北京北辰實業股份有限公司
BEIJING NORTH STAR COMPANY LIMITED

(A sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 588)

2008 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Beijing North Star Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2008 (the "Period"), based on the unaudited condensed consolidated interim financial information which has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The 2008 interim financial report of the Company has not been audited but has been reviewed by the Audit Committee of the Company and the Board of the Company.

For the six months ended 30 June 2008, the Group achieved a turnover of RMB1,487,956,000, representing an increase of 0.7% over the corresponding period of the previous year. Operating profit was RMB380,856,000, representing a decrease of 1.4% over the corresponding period of the previous year. Profit attributable to equity holders of the Company was RMB149,747,000, representing a decrease of 56.2% over the corresponding period of the previous year.

Condensed consolidated interim income statement

		Unaudited	
		Six months ended 30 June	
		2008	2007
			Restated
	Note	***RMB'000***	*RMB'000*
Revenues	2	**1,487,956**	1,477,132
Cost of sales	4	**(823,166)**	(877,485)
Gross profit		**664,790**	599,647
Selling and marketing expenses	4	**(82,447)**	(69,424)
Administrative expenses	4	**(202,717)**	(143,266)
Other gains/ (losses) - net	3	**1,230**	(859)
Operating profit		**380,856**	386,098
Finance income		**9,350**	15,046
Finance costs		**(5,679)**	—
Finance income - net	5	**3,671**	15,046
Profit before income tax		**384,527**	401,144
Income tax expense	6	**(119,475)**	(23,195)
Profit for the period		**265,052**	377,949
Attributable to:			
Equity holders of the Company		**149,747**	341,950
Minority interests		**115,305**	35,999
		265,052	377,949
Earnings per share for profit attributable to the equity holders of the Company during the period			
(basic and diluted)	7	**RMB4.4 cents**	RMB10.2 cents
Dividend	8	**—**	—

Condensed consolidated interim balance sheet

		As at	
		30 June 2008	31 December 2007
		Unaudited	Audited Restated
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**1,187**	1,203
Property, plant and equipment		**975,657**	840,383
Investment properties		**2,145,000**	2,145,000
Properties under development		**7,635,126**	7,303,033
Interest in a jointly controlled entity		**31,752**	—
Deferred income tax assets		**17,377**	14,164
Total non-current assets		**10,806,099**	10,303,783
Current assets			
Properties under development		**8,908,586**	8,087,029
Completed properties held for sale		**482,300**	877,211
Inventories		**86,568**	52,476
Trade and other receivables	9	**492,188**	312,641
Restricted bank deposits		**124,037**	84,473
Cash and cash equivalents		**3,520,505**	2,255,546
Total current assets		**13,614,184**	11,669,376
Total assets		**24,420,283**	21,973,159
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**3,367,020**	3,367,020
Other reserves		**3,970,856**	3,964,510
Retained earnings			
- Proposed final dividend		**—**	101,011
- Others		**2,030,953**	1,881,206
		9,368,829	9,313,747
Minority interests		**257,219**	261,468
Total equity		**9,626,048**	9,575,215
LIABILITIES			
Non-current liabilities			
Long term borrowings		**5,832,668**	4,101,760
Deferred income tax liabilities		**482,721**	477,852
Total non-current liabilities		**6,315,389**	4,579,612
Current liabilities			
Trade and other payables	10	**5,288,801**	4,506,040
Current portion of long term borrowings		**800,000**	900,000
Short term borrowings		**2,125,468**	2,130,000
Current income tax liabilities		**264,577**	282,292
Total current liabilities		**8,478,846**	7,818,332
Total liabilities		**14,794,235**	12,397,944
Total equity and liabilities		**24,420,283**	21,973,159
Net current assets		**5,135,338**	3,851,044
Total assets less current liabilities		**15,941,437**	14,154,827

