,229
	493,808	770,811

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

Condensed consolidated interim statement of changes in equity

		Unaudited					
		Attributable to equity holders of the Company					
	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2012		3,367,020	4,160,622	6,421,835	13,949,477	110,478	14,059,955
Total comprehensive income for the period ended 30 June 2012		—	—	494,382	494,382	(574)	493,808
Transactions with owners in their capacity as owners							
Dividend relating to 2011 approved in the period ended 30 June 2012		—	—	(101,011)	(101,011)	—	(101,011)
Total transactions with owners		—	—	(101,011)	(101,011)	—	(101,011)
Balance at 30 June 2012		3,367,020	4,160,622	6,815,206	14,342,848	109,904	14,452,752
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)
Acquisition of additional interests in subsidiaries from non-controlling interests		—	(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

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

Condensed Consolidated Interim Statement of Cash Flows

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Cash flows (used in)/from operating activities — net	**(353,050)**	295,935
Cash flows used in investing activities — net	**(21,116)**	(126,834)
Cash flows generated from financing activities — net	**421,780**	151,212
Net increase in cash and cash equivalents	**47,614**	320,313
Cash and cash equivalents at 1 January	**2,808,106**	2,520,146
Cash and cash equivalents at 30 June	**2,855,720**	2,840,459

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

Notes to the Condensed Consolidated Interim Financial Information

1. GENERAL INFORMATION

Beijing North Star Company Limited (the "Company") is a joint stock limited liability company established in the People's Republic of China (the "PRC") on 2 April 1997 as part of the reorganisation (the "Reorganisation") of a state-owned enterprise known as Beijing North Star Industrial Group 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 "Stock Exchange"), the Company took over the principal subsidiaries and business undertakings of BNSIGC, together with their related assets and liabilities. The Company was granted the status of a sino-foreign joint venture joint stock limited company on 20 July 1998. The address of its registered office is No.8 Bei Chen Dong Road, Chao Yang District, Beijing, the PRC.

On 25 September 2006, the Company issued 1,500,000,000 A shares and these shares were listed on the Shanghai Stock Exchange on 16 October 2006. Since then, the Company's shares have been jointly listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange.

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

This condensed consolidated interim financial information is presented in Renminbi, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 8 August 2012.

These condensed consolidated interim financial statements have not been audited.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, 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 2011, as described in those annual financial statements.

(a) Change in accounting policy

In December 2010, the HKICPA amended HKAS 12, 'Income taxes', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

The Group has adopted this amendment retrospectively for the financial period ended June 2012. As investment properties of the Group are with a business model to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, the presumption is rebutted and related deferred tax is not remeasured. As a result, no adjustments were necessary to any of the amounts previously recognized in the financial statements.

(b) Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings

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

4. ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

5. FINANCIAL RISK MANAGEMENT

5.1. Financial Risk Factors

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

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

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

5.2. Liquidity

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 30 June 2012					
Borrowings (including interests)	2,727,156	4,727,748	4,930,084	1,573,743	13,958,731
Trade and other payables	2,823,994	—	—	—	2,823,994
	5,551,150	4,727,748	4,930,084	1,573,743	16,782,725
At 31 December 2011					
Borrowings (including interests)	2,952,937	3,806,099	4,330,948	2,175,672	13,265,656
Trade and other payables	3,424,475	—	—	—	3,424,475
	6,377,412	3,806,099	4,330,948	2,175,672	16,690,131

6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the board of directors of the Company (the "Board") that are used to make strategic decisions.

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

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

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

Total assets mainly exclude deferred tax assets and corporate cash, both of which are managed on a central basis; the investment properties are measured at cost; 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 2012 and 30 June 2011 are as follows:

	Unaudited Six months ended 30 June	
	2012 ***RMB'000***	2011 *RMB'000*
Revenue		
Development properties	**1,452,438**	1,424,099
Commercial properties	**202,837**	208,375
Investment properties and hotels	**960,517**	781,573
	2,615,792	2,414,047
All other segments	**59,109**	56,037
	2,674,901	2,470,084

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 is measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

Business segment	Development properties RMB'000	Commercial properties RMB'000	Unaudited Investment properties and hotels RMB'000	All other segments RMB'000	Total Group RMB'000
Six months ended 30 June 2012					
Total segment revenue	1,452,438	202,837	968,261	83,011	2,706,547
Inter-segment revenue	—	—	(7,744)	(23,902)	(31,646)
Revenue from external customers	1,452,438	202,837	960,517	59,109	2,674,901
Profit before Tax	275,587	13,507	293,094	478	582,666
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

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 2012 (Unaudited)					
Total segment assets	19,043,507	1,132,020	6,395,204	77,649	26,648,380
Total segment assets include:					
Additions to non-current assets (other than deferred tax assets)	945	1,494	13,089	6,553	22,081
As at 31 December 2011 (Audited)					
Total segment assets	19,026,758	602,766	6,882,555	70,499	26,582,578
Total segment assets include:					
Additions to non-current assets (other than deferred tax assets)	5,121	1,976	33,942	1,667	42,706

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 2012 *RMB'000*	2011 *RMB'000*
Profit before income tax for reportable segments	**582,666**	638,652
Corporate overheads	**(20,865)**	(29,691)
Corporate finance costs	**(172,676)**	(161,911)
Corporate finance income	**1,120**	13,809
Fair value gains on investment properties *(Note 13)*	**174,197**	487,400
Reversal of depreciation of investment properties	**93,881**	85,503
Land appreciation tax	**27,246**	91,417
Others	**1,791**	1,791
Profit before income tax	**687,360**	1,126,970

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

	Unaudited As at 30 June 2012 *RMB'000*	Audited As at 31 December 2011 *RMB'000*
Total segments' assets	**26,648,380**	26,582,578
Deferred income tax assets	**26,884**	49,623
Corporate cash	**1,670,280**	1,881,040
Aggregated fair value gains on investment properties	**5,039,605**	4,865,408
Reversal of accumulated depreciation of investment properties	**1,077,113**	983,232
Others	**(17,042)**	(18,833)
Total assets per balance sheet	**34,445,220**	34,343,048

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 2012 and 2011. There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

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

At 30 June 2012 and 31 December 2011, 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 was no significant revenue derived from specific external customers for the six months ended 30 June 2012 and 2011.