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*	Minority interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2007 as previously reported		3,367,020	3,941,259	1,589,421	8,897,700	183,118	9,080,818
Capitalisation of amortisation of land use rights	1	—	—	29,006	29,006	3,812	32,818
Balance at 1 January 2007 as restated		3,367,020	3,941,259	1,618,427	8,926,706	186,930	9,113,636
Profit and total recognised income for the period		—	—	341,950	341,950	35,999	377,949
2006 final dividend		—	—	(134,681)	(134,681)	—	(134,681)
Acquisition of additional interests in a subsidiary from minority shareholders		—	—	—	—	(469)	(469)
Balance at 30 June 2007		3,367,020	3,941,259	1,825,696	9,133,975	222,460	9,356,435
Balance at 1 January 2008 as previously reported		3,367,020	3,964,510	1,896,355	9,227,885	250,516	9,478,401
Capitalisation of amortisation of land use rights	1	—	—	85,862	85,862	10,952	96,814
Balance at 1 January 2008 as restated		3,367,020	3,964,510	1,982,217	9,313,747	261,468	9,575,215
Profit and total recognised income for the period		—	—	149,747	149,747	115,305	265,052
2007 final dividend		—	—	(101,011)	(101,011)	(64,951)	(165,962)
Acquisition of additional interests in a subsidiary from minority shareholders		—	6,346	—	6,346	(54,603)	(48,257)
Balance at 30 June 2008		3,367,020	3,970,856	2,030,953	9,368,829	257,219	9,626,048

Notes:

1. **Basis of preparation and accounting policies**

This unaudited condensed consolidated interim financial information for the half-year ended 30 June 2008 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 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants.

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

In previous years, the Company recognised the amortisation of land use rights over the use term ranging from 40 to 70 years in the income statement using the straight-line method. In 2008, the Company decided to change its accounting policy for the treatment of the amortisation of land use rights that are directly attributable to the construction of properties under development. Consequently, such amortisation cost is capitalised as the cost of properties under development.

The Company's directors are of the view that the new accounting policy is consistent with the accounting policy commonly adopted within the industry which financial statements are prepared in accordance with HKFRS, and therefore applying the new accounting policy can provide comparable and more relevant information to the readers of the financial statements. This change in accounting policy has been accounted for retrospectively and the condensed consolidated financial information has been restated in order to comply with HKAS 8 Accounting policies, changes in accounting estimates and errors. The effect on the condensed consolidated financial information is as follows:

	Six months ended 30 June	
	2008	**2007**
	RMB'000	*RMB'000*
Decrease in amortisation included in administrative expenses	**(59,672)**	(22,364)
Increase in amortisation included in cost of sales	**1,975**	2,009
Increase in income tax expense	**14,424**	3,639
Increase in net profit attributable to the equity holders of the Company	**36,585**	15,926
Increase in net profit attributable to the minority interests	**6,688**	790
Increase in earnings per share (basic and diluted)	**RMB1.1 cents**	RMB0.5 cents

	30 June 2008	**31 December 2007**	**1 January 2007**
	RMB'000	*RMB'000*	*RMB'000*
Increase in completed properties held for sale	**3,456**	7,253	2,584
Increase in properties under development	**178,441**	116,947	45,845
Decrease in deferred income tax assets	**(41,810)**	(27,386)	(15,611)
Increase in net asset value/retained earnings	**140,087**	96,814	32,818

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

2. **Segment information**

Primary reporting format — business segments

At 30 June 2008, the Group is organised in the People's Republic of China (the "PRC") into four main business segments:

(1) Sales of properties and land use rights;

(2) Retail operations;

(3) Rental from investment properties; and

(4) Operation of hotels.

Turnover consists of sales of properties and land use rights, sales of goods, rental income and hotel operating income. Revenues recognised during the six months ended 30 June 2008 and 30 June 2007 are as follows:

	Unaudited Six months ended 30 June	
	2008	**2007**
	RMB'000	*RMB'000*
Turnover		
Sales of properties and land use rights	**925,230**	879,244
Sales of goods	**189,466**	226,496
Rental income	**135,526**	150,844
Hotel operating income	**183,873**	171,261
	1,434,095	1,427,845
Others	**53,861**	49,287
Total revenues	**1,487,956**	1,477,132

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

The segment results for the six months ended 30 June 2008 are as follows:

	Unaudited						
	Sales of properties and land use rights *RMB'000*	**Retail operations** *RMB'000*	**Investment properties** *RMB'000*	**Hotel operations** *RMB'000*	**Other operations** *RMB'000*	**Corporate unallocated expense** *RMB'000*	**Group total** *RMB'000*
Business segment							
Total segment revenues	925,230	189,466	135,526	183,873	89,867	—	1,523,962
Inter-segment revenues	—	—	—	—	(36,006)	—	(36,006)
Revenues	925,230	189,466	135,526	183,873	53,861	—	1,487,956
Segment results	322,861	28,560	40,739	24,345	(7,996)	(27,653)	380,856
Finance income-net						3,671	3,671
Profit before income tax							384,527
Income tax expense							(119,475)
Profit for the period							265,052

The segment results for the six months ended 30 June 2007 are as follows:

	Unaudited						
	Sales of properties and land use rights Restated *RMB'000*	**Retail operations** *RMB'000*	**Investment properties** *RMB'000*	**Hotel operations** *RMB'000*	**Other operations** *RMB'000*	**Corporated unallocated expense** *RMB'000*	**Group total Restated** *RMB'000*
Business segment							
Total segment revenues	879,244	226,496	150,844	171,261	68,645	—	1,496,490
Inter-segment revenues	—	—	—	—	(19,358)	—	(19,358)
Revenues	879,244	226,496	150,844	171,261	49,287	—	1,477,132
Segment results	246,469	38,484	70,207	42,609	752	(12,423)	386,098
Finance income-net						15,046	15,046
Profit before income tax							401,144
Income tax expense							(23,195)
Profit for the period							377,949

Unallocated costs represent corporate expenses. Inter-segment transactions are entered into under the commercial terms and conditions that would also be available to unrelated third parties.

Other segment terms included in the income statement are as follows:

	Unaudited Six months ended 30 June 2008					
	Sales of properties and land use rights *RMB'000*	**Retail operations** *RMB'000*	**Investment properties** *RMB'000*	**Hotel operations** *RMB'000*	**Other operations** *RMB'000*	**Group total** *RMB'000*
Depreciation	922	7,040	5,357	21,300	3,698	38,317
Amortisation	16	—	—	—	—	16
Provision for impairment of receivables	—	—	—	—	664	664

	Unaudited Six months ended 30 June 2007					
	Sales of properties and land use rights Restated *RMB'000*	**Retail operations** *RMB'000*	**Investment properties** *RMB'000*	**Hotel operations** *RMB'000*	**Other operations** *RMB'000*	**Group total Restated** *RMB'000*
Depreciation	663	6,441	5,132	17,883	1,429	31,548
Amortisation	16	—	—	—	—	16
Reversal of provision for impairment of receivables	(840)	—	—	—	—	(840)

The segment assets and liabilities at 30 June 2008 and capital expenditure for the six months then ended are as follows:

	Unaudited						
	Sales of properties and land use rights *RMB'000*	**Retail operations** *RMB'000*	**Investment properties** *RMB'000*	**Hotel operations** *RMB'000*	**Other operations** *RMB'000*	**Unallocated** *RMB'000*	**Group total** *RMB'000*
Total assets	18,567,473	268,491	2,347,305	701,815	83,463	2,451,736	24,420,283
Total liabilities	13,660,367	143,642	207,414	78,872	138,261	565,679	14,794,235
Capital expenditure	3,307	43,098	95,916	19,812	13,644	—	175,777

The segment assets and liabilities at 31 December 2007 and capital expenditure for the six months ended 30 June 2007 are as follows:

	Sales of properties and land use rights Restated	**Retail operations**	**Investment properties**	**Hotel operations**	**Other operations**	**Unallocated Restated**	**Group total Restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	17,567,107	173,208	2,247,168	666,997	51,276	1,267,403	21,973,159
Total liabilities	10,477,909	98,728	152,736	40,753	148,445	1,479,373	12,397,944
Capital expenditure	633,611	260	9,065	2,849	1,954	—	647,739

Segment assets consist primarily of land use rights, property, plant and equipment, investment properties, properties under development, completed properties held for sale, inventories, receivables, restricted bank deposits and cash and cash equivalents. Unallocated assets comprise interest in a jointly controlled entity, deferred income tax and corporate assets.

Segment liabilities comprise operating liabilities. They exclude items such as taxation, corporate borrowings and dividends payable.

Capital expenditure comprises additions to land use rights, investment properties and property, plant and equipment.

Secondary reporting format — geographical segments

Since all the Group's revenue and operating profit are derived from activities in the PRC and all the Group's assets are located in the PRC, no geographical segment information is presented.