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

		Unaudited	
	Land use rights	Property, plant and equipment	Investment properties
	RMB'000	*RMB'000*	*RMB'000*
Six months ended 30 June 2012			
Opening net book amount as at 1 January 2012	1,075	1,848,726	11,142,400
Fair value gains *(Note 13)*	—	—	174,197
Transferred from completed properties held for sales	—	620,241	—
Additions	—	26,004	—
Deduction *(Note a)*	—	(209,129)	(158,960)
Disposals	—	(303)	(5,537)
Amortisation / depreciation	(16)	(76,038)	—
Closing net book amount as at 30 June 2012	1,059	2,209,501	11,152,100
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

(a) Certain property, plant and equipment as well as investment properties were recognized in the year ended 31 December 2011 based on management's best estimates of costs. For the six months ended 30 June 2012, the estimated costs have been adjusted based on the final settlement verified by independent third party.

The investment properties were revalued at 30 June 2012 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 2012 *RMB'000*	Audited As at 31 December 2011 *RMB'000*
Land use rights	**10,372,465**	9,871,253
Development costs and capitalised expenditure	**2,916,595**	3,378,223
Finance costs capitalised	**1,368,933**	1,212,418
	14,657,993	14,461,894

9. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2012 *RMB'000*	Audited As at 31 December 2011 *RMB'000*
Trade receivables	**44,298**	36,241
Less: provision for impairment of receivables	**(83)**	(628)
Trade receivables – net	**44,215**	35,613
Other receivables	**85,258**	69,097
Less: provision for impairment of receivables	**(12,858)**	(12,876)
Other receivables — net	**72,400**	56,221
Amount due from BNSIGC *(Note 19)*	**5,141**	5,141
Prepaid tax	**338,860**	351,125
Other prepayments	**76,307**	83,475
	536,923	531,575

9. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The majority of the Group's sales are on cash or advance basis. The remaining amounts are with credit terms of 30 to 90 days. At 30 June 2012 and 31 December 2011, the ageing analyses of the trade receivables were as follows:

	Unaudited As at 30 June 2012 *RMB'000*	Audited As at 31 December 2011 *RMB'000*
Trade receivables		
0–30 days	33,445	23,021
31–90 days	4,514	5,803
Over 90 days	6,339	7,417
	44,298	36,241

10. SHARE CAPITAL

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

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

11. TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2012 *RMB'000*	Audited As at 31 December 2011 *RMB'000*
Trade payables	621,280	909,524
Advance from customers	3,518,854	3,664,701
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	401,000	829,523
Accrued properties under development costs	959,853	1,019,613
Amount due to BNSIGC *(Note 19)*	12,292	5,163
Accrued interest	155,772	115,295
Other payables	661,912	673,904
	6,433,136	7,218,885

As at 30 June 2012 and 31 December 2011, the ageing analyses of the trade payables (including amounts due to related parties of trading in nature) were as follows:

	Unaudited As at 30 June 2012 *RMB'000*	Audited As at 31 December 2011 *RMB'000*
Trade payables		
0–180 days	243,176	374,233
181–365 days	19,536	118,635
Over 365 days	358,568	416,656
	621,280	909,524

12. BORROWINGS

	Unaudited As at 30 June 2012 *RMB'000*	Audited As at 31 December 2011 *RMB'000*
Non-current		
Long term borrowings		
— Secured bank borrowings	4,207,085	4,665,305
— Unsecured bank borrowings	1,000,000	1,970,000
— Other borrowings *(Note a)*	4,932,068	3,977,488
	10,139,153	10,612,793
Less: current portion of long term borrowings	(362,750)	(1,579,000)
	9,776,403	9,033,793
Current		
Short term borrowings		
— Unsecured borrowings	1,600,000	700,000
— Current portion of long term borrowings	362,750	1,579,000
	1,962,750	2,279,000
Total borrowings	11,739,153	11,312,793

(a) Other borrowings

	Unaudited As at 30 June 2012 *RMB'000*	Audited As at 31 December 2011 *RMB'000*
Loans from the trust company *(i)*	800,000	—
Entrust loans from BNSIGC *(Note 19)*	950,000	800,000
10 year bonds	1,490,710	1,489,637
5 year bonds *(ii)*	1,691,358	1,687,851
	4,932,068	3,977,488

(i) Such loans bear interests rate of 12.5% per annum, and are repayable after 24 months from the inception date of the loan, and are guaranteed by BNSIGC(note 19).

(ii) On 18 July 2008, the Company issued bonds with an aggregate principal amount of RMB 1,700,000,000 and a maturity period of 5 years ("5 year bonds"). The net proceeds were RMB 1,667,510,000 (net of issuance costs of RMB 32,490,000) and were raised as repayment of bank loans for the amount of RMB 800,000,000 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.

12. BORROWINGS *(CONTINUED)*

Movements in borrowings are analysed as follows:

	Unaudited Six months ended 30 June 2012 *RMB'000*
Six months ended 30 June 2012	
Opening amount as at 1 January 2012	11,312,793
Addition of bank borrowings	1,614,458
Addition of other borrowings	950,000
Repayment of bank borrowings	(2,142,678)
Amortisation of issuance costs of bonds	4,580
Closing amount as at 30 June 2012	11,739,153

	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 bank 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

Interest expense on borrowings and bonds for the six months ended 30 June 2012 is RMB 411,470,000 (six months ended 30 June 2011: RMB 329,232,000).