3. **Other gains / (losses) — net**

Other gains / (losses) - net are analysed as follows:

	Six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Compensation payment to vendors	**—**	(1,395)
Compensation income for relocation	**—**	192
Loss on disposal of property, plant and equipment	**(884)**	(73)
Others	**2,114**	417
	1,230	(859)

4. **Expenses by nature**

Expenses included in cost of sales, selling and marketing expenses and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
		Restated
	RMB'000	*RMB'000*
Depreciation	**38,317**	31,548
Amortisation	**16**	16
Provision / (reversal of provision) for impairment of receivables	**664**	(840)
Employee benefit expense	**150,146**	108,166
Advertising costs	**14,429**	14,147
Cost of properties and land use rights sold		
- land use rights	**51,129**	55,465
- finance cost capitalised in cost of properties	**14,949**	12,230
- development costs	**439,655**	485,987
Cost of goods for resale	**114,787**	138,390
Cost of consumables used	**44,099**	41,282
Business tax	**67,550**	64,909
Other taxation	**18,452**	17,321
Office and consumption expenses	**42,752**	44,984
Energy expenses	**21,875**	19,031
Consulting and service expenses	**24,954**	21,056
Repair and maintenance expenses	**19,427**	15,136
Donation	**17,400**	—
Rental expenses	**8,558**	8,558
Others	**19,171**	12,789
Total cost of sales, selling and marketing expenses and administrative expenses	**1,108,330**	1,090,175

5. **Finance income - net**

	Six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Interest expense:		
- bank borrowings wholly repayable within five years	**(173,356)**	(23,783)
- bank borrowings not wholly repayable within five years	**(34,469)**	—
- bonds not wholly repayable within five years	**(31,658)**	(31,986)
- other borrowings wholly repayable within five years	**(8,358)**	—
	(247,841)	(55,769)
Less: amount capitalised in properties under development at a capitalisation rate of 6.44% (six months ended 30 June 2007: 4.64%) per annum	**242,162**	55,769
Finance costs	**(5,679)**	—
Finance income - interest income on short term bank deposits	**9,350**	15,046
Finance income - net	**3,671**	15,046

6. **Income tax expense**

	Six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
		Restated
	RMB'000	*RMB'000*
Current income tax		
PRC enterprise income tax	**80,727**	102,169
PRC land appreciation tax	**37,092**	50,924
Deferred income tax expense/(credit)	**1,656**	(129,898)
Income tax expense	**119,475**	23,195

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 2007 and 2008. PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC. On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"). The applicable income tax rate of the Group was reduced from 33% to 25% from 1 January 2008. The applicable income tax rate for the six months ended 30 June 2008 is 25% (six months ended 30 June 2007: 33%).

7. **Earnings per share (basic and diluted)**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the period.

	Six months ended 30 June	
	2008	2007
	Unaudited	Unaudited Restated
Profit attributable to equity holders of the Company (RMB'000)	**149,747**	341,950
Weighted average number of shares in issue (thousands)	**3,367,020**	3,367,020
Earnings per share (basic and diluted) (RMB cents per share)	**4.4**	10.2

The Company has no dilutive potential ordinary shares outstanding during the six months ended 30 June 2007 and 2008. Therefore, the diluted earnings per share are equal to the basic earnings per share.

8. **Dividend**

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2008 (six months ended 30 June 2007: nil).

9. **Trade and other receivables**

	As at 30 June 2008	As at 31 December 2007
	Unaudited	Audited
	RMB'000	*RMB'000*
Trade receivables	**62,360**	38,416
Less: provision for impairment of receivables	**(10,760)**	(10,096)
Trade receivables — net	**51,600**	28,320
Notes receivables	**25,500**	—
Other receivables	**88,744**	86,557
Less: provision for impairment of receivables	**(15,740)**	(15,740)
Other receivables — net	**73,004**	70,817
Prepaid tax — Income tax	**27,744**	26,417
Prepaid tax — Others	**175,439**	140,087
Other prepayments	**138,901**	47,000
	492,188	312,641

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 2008 and 31 December 2007, the ageing analysis of the trade receivables is as follows:

	As at 30 June 2008 Unaudited *RMB'000*	As at 31 December 2007 Audited *RMB'000*
0 - 30 days	**25,741**	12,688
31 - 120 days	**11,672**	2,394
Over 120 days	**24,947**	23,334
	62,360	38,416

The credit terms in connection with sales of properties and land use rights granted to the customers are set out in the sale and purchase agreements and vary from agreements. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

10. **Trade and other payables**

	As at 30 June 2008 Unaudited *RMB'000*	As at 31 December 2007 Audited *RMB'000*
Trade payables	**191,940**	451,162
Advance from customers	**4,315,507**	3,186,039
Dividends payable to minority shareholders of a subsidiary	**1,172**	1,172
Accrued construction costs in respect of property, plant and equipment	**—**	4,475
Accrued properties under development costs	**362,773**	382,963
Amounts due to BNSIGC (note a)	**33,889**	27,999
Accrued interests	**473**	47,738
Special purpose payable (note b)	**100,615**	102,646
Other payables	**282,432**	301,846
	5,288,801	4,506,040

Note (a) The amount due to Beijing North Star Industrial Group Company ("BNSIGC") is unsecured, interest free and has no fixed terms of repayment.

Note (b) This represented the refund of consideration paid for land use rights from the relevant government authority. In accordance with a notice issued on 1 September 1995 by the Beijing Municipal Government, the Group is required to use the proceeds from such refund for municipal infrastructure and green belt construction of one of the Group's properties under development. During the six months ended 30 June 2008, approximately RMB 2,031,000 (six months ended 30 June 2007: RMB 5,144,000) was paid for the required uses.

At 30 June 2008 and 31 December 2007, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) is as follows:

	As at 30 June 2008 Unaudited *RMB'000*	As at 31 December 2007 Audited *RMB'000*
0 - 180 days	**134,939**	229,818
Over 181 -365 days	**46,102**	140,000
Over 365 days	**10,899**	81,344
	191,940	451,162

11. **Events occurring after the balance sheet date**

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. RMB 800,000,000 of the proceeds will be used to repay the existing bank loans and the remaining of the proceeds will be used as the general working capital of the Group. The bonds carry 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 bonds holders have the right to re-sell all or part of the bonds at its face value to the Company on the interest payment date from the third year. The bonds are unconditional and an irrevocable joint liability guaranteed by BNSIGC and the Company will pay RMB8,500,000 to BNSIGC in return of the guarantee so provided. BNSIGC had been allocated RMB100,000,000 of the above bonds.

2008 INTERIM DIVIDEND

The Board resolved that no interim dividend will be declared in respect of the six months ended 30 June 2008 (six months ended 30 June 2007: nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OVERALL OPERATING CONDITIONS DURING THE REPORTING PERIOD

1. Operating Environment

1. *Development Properties*

In the first half of 2008, the State and the relevant authorities curbed the investment and speculative demand in the property market through various means such as monetary policies, fiscal policies and industry policies. At the same time, the authorities intensified their efforts in investigation and punishment for idled land and accelerated the development pace of property companies, with a view to strengthening the implementation of macro-economic control measures and enhancing the efficiency of market operation.

With respect to the nationwide condition, although a continuous decline was witnessed in the National Real Estate Development Composite Booming Index (全國房地產開發業綜合景氣指數) from January to May 2008, the index remained in the region of 100 or above. Though year-on-year and quarter-on-quarter rates of increase in property selling price indices fluctuated, they still kept striving for positive growth. Vacant area of commodity residential housing amounted to 64,950,000 m^2, representing a decrease of 3.9% compared to 67,560,000 m^2 at the end of 2007. This suggested that the operation of the property market remained healthy.

With respect to Beijing city, the investment scale of property development continued to grow but a trend of month-to-month slowdown in the growth rate was observed from January to May 2008. Property selling price indices remained at high levels but sales area witnessed a certain degree of decrease because of the prevalent wait-and-see sentiment in the market. However, vacant area of commodity residential housing amounted to 3,760,000 m^2, representing a decrease of 8.7% compared to 4,120,000 m^2 at the end of 2007. This suggested that the operation of the property market remained stable.

With regard to Changsha city, the rapid growth of various indices such as property investment, areas under construction and newly commenced construction area from January to May 2008 indicated that the property industry was in a proliferating phase. Although sales area recorded a slight decline, the Changsha property market became increasingly attractive following the continuous progress of the construction of the "Bi-modal Society" (Economical Construction Resources Society and Environmental Friendly Society) and the entering of more large-scale property development companies. There is enormous room for development in the property market and the degree of marketisation is increasing.

2. *Investment Properties (including hotels)*

Against the backdrop of a rapid growth of the macro-economy and the gradual advent of the 2008 Olympic Games, the economy continued to heat up and the demand for various types of products from the investment properties market in Beijing was increasing. Although the office property market witnessed concentrated supply, given there was still strong new demand, rentals continued to rise slightly and the vacancy ratio was basically similar to that of early this year. The number of star-grade hotels grew relatively fast in order to meet market demand during the Olympic Games. Impacted by the Olympic factor, the average rentals of the star-grade hotel market increased steadily and occupancy rates remained stable. For the serviced apartments market, benefiting from the increasing long and short-term tenancy demand amid a prosperous economy, both average rentals and occupancy rates maintained steady growth. Nevertheless, the operating conditions varied due to differences in location, hardware and service of specific projects.