The Group has the following undrawn borrowing facilities:

	Unaudited As at 30 June 2012 *RMB'000*	Audited As at 31 December 2011 *RMB'000*
Floating rate:		
— expiring within one year	—	—
— expiring between two and five years	284,915	699,374
	284,915	699,374

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 2012 RMB'000	2011 RMB'000
Investment properties at fair value through profit or loss:		
— fair value gains *(Note 7)*	174,197	487,400
Provision for impairment of receivables	(10)	(229)
Loss on disposal of property, plant and equipment and investment properties	(5,582)	(310)

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 2012 and 2011.

Financial assets were reviewed for impairment as at 30 June 2012, and provision for impairment of receivables of RMB 10,000 is provided.

No inventory was written-down as at 30 June 2012 (31 December 2011: 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 2012 and 2011. 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 2012 and 2011 is 25%.

	Unaudited Six months ended 30 June 2012 RMB'000	2011 RMB'000
Current income tax		
PRC enterprise income tax	76,100	130,251
PRC land appreciation tax	27,246	91,417
Deferred income tax	90,206	134,491
	193,552	356,159

15. DIVIDEND

A dividend that relates to the year ended 31 December 2011 amounting to RMB 101,011,000 was approved at the annual general meeting in June 2012 and paid in July 2012 (Dividend related to the year ended 31 December 2010: RMB 67,340,000).

The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2012 (Six months ended 30 June 2011: 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 2012 (Six months ended 30 June 2011: nil).

16. PLEDGED ASSETS

As at 30 June 2012, certain investment properties with fair value of RMB 11,030,000,000 (31 December 2011: RMB 11,008,000,000), property, plant and equipment with net book value of RMB 1,406,487,000 (31 December 2011: RMB 1,054,095,000), and completed properties held for sales with net book value of RMB 157,727,000 (31 December 2011: RMB 858,771,000) were pledged by the Group as securities for long term bank borrowings of RMB 4,207,085,000 (31 December 2011: RMB 4,665,305,000).

17. FINANCIAL GUARANTEES

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The outstanding guarantees amounted to RMB 1,036,899,000 as at 30 June 2012 (31 December 2011: RMB 1,403,421,000).

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 2012 *RMB'000*	Audited As at 31 December 2011 *RMB'000*
Investment property and property, plant and equipment		
Authorised but not contracted for	—	92,744

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

	Unaudited As at 30 June 2012 *RMB'000*	Audited As at 31 December 2011 *RMB'000*
Properties under development		
Contracted but not provided for	2,226,552	2,736,812
Authorised but not contracted for	1,387,018	1,840,867
	3,613,570	4,577,679
Land use rights		
Contracted but not provided for	485,000	985,000
	4,098,570	5,562,679

18. COMMITMENTS *(CONTINUED)*

(c) At 30 June 2012 and 31 December 2011, the Group had future aggregate minimum rental receivables and payables under non-cancellable operating leases as follows:

	Unaudited As at 30 June 2012 *RMB'000*	Audited As at 31 December 2011 *RMB'000*
Rental receivables in respect of investment properties		
Not later than one year	1,392,969	577,326
Later than one year and not later than five years	1,288,974	1,048,026
Later than five years	503,228	574,794
	3,185,171	2,200,146
Rental payables in respect of land use rights and buildings		
Not later than one year	14,844	15,429
Later than one year and not later than five years	57,036	57,036
Later than five years	292,312	299,441
	364,192	371,906

(d) As at 26 July 2012, the Company signed a contribution agreement with 北京和諧灝森投資顧問有限責任公司 to set up 北京北極星房地產投資基金管理有限公司, and the Company agrees to make the payment amounts to RMB 9,000,000 before 10 June 2012. And until 30 June 2012, the payment has not been completed yet.

19. RELATED PARTY TRANSACTIONS

The Group is controlled by BNSIGC, which owns 34.48% of the Company's shares. The remaining 65.52% of the shares are widely held.

BNSIGC itself is a state-owned enterprise controlled by the PRC government. For the six months ended 30 June 2012 and 2011, 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.

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	
	2012	2011
	RMB'000	*RMB'000*
Rental		
— BNSIGC	—	1,493
— a jointly controlled entity	**6,762**	16,105
	6,762	17,598
Electricity and others		
— BNSIGC	—	71

The Company entered into certain lease agreements ("the agreements") with BNSIGC on 25 January 2011 and 1 February 2011 respectively. Commencing from 1 January 2012, the agreements was prematurely terminated, for which BNSIGC ceased to rent the properties of the Company as its office. Accordingly, the Company no longer provides any rental or related services to BNSIGC.

19. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(ii) Purchases of goods and services

	Unaudited Six months ended 30 June 2012 *RMB'000*	 2011 *RMB'000*
BNSIGC		
— operating lease payment in respect of land	7,130	7,130
— office lease acceptance	450	450
— brand royalty fee	5	5
	7,585	7,585

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

(iii) Entrust loans from BNSIGC

	Unaudited 30 June 2012 *RMB'000*
At 1 January	801,404
Proceeds from entrust loans	150,000
Repayments of entrust loans	—
Interest accrued	27,746
Interest paid	(27,395)
At 30 June	951,755

	Audited 31 December 2011 *RMB'000*
At 1 January	—
Proceeds from entrust loans	800,000
Repayments of entrust loans	—
Interest accrued	10,899
Interest paid	(9,495)
At 31 December	801,404

As at 30 June 2012, the Group obtained unsecured borrowings from BNSIGC, including: RMB 400,000,000 with the borrowing period from 26 September 2011 to 25 September 2013 and interest rate similar to national benchmark interest rate ; RMB 200,000,000 from 27 September 2011 to 26 September 2013 and interest rate similar to national benchmark interest rate; RMB 200,000,000 from 27 November 2011 to 26 November 2013 and interest rate similar to national benchmark interest rate; RMB 150,000,000 from 29 May 2012 to 28 May 2014 and interest rate similar to national benchmark interest rate.

19. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	Unaudited 30 June 2012 *RMB'000*	Audited 31 December 2011 *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
Entrust loans from related parties		
— BNSIGC	950,000	800,000
Interest payable of enrust loans from related parties		
— BNSIGC	1,755	1,404

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

At 30 June 2012 and 31 December 2011, 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 2012 and 2011.

(v) Key management compensation

	Unaudited Six months ended 30 June 2012 *RMB'000*	2011 *RMB'000*
Salaries and other short-term employee benefits	2,527	2,054
Post-employment benefits	439	257
	2,966	2,311

(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 period the bond issued and two years after maturity of the 5 year bonds.

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

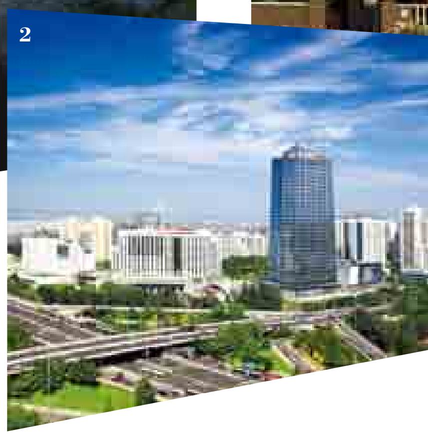
Supplementary Information

RECONCILIATION OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Group has prepared a separate set of consolidated interim financial statements for the six months ended 30 June 2012 in accordance with Chinese Accounting Standards ("CAS") issued by the China Ministry of Finance. The major differences between the financial information prepared under the CAS and HKFRS 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	
	2012	2011	**As at 30 June 2012**	As at 31 December 2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	Unaudited	Unaudited	**Unaudited**	Audited
As stated in accordance with CAS	**291,980**	325,565	**9,768,089**	9,577,120
Impact of HKFRS adjustments:				
1. Reversal of depreciation of investment properties under CAS	**70,411**	64,123	**807,835**	737,424
2. Fair value adjustment of investment properties under HKFRS, net of tax	**130,648**	365,551	**3,779,702**	3,649,054
3. Differences on revaluation of certain assets upon the reorganisation in 1997	**1,343**	1,343	**(12,778)**	(14,121)
As stated in accordance with HKFRS	**494,382**	756,582	**14,342,848**	13,949,477

Management Discussion and Analysis



1. Integrated properties of China National Convention Centre
2. Integrated properties in Asian Games Village
3. Visualised picture of Mapo Project

I. BUSINESS ENVIRONMENT REVIEW

In the first half of 2012, facing deterioration in the European sovereign-debt crisis and feeble recovery of the world economy, China, leveraging its forward-looking and well-targeted macro control, tightened its management over economic restructuring and expectations on inflation continuously, thus achieved GDP growth of 7.8%, which measured up to its target of "steady and fast economic development".

1. Development Properties

During the reporting period, as the State and relevant departments adopted a firm policy stance on imposing austere macro control over the real estate market, investment and speculative demand was clamped down under this policy, as evidenced by the loosening trading prices in the real estate market and moderating property prices of some cities where property prices were excessively high. According to the figures of the bureau of statistics (the same applied hereafter), for the first half of 2012, the area sold of commodity residential units in the national property market notched down by 11.2% as compared with the same period last year to 353,470,000 m^2, the first negative growth recorded in statistics for the first half of the year since 2009. Notwithstanding a 5.3% surge in the average trading price of commodity residential units to RMB5,467 per m^2 as compared with the same period in 2011, the growth was reduced by 3.7 percentage points.

1. View of residence of Blocks D3 and E5 in North Star Delta
2. Visualised picture of North Star Delta Riverside Urban Complex

I. BUSINESS ENVIRONMENT REVIEW *(CONTINUED)*

1. Development Properties *(Continued)*

As one of the cities imposed with the most stringent macro control policy, Beijing saw a steep fall in the transaction volume of its real estate market for two consecutive years. However, in spite of the modest decrease in property prices, the gradual release of inelastic demand and demand for improvement brought about by a gradually easing monetary policy and support of reasonable demand for self-occupation had led to a strong rebound in transaction volume and a market turnaround. In the first half of 2012, area sold and contracted sales amount of commodity residential units in Beijing were 4,794,000 m^2 and RMB81,230 million, representing a year-on-year increase of 23.2% and 12.8%, respectively. The average trading price was RMB16,943 per m^2, dropped by 8.4% as compared with the same period for 2011, including new area approved for pre-sale of 2,951,000 m^2, area sold of 4,276,000 m^2 and sales to supply ratio up to 1.45 times for commodity residential units (excluding welfare residential housing). Beijing's real estate market showed signs of rebound.

Beset by the decline in both supply and demand as a result of the stringent macro control policy, the transaction volume of Changsha's real estate market remained stagnant from January to February. Market transaction picked up and the trading price continued to rise starting from March following the loosening of the monetary policy and the release of inelastic demand, but such growth moderated. In the first half of 2012, area of commodity residential units sold in Changsha's real estate market dropped by 25.4% over the same period last year to 5,553,000 m^2. The average transaction price of commodity residential units was RMB5,617 per m^2, 5.6% higher than the same period for 2011 but 27.3 percentage points lower due to the drop in sales volume.

I. BUSINESS ENVIRONMENT REVIEW *(CONTINUED)*

2. Investment Properties (including hotels)

As Beijing gathered pace in the transition of economic development and implementation of policies beneficial to optimisation and restructuring of its industrial profile, the operating environment of Beijing's investment properties (including hotels) market continued to improve with a stable increase in demand. The office buildings market witnessed a slowdown in new supply. Attributable to the stable hike in take-up, vacancy rate gradually decreased and rents continued to rise. Leveraging opportunities arising from Beijing's stepped-up efforts in developing the convention and exhibition as well as the tourism industries, the occupancy rate of the high-grade hotel market was gradually driven up, thus narrowing the gap between demand and supply. Occupancy rate remained remarkably high and the average price had been on the rise. As new projects fell short of supply and demand was strong in the apartment market, the market saw continuous improvement in the standard of operation. Benefited from the vibrant development of Beijing's strategic emerging industries and culture and innovation industries, along with its effort in fashioning Beijing into "one of the best five cities in the world for international conventions (全球國際會議五強舉辦地之一)", the convention and exhibition market witnessed quick improvement in conditions for development and accelerating growth in revenue.