3. *Retail Operation*

From January to May 2008, the aggregated retail sales of consumer goods in Beijing amounted to RMB183,140,000,000, representing an increase of 21.4% compared to the same period in 2007. Per capita disposable income of urban residents was RMB10,552, representing an increase of 11.6% compared to last year. With a rapid increase in residents' income, the growth in consumption and the rising of living standards have enabled the commercial and retail market to continue maintaining its growth momentum. While property development companies and chained commercial enterprises generally increased their investments in commercial property projects, the supply of commercial area in Beijing has maintained rapid growth and market competition was continuously escalating.

2. **Review of Operations during the Reporting Period**

During the reporting period, the Company conducted systematic analyses on the changes in the operating environment and the supply-demand characteristics of the market. The Company capitalised on the opportunities brought by the Olympic Games and adopted flexible pricing strategies and operating strategies, which effectively offset the impact of unfavourable factors. The Company had revenues of RMB1,487,956,000, basically at par with the same period last year, and profit before taxation of RMB384,527,000, representing a slight decrease of 4.1%. From January to June 2008, profit for the period of the Company amounted to RMB265,052,000, representing a decrease of 29.9% compared to the same period last year. Resulting from the effects of the downward adjusted income tax rate under the new Corporate Income Tax Law of the PRC (the "new CIT Law") approved by the National People's Congress on 16 March 2007 and became effective from 1 January 2008, the Company reserved income tax expense of RMB140,839,000 due to the recognition of deferred income tax according to the new tax rate, thereby indirectly causing a relatively greater decrease in profit for the period as compared to the first half of 2007. In addition, since the property projects recognised in the first half of 2008 were mainly from project Fragrant Hill Qingqin developed by Beijing New Prosperity Co., Ltd in which the Company's subsidiary, Beijing North Star Real Estate Development Company Limited, holds a 51% controlling interest, the profit attributable to equity holders of the Company amounted to RMB 149,747,000 during the reporting period, representing a decrease of 56.2% compared to the same period in 2007.

1. *Development Properties*

In the first half of 2008, amid the dwindling financial environment and the prevalent wait-and-see sentiment in the market, the development properties operation of the Company took an active market-oriented role under the prevailing market conditions. The Company strengthened its product positioning, planning and design, cost control and marketing. Through the smooth progress and impressive sales on the projects of Olympic Media Village and Fragrant Hill Qingqin Villas, sales contract amount of the development properties operation amounted to RMB2,287,320,000, representing a substantial increase of 76.40% as compared to the same period last year. Aggregated cash collections amounted to RMB1,960,150,000, representing a substantial increase of 50.58% compared to the same period last year. Sales area reached 164,000 m^2, representing a substantial increase of 122.67%.

Furthermore, during the reporting period, the development properties operation of the Company had sales of RMB925,230,000, representing an increase of 5.23%

compared to the same period in 2007. Since the projects for which income was recognised were mainly villas and the gross profits for this type of products were relatively higher, the gross profit margin of the development properties operation from January to June 2008 achieved an increase of 7.13 percentage points as compared to the same period in 2007, reaching 45.3%.

With respect to the ordinary residential housing, during the reporting period, the Olympic Media Village adopted a flexible sale strategy based on the prevailing market conditions and the project continued to achieve impressive sales. Bei Chen • Xiang Lu (Hot Spring Project) and Beichen • Fudi (Chang Ying Project) entered the phase of development and construction and pre-sale preparation work was actively carried out. The Olympic Media Village, being the focus of the Company in 2008, has been widely sought after by the market since it was launched in October 2007. The second phase of the Olympic Media Village achieved sales of RMB700 million in four days since it commenced sales on 26 April 2008, and selling prices rose as compared to the first phase. As at the end of June 2008, the first and second phases of the Olympic Media Village had a sale of 262,800 m^2 (2,450 units), representing an aggregate sales ratio of 64.40 %. The Olympic Media Village was completed and inspected smoothly in May 2008.

Regarding high-end villas, during the reporting period, Fragrant Hill Qingqin Villas brought sales revenue of RMB673,077,000 with recognised sales area of 26,400 m^2 (79 units). For the project, sales contract amount of RMB441,300,000 and sales area of 12,700 m^2 (41 units) were achieved, with selling prices hitting record highs again. During the reporting period, later-phase projects at Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas were still suspended, but preliminary works such as planning and designing, and tendering were ready. The projects could commence construction immediately once the approvals are obtained.