3. Commercial Properties

In the first half of 2012, Beijing's commercial property market was closer to saturation following an intensive project release in prior periods, with high vacancy rate and stocks that could not be taken up within a short period of time. In addition, market competitions had been intensifying and consumer division was obvious in Beijing's retail market, which experienced "lackluster growth in existing projects as a whole and prolonged struggling period for new projects". Under the influence of the above factors, the growth of Beijing's commercial properties slowed notably, with only 4 projects coming into the market in the first half of the year. In spite of the complicated operating conditions, the commercial property market will still witness rapid growth in the long run, especially in light of the boost of consumption during the 12th Five-Year Period and Beijing's efforts in fashioning itself into a "world-class city".

II. REVIEW OF OPERATION DURING THE REPORTING PERIOD

In face of austere macro control and ever-increasing market competition, the Company conducted in-depth study on the trend of macro economy and policy implications and, based on the stable operation of property development projects, fully capitalised on the external opportunities in Beijing's promising investment properties (including hotels) market to significantly improve the operation of properties held, thereby giving full play to the Company's strength in integrated operation of "property for development" and "properties for holding" as well as its risk resistant capability. In the first half of 2012, the Company recorded a revenue of RMB2,674,901,000, representing an increase of 8.29% over the same period last year. Due to the impact of changes in major projects for settlement (the major products for settlement in last year were post-construction projects of Green Garden) from last year as well as moderating growth in the gain on changes in fair value of investment properties, the Company recorded a profit before tax and a profit attributable to equity holders of RMB687,360,000 and RMB494,382,000, representing a decrease of 39.01% and 34.66% over the same period last year. In particular, the core operating results of the Company's principal operations amounted to RMB363,734,000, representing a year-on-year decrease of 6.98% over the same period last year. Earnings per share were RMB0.1468, representing a decrease of 34.66% over the same period of 2011. In addition, during the reporting period, the Company strengthened its comprehensive budget management, completed each of its commissioning targets in budget control as planned early in the year, in line with the principles of saving cost strictly and striving to reduce controllable cost.

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

1. Development Properties

During the reporting period, the Company achieved satisfactory operating results by strengthening the unique selling proposition of projects as well as adopting pertinent marketing strategies. Phase II of Bihai Fangzhou Garden Villas, leveraging on its cutting edge as "first mansions" for its scarcity and the accumulating customer base, soon became the sought-after item in the market since its launch on 9 April, with 100% of all the 22 blocks being subscribed. As at 30 June, such project recorded 8 contracted blocks (equivalent to 5,376 m^2) and a contracted sales of RMB533.50 million, with an average trading price of RMB99,233 per m^2. Following the approval of the annual investment plan for phase II of the low-density projects of Changhe Yushu Villas by the regional development and reform commission, the Company has expedited the application procedures for project planning permits. In view that the preliminary preparation work has been progressing ahead in an orderly manner, the project may commence construction immediately upon the receipt of relevant permission and make contributions to the Company's sales results.

Apart from the smooth operation of projects in Beijing, the Company expedited its engineering construction and marketing campaigns of the Changsha North Star Delta Project. In April 2012, after two years and six months' full-scale construction, phase I of the residential area (D3 Block) completed construction and verification as scheduled and started delivery since 5 May. By the end of the first half of the year, D3 Block recorded an operating revenue of RMB1,207.29 million as 1,153 households completed delivery to owners, with an occupancy rate of 79%, forming a secured basis for the accomplishment of the annual commissioning targets set for the development properties. In addition, following the general completion of decoration in the public area and the installation of mechanical and electrical facilities, the E5 Block of residential properties is expected to complete the construction and verification in November and gradually start delivery to owners. Among the commercial and infrastructural facilities along the riverside with an area of 830,000 m^2 in A1 and D1 Blocks, the riverside high-end apartments and Changsha North Star InterContinental Hotel have topped out; office buildings and entire steel structures have risen to 23 storeys and 4 storeys above the ground respectively after intensive commercial construction and the D2 Block of residential properties with an area of 260,000 m^2, which commenced construction from the end of last year, has been under construction up to the stage of the overhead platform floor. As to the property sales, with no entry of new projects into the market, the North Star Delta Project, riding on its unique location, unchallenged view, complete ancillary facilities and excellent price to cost performance, still recorded an area sold of 63,000 m^2 with contracted sales of RMB601.93 million, ranking the second in Changsha's real estate market in terms of area sold in the first half of the year. In the first half of 2012, the selling price of the properties in North Star Delta averaged at RMB8,289 per m^2. As at the end of the reporting period, the percentage of residential properties sold in D3 and E5 Blocks accumulated to 95% and 93%, respectively.

During the reporting period, the development properties of the Company (including car park) recorded a revenue of RMB1,452,438,000, representing an increase of 1.99%. Under the influence of the development cycle and a change of the major accounting item in the real estate market, rather than taking subsequent projects of North Star Green Garden as the major products for accounting last year, profit before tax was RMB275,587,000, representing a decrease of 35.21% year on year. In the first half of 2012, the construction area commenced and resumed, and for which construction was completed, of the development properties segment was 1,759,000 m^2 and 294,000 m^2, respectively. With contracted sales up to RMB1,396,060,000 (including car park) and area sold of 99,000 m^2, the segment maintained a stable market share in the region.

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

2. Investment Properties (including hotels)

Taking full advantage of its properties held which are mainly located in the geographically preferred Asian Games core district, whilst leveraging the economies of scale and synergy brought by the two pillar industries-venues for convention and exhibition and office buildings which benefited from a more sanguine external market, the Company maintained steady business growth for existing projects and achieved astounding growth for new projects. The glistering pace of growth in operating results of the whole segment was thus sustained. In the first half of 2012, investment properties (including hotels) of the Company recorded a revenue of RMB960,517,000, representing a year-on-year increase of 22.90%. Without taking into account the amortisation of interest expenses, profit before tax amounted to RMB293,094,000, posting a remarkable year-on-year growth of 56.13%. In particular, the operating profits of new projects including North Star Times Tower, North Star Century Centre as well as China National Convention Centre continued to spike, with profit before tax of RMB184,597,000, representing 62.98% of the total profits of the whole segment of investment properties (including hotels). These new projects also demonstrated bright business prospects over numerous aspects. In addition, gains on changes in fair value of investment properties before tax decreased by 64.26% year on year to RMB174,197,000 for the first half of 2012.

Based on its two convention centres, the Company has established a professional convention and exhibition service area integrating functions of convention, exhibition, accommodation, dining, shopping and entertainment, which showcased its strengths in operation and reception. In the first half of 2012 alone, such service area held 1,320 convention and exhibition projects with a comprehensive income of RMB290 million, accounting for more than two thirds of the national, comprehensive or international conventions and exhibitions held in Beijing. In particular, China National Convention Centre leveraged its edges over products and resources which are known for "high-end hardware, large scale products and strong brand influence" to tap into markets with "large and ultra-large projects and quality customers". The centre thus achieved a breakthrough on business amidst the bleak season of the convention business, with a rapid rise of utilisation rate of its convention facilities and a steady pick-up in its average occupancy rate. During the reporting period, China National Convention Centre undertook a total of 325 conventions and 35 exhibitions. In particular, the reception of major events such as The First CIFTIS (首屆京交會), the Beijing International Film Festival and the 37th Annual Conference of International Organization of Securities Commissions (國際證監會組織第37屆年會) had not only won high recognition at home and abroad, but also enhanced the industry profile and brand influence of the centre. Beijing International Convention Centre, with differentiated operations adopted, leveraging its increasing market share in small and medium-sized convention markets, put great efforts in developing high-end markets such as conventions of government, corporations and trainings, thus recorded solid operating results.

The office business focused on replacing tenants and introducing high-profile clients whilst carrying forward its "co-sale of several projects" marketing strategy, with a view to consolidating and sharpening business niche. Not only did both occupancy rate and rents continue upwards, but the business also translated into an important source of profit growth of the investment properties (including hotels) segment of the Company.

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

3. Commercial Properties

In the first half of 2012, under the adverse impact from the increase in the number of new shops in the periphery, fiercer market competitions and consumer division as well as large-scale construction and renovation of the interior of Asian Games Village Store of North Star Shopping Centre, the commercial properties market of the Company continued with strengthened efforts in brand replacement and marketing initiatives, improvement of services and market analysis, thus keeping the operation of stock projects intact. New projects registered notable growth and exhibited growing potential for business development.

During the reporting period, the operating revenue from business of commercial properties of the Company decreased by 2.66% year on year to RMB202,837,000. As new projects were still at their infant stage, the profit before tax decreased by 50.24% year on year to RMB13,507,000.

III. OUTLOOK ON THE BUSINESS ENVIRONMENT IN THE SECOND HALF OF 2012 AND ITS POTENTIAL IMPACT

In 2012, to address the downward pressure on national economic growth and the disequilibrium and unsustainability of economic development, the government and relevant departments will stay vigilant to international and domestic economic and financial trends whilst concentrating on scientific development and accelerating transformation of economic development. Through proactive fiscal policies and a stable monetary policy, it will bring about more targeted, flexible and forward-looking macro-control measures whilst making advanced adjustment and carrying out fine-tuning with reference to changes. It will focus on expanding domestic demand to maintain a stable, sound and rapid development of China's economy.

Regarding development properties, given the unchanged macro-control policy stance on real estates to facilitate the return of property prices to a reasonable level and clamp down investing and speculative activities, key policies including restrictions on purchases and loans will hardly be subject to any changes in a short run and there will be little room for the regional government to introduce fine-tuning policies. However, as both the deposit/loan interest rate and reserve requirement ratio were twice adjusted downwards in the first half of the year, coupled with a moderation of the monetary policy and the gradual release of rigid demand to the market, certain cities have recently seen a rise in both quantity and price and there remains a possibility for more stringent macro control to be restored, which will cause the real estate market to fluctuate. Under the impact of the above factors, the real estate market will be shrouded in great uncertainties in the short and medium term. As real estate projects have longer operating cycles, severe market fluctuations may pose downside risks to the stable operations of the Company and the sales of its real estate business.

III. OUTLOOK ON THE BUSINESS ENVIRONMENT IN THE SECOND HALF OF 2012 AND ITS POTENTIAL IMPACT *(CONTINUED)*

As for investment properties (including hotels), Beijing has unswervingly supported the development of the tertiary industry in recent years and given priority to the development of commercial services, advertising, convention and exhibition businesses as well as the culture and innovation industries. As Beijing gathered pace in fashioning itself into a "world-class city with Chinese characteristics" and a "hub of international events" during the period of the "Twelve Five-Year Plan", the government and relevant authorities will bring forth more favorable policies and supportive measures, thus presenting unprecedented opportunities for the rapid development of Beijing's service and convention economies. For commercial properties, in light of a lackluster external demand and restricted investment growth, along with China's acceleration of transformation of its economic development mode as well as the deepening of its efforts in boosting domestic demand and other macro-control and simulative policies, the commercial properties market is set to maintain a rapid momentum. The Company holds and operates over 1,200,000 m^2 of quality investment properties (including hotels) and commercial properties. Backed by a robust market demand, vast development potential and strong policy support, the operating results of the properties held of the Company will see accelerating growth.