With respect to the Changsha project, it consolidated the characteristics of "Three-Dimensional Development and Pedestrian-Vehicle Stream", the 2km riverside scenery strip and the relatively myriad properties, and laid down the development strategy of "Prioritising on municipal roads and riverside scenery; relying on riverside business and commerce as the driving force; proceeding on the development of residential housing in an orderly manner; Building infrastructure facilities in a relatively concentrated manner". Respective preliminary preparations were proceeding smoothly. As at the end of the reporting period, the overall planning proposal of the Changsha project was basically completed and the design of the Initial Block was initiated. The preparation of the feasibility report and the environment assessment report of the Initial Block had also been completed.

The sales of main property projects during the reporting period are as follows:

Project Name	**Recognised Sales Area** *('000 m^2)*	**Recognised Amount** *(RMB'000)*	**Sales Contract Area** *('000 m^2)*	**Sales Contract Amount** *(RMB'000)*	**Completed Area** *('000 m^2)*
Beichen Green Garden (including Olympic Media Village)	6.2	73,456	151.3	1,845,980	631.4
Bihai Fangzhou Garden Villas	7.1	147,981	—	—	—
Fragrant Hill Qingqin Villas	26.4	673,077	12.7	441,300	34.9
Changhe Yushu Garden Villas	1.9	25,826	—	—	—

2. *Investment Properties (including hotels)*

Based on continuously rising demand generated by the Olympic Games, the investment properties (including hotels) operation of the Company capitalised on the location advantage of the core Asian and Olympic Games Area in the first half of 2008. The rental levels of the Company's properties and the average room rates of its hotels continued to increase. Crowne Plaza Park View Wuzhou Beijing was again ranked number one among the nine hotels of the InterContinental Hotel Group in Beijing for its operating profitability. For Beijing Continental Grand Hotel, its average room rate grew faster than those hotels of the same grade in Beijing. For Beijing International Convention Centre, the average rental rates of its conference rooms and exhibition venues were among the highest in the industry. The Company's office properties capitalised on their ideal locations, raising their average rentals for new leasees, expanded-lease leasees and renewal leasees through an improvement of facilities. Their average rentals reached the average level among office properties in the central business district ("CBD") and Beijing Finance Street and remained in a leading position in the Asian and Olympic Games Area. Modifications were made to Block D of Hui Yuan Apartment and arrangements were made to fit in renovation work and operations of the six blocks of West Zone of Media Village, but the apartments operation strove at the same time to exploit the potential of both the long-term tenancy and casual residence segments for both properties, in which the rate of increase in the casual residence segment was higher.

During the reporting period, affected by suspension due to the modification and renovation of seven blocks of apartments, the investment properties operation of the Company (including hotels) had an aggregate revenue of RMB319,399,000, representing a slight decrease of 0.84% compared to the same period in 2007. Of such revenue, rental income amounted to RMB135,526,000, representing a decrease of 10.15%: and hotel income amounted to RMB183,873,000, representing an increase of 7.36% compared to the same period in 2007.

Furthermore, during the reporting period, North Star Times Tower (formerly named "Beichen Building"), a new property project of the Company, was successfully completed and inspected as a whole. The commercial section of the property commenced operation on 30 July 2008, while the office section proceeded smoothly with leasing work. Currently, more than 10 domestic and overseas financial institutions, consultancy companies, state-owned and privately-owned companies entered into lease agreements. National Olympic Convention Centre Hotel and InterContinental Beijing Beichen, which are both the ancillary facilities of the National Olympic Convention Centre, commenced trial operations in July 2008. During the Olympic Games, the above two hotels are contracted hotels for receiving journalists from domestic and overseas press and officials.

3. *Retail Operation*

During the reporting period, confronted with escalating market competition, the Company continued to improve the shopping environment and to adjust the brands and its product structure, fully capitalising on the advantage of its professional operation. While ensuring to achieve its operating targets, the operation strove to carry out the preparations for new projects and to enlist brand operators. The Legend Shopping Centre (formerly named "Beichen Building Luxury Department Store") will open on 30 July 2008, gradually realising the business strategy of "developing from a single store to numerous chained stores".

During the reporting period, affected by the 43-day business suspension due to modification works on the supermarket at Level 1 of Beichen Shopping Centre as well as fierce market competition in the surrounding area, the retail operation of the Company had a revenue of RMB189,466,000 in the first half of the year, representing a decrease of 16.35% as compared to the same period last year.

4. *Olympic Games Project*

In the first half of 2008, the Company conducted coordination and organisation work and completed inspection and delivery work for projects related to the Olympic Games at Beichen Green Garden Media Village, Hui Yuan Apartment Garden Media Village, the National Olympic Convention Centre and its ancillary facilities under "tight schedule, with important mission and heavy workload". Currently, the above projects are advancing to the security protection phase of the Olympics hospitality service.

5. *Financing Work*

Faced with the tightening monetary policies and full-fledged macro-economic control measures, the Company capitalised on the advantage of its dual listings in Mainland and Hong Kong and its unique business structure, and strove to explore diversified financing methods based on the traditional financing methods. Substantial progress was made in this regard. On 4 June 2008, the application of the Company for issuing corporate bonds of not exceeding RMB 1.7 billion was conditionally approved by the Issuance Review Committee of the China Securities Regulatory Commission. On 11 July 2008, the Company obtained the approval by the China Securities Regulatory Commission. On 18 July 2008, the Company successfully issued and raised corporate bonds of RMB1.7 billion at the coupon rate of 8.2%. The successful issue of RMB1.7 billion corporate bonds adjusted the debt structure of the Company while enhancing the stability of its financing.

3. **Prospects in the Second Half of the Year and Management Responses**

In the second half of 2008, short-term fluctuations in the property market may continue. However, the future of the property market will still be bright owing to various factors such as a continued growth of residents' income, the long-time imbalance in supply and demand and the appreciation of Renminbi. Following the holding of the Olympic Games, the Company's investment property and retail operations that are situated in the core Asian and Olympic Games Area will benefit from enormous opportunities brought by the Olympic Games, and will enjoy great appreciation potential.

1. *Development Properties*

In the second half of 2008, amid the continuing prevalent wait-and-see sentiment in the property market, the development properties operation of the Company will operate on the basis of smoothly embarking its existing projects. Through strengthening its market analysis, product positioning and sales planning, the Company will further increase its core competitiveness and continued to boost profitability.

Based on the outstanding sales result achieved in the first half 2008, the Company expects the area commencing construction for the development properties operation to amount to approximately 480,000 m^2 for the second half of 2008, and the Company will endeavour to realise sales area of approximately 320,000 m^2 and contracted sales of approximately RMB3,100,000,000. Among these, the Company will adjust its sales strategy timely with reference to market changes for the Beichen Green Garden project, and will continue to maintain impressive sales on the Olympic Media Village project, while fully pushing ahead the sales work on Infrastructure Project in the Beichen Green Garden B5 section. The Company will continue to increase the profitability of the Fragrant Hill Qingqin Villas project by capitalising on its natural environment, location advantage and scarcity product nature. For Beichen•Xiang Lu (Hot Spring Project) and Beichen•Fudi (Chang Ying Project), the Comapny will quicken pre-sale preparation work of the projects on the basis of a smooth progress of their construction. Efforts will be made on the planning and designing of the not-yet-commenced portions of Bihai Fangzhou Garden Villas and Changhe Yushu Garden Villas, so as to ensure that construction can commence upon obtaining the relevant approvals and to achieve sales as soon as possible.

With respect to the Changsha project, the Company will strive to complete the design of the residential plan for the Initial Block in the third quarter of 2008 through product positioning and client analysis, based on the preliminary work that has been conducted. It will also capitalise on the Changsha project's advantage of being an express approval project of the Changsha Municipality to expedite all reporting and approval-seeking tasks and strive to commence piling work in the fourth quarter of 2008.

2. *Investment Properties (including hotels)*

In the second half of 2008, the Company will capitalise on the advantage of having its existing and additional investment properties located in the Asian and Olympic Games Area. It will enhance its professional management service standards and the influence of the brand while capturing the business opportunities brought by the Olympic Games, striving to exploit the operating potentials of its existing assets with a view to achieving continuously improving operating results.

3. *Retail Operation*

Facing intensifying business competition within the Asian and Olympic Games Area, the Company will ensure that operating targets will be met in the second half of 2008. It will leverage its professional operating mechanisms by making use of the opportunity of the Legend Shopping Centre's (Beichen Building Luxury Department) opening and will further enhance the organisational structure and the strategic management control model of the retail operation through actual operational practices. Meanwhile, it will complete the decoration plans and business positioning on the additional commercial projects for 2009, and will proactively carry out work to attract