IV. MANAGEMENT MEASURES FOR THE SECOND HALF OF 2012

1. Development Properties

In light of policy orientations and market trend changes, the Company will actively expedite the engineering construction and preliminary application procedures for the new project approval based on its solid operation, sparing no efforts in shortening the development period. A flexible and targeted sales strategy will also be adopted to boost the sales of villas, high-end residential units and commercial projects, and improve the capital turnover and utilisation efficiency. Besides, in view of the relatively depressed land market at the moment, the Company will seize the opportunity to increase its land reserve through open transactions, mergers and acquisitions, initiating the establishment of real estate fund and other means in the second and third tier cities with growth potential, so as to keep increasing the sustainability of its development properties.

In the second half of 2012, the Company will continue to advance the engineering construction and the preliminary planning of the land parcels of the Changsha North Star Delta Project. The Company will ensure the completion and verification of residential units in E5 Block in November and gradual delivery within the year, as well as the commencement of construction of the residential facilities of an area of 390,000 m^2 in E3 Block as scheduled. To fully utilise the opportunity for property appreciation arising from the commissioning of Changsha Metro Line 1 in 2014, the Company quickened the commencement of the preliminary positioning, planning and design for its above-station properties in B1 Block, B2 Block, E1 Block and E2 Block, with a view to connecting the project with the core commercial circle seamlessly as soon as possible. With comprehensive development and construction of the Changsha North Star Delta Project, the Company will tap into the opportunities arising from the launch of office buildings in A1 Block, the riverside high-end apartments in D1 Block and ordinary residential properties in D2 Block in the second half of the year. The Company will not only continue to introduce innovative marketing initiatives, expand marketing channels and build the brand according to different selling points of each product chain, but also dynamically integrate commercial operation with product sales, which will not only make the projects more attractive to high-end customers, but also maintain brisk sales for the projects.

In the second half of 2012, the Company expects to achieve an area which has commenced construction of 595,000 m^2, an area which has commenced and resumed construction of 2,061,000 m^2 and an area which has completed construction of 268,000 m^2. Area sold is targeted to be 179,000 m^2 and the amount of contracted sales (including car parks) is targeted to be RMB2.93 billion.

IV. MANAGEMENT MEASURES FOR THE SECOND HALF OF 2012 (CONTINUED)

2. Investment Properties (including hotels)

Facing the historic opportunities stemming from Beijing's efforts in turning itself into a "world-class city with Chinese characteristics" and a "hub of international events" and its endeavors in developing the service industry, the Company will fully capitalise on its comprehensive operational advantages — a broadly diverse industry portfolio and strong synergy. It will continue to implement business strategy of integrated marketing and facilitate market exploration and innovative services to boost revenue from additional assets and bolster continuous growth of the investment properties sector (including hotels) and in the overall operating results of the Company. Besides, leveraging the existing operation and brand edges of "North Star Convention and Exhibition", the Company will establish a professional convention and exhibition company, sparing no efforts in tapping into business in the industry chain and expanding management markets. With all these measures afoot, the Company aspires to enhance its brand influence and expedite low-cost expansion in the convention and exhibition arena.

3. Commercial Properties

Besides sticking to the brand development strategy, the commercial properties segment will incessantly improve its service and management. In a more competitive environment, it will deepen its promotion efforts by combining various marketing means, striving to consolidate market share of existing projects and shortening the initial struggling period of new projects.

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

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

1. Risks in the Development Properties Market

Under the background of the State insisting unchanged macro-control policy stance on real estate to facilitate the return of property prices to a reasonable level, the fundamental policy of purchase and loan limitation is unlikely to change in a short period. Both transaction volume and property price have gone up in certain cities recently, leaving the possibility of the tightening of macro control, which indicates that there are fluctuations in the real estate market development. With the impacts of all these factors, the real estate market is subject to larger uncertainty over the short to medium term. Since a property project involves a longer operation cycle, in case material fluctuation takes place in the market, the Company's operation stability and sales of real estates will be subject to risks.

To stave off the risks in the development properties market mentioned above, the Company's development properties will actively respond to policy adjustment and market trend changes. Based on its solid operation, it will expedite the engineering construction and application procedures for approval of new projects at a preliminary stage, in an effort to shorten the development cycle. Flexible and targeted sales strategies will be introduced to boost sales of villas, high-end residential units and commercial projects, improve the capital turnover and utilisation efficiency.

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

2. The Company's Short-term Operating Risks

Regarding property development, although phase II of Bihai Fangzhou Garden Villas has been launched with hot sales and significant progress has been made in the application procedures for approval for phase II of the low-density project of Changhe Yushu Villas at the preliminary stage, it still takes time for completion and occupation of the villas as well as recognition of income, which will reduce the number of the Company's high profit-margin products available for settlement in the short term and will therefore affect its operating results.

Addressing the Company's short-term operating risks above, apart from gathering pace for completion of contracted sales and project construction for phase II of Bihai Fangzhou Garden Villas, the Company will be committed to advancing the approval procedures and pre-construction preparation for phase II of the low-density project of Changhe Yushu Villas, as part of its efforts to commence construction and sales as soon as possible in support of the Company's performance.

Discussion and Analysis of Financial Performance

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2012, the capital and reserve attributable to the Company's equity holders increased by 2.82% as compared to that as at 31 December 2011. The increase was primarily attributable to additional profit attributable to equity holders of the Company of RMB494,382,000 during the period.

The Group's bank borrowings as at 30 June 2012 amounted to RMB8,557,085,000, among which the Group had long-term bank borrowings of RMB4,207,085,000 secured by certain investment properties, properties, plants and equipment, properties under development and completed properties held for sale. As at 30 June 2012, the net amount for the Group's 10-year corporate bonds was RMB1,490,710,000 as at the end of the period, and the balance of the 5-year corporate bonds as at the end of the period amounted to RMB1,691,358,000. The gearing ratio of the Group was 58.04% (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 RMB21,055,676,000, whereas the Group's current liabilities amounted to RMB8,679,930,000. As at 30 June 2012, the balance of cash at bank and on hand amounted to RMB2,855,720,000 (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 2012, the outstanding amount of financial guarantees provided in phases was RMB1,036,899,000 (31 December 2011: RMB1,403,421,000).

Other Information

SHARE CAPITAL AND SHAREHOLDERS

Share Capital

The Company's registered capital as at 30 June 2012 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 2012, 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
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 2012.

Note: Pursuant to the document titled "Implementation Measure for the Transfer of Part of the State-owned Shares to the National Social Security Fund in Domestic Securities Market (Cai Qi [2009] No. 94)"(《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號))and announcement no. 63 of 2009 jointly issued by the Ministry of Finance of the PRC, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund, 150,000,000 shares held by BNSIGC, the controlling shareholder of the Company, are frozen at present.

OTHER MAJOR EVENTS:

1. On 24 November 2011, the Proposal on the Merger of Beijing North Star Convention Centre Development Co., Limited, a wholly-owned subsidiary of the Company (《關於吸收合併本公司全資子公司—北京北辰會議中心發展有限公司的議案》) was considered and approved as a resolution at the 39th meeting of the fifth session of the Board, pursuant to which, the overall merger of Beijing North Star Convention Centre Development Co., Limited, a wholly-owned subsidiary of the Company was approved. Subsequent to completion of the merger, the qualification of Beijing North Star Convention Centre Development Co., Limited as an independent legal person would be cancelled and all of its assets, liabilities and other obligations and responsibilities thereunder would be assumed by the Company. On 7 February 2012, the Company considered and approved the above proposal at the 2012 first extraordinary general meeting and entered into the Merger Agreement with Beijing North Star Convention Centre Development Co., Limited on the same date. On 7 March 2012, the Company published the Announcement of the Merger of Beijing North Star Convention Centre Development Co., Limited into Beijing North Star Company Limited (《北京北辰實業股份有限公司關於與北京北辰會議中心發展有限公司吸收合併的公告》) on Beijing Daily. As at the date of this report, the Company is engaged in the subsequent work such as tax liquidation for Beijing North Star Convention Centre Development Co., Limited.

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

2. For details of progress on the Changsha North Star Delta Project, please refer to the relevant contents in "Management Discussion and Analysis" of this report. During the reporting period, the Company paid RMB500 million as a land premium for the acquisition of part of the remaining land in such project. As for the handover of the remaining land, the Company will accordingly settle the payment upon the receipt of relevant notices. At present, the entire area for construction of phases under development in Changsha North Star Delta Project has been handed over. Therefore, the delayed settlement for the remaining land will not have a material impact on the specific development plan.

INTERESTS OF DIRECTORS AND SUPERVISORS OF THE COMPANY

As at 30 June 2012, 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 Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). None of the directors, supervisors, chief executives of the Company or their associates had been granted or had exercised any such rights during the six months ended 30 June 2012.

CORPORATE GOVERNANCE

The Company has strived to maintain and establish a high level of corporate governance and has fully complied with all code provisions set out in the "Code on Corporate Governance Practices" (effective until 31 March 2012) and the "Corporate Governance Code" (newly effective from 1 April 2012) contained in Appendix 14 of the Listing Rules except for the temporary deviations from the new code provisions thereof as described below during the Period. According to the new code provisions:

CORPORATE GOVERNANCE *(CONTINUED)*

Provision A.5 requires a listed issuer to establish nomination committee, including to state expressly in writing the specific terms of reference of the nomination committee. The establishment of the nomination committee of the Company (the "Nomination Committee") was approved at the 2011 annual general meeting of the Company on 1 June 2012. However, as at the date of the announcement, the Company is still further refining the content of the provisions of the Rules of Procedure for the Nomination Committee, in order to comply with domestic regulatory requirements simultaneously.

Provision A.1.8 requires a listed issuer to arrange appropriate insurance cover in respect of possible legal actions against its directors. The Company had prepared to commence the approval process of insurance cover for its directors during the Period. However, it took time to solicit suitable insurer at reasonable commercial terms and conditions and obtain shareholders' approval for purchasing the insurance pursuant to Article 200 of the Articles of Association of the Company, in order to perfect the arrangement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 2012.

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 2012 have been reviewed by the Audit Committee and the Board. The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung.

CHANGE OF DIRECTORS AND SUPERVISORS

1. Mr. Chen Ji has retired as an executive director on 1 June 2012 and Mr. Zeng Jin was elected as an executive director on 1 June 2012.

2. Mr. He Wen-Yu and Mr. Li Ji-Shu have retired as supervisors representing the shareholders on 1 June 2012 and Mr. Liu Yi and Mr. Li Guorui were elected as new supervisors representing the shareholders on 1 June 2012.

3. Mr. Li Chang-Li and Mr. He Wen-Yu were elected as additional new executive directors on 1 June 2012, with tenure of office starting from 30 July 2012.

4. Mr. Xue Jian-Ming was elected as an additional new supervisor representing the shareholders on 1 June 2012, with tenure of office starting from 30 July 2012.

5. Mr. Zhang Wei-Yan was elected as an additional new supervisor representing the staff and workers through democratic election by the staff and workers of the Company at a separate meeting of the association of the representatives of the staff, with tenure of office starting from 30 July 2012.

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 2012, 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 2012, the Company had 4,750 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. The policy contributes to the management of the Company's remunerations while employees will be motivated to work hard for good results and development of the Company. Save for the remuneration policies disclosed above, the Company does not maintain any share option scheme for its employees and the employees do not enjoy bonus. The Company regularly provides 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 2012 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 2012 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
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
8 August 2012

Corporate Information

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

COMPANY INFORMATION ENQUIRY

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

REGISTRATION

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

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
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Telephone:	(852) 2289 8888
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LEGAL ADVISERS

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STOCK CODE

H share:	0588
A share:	601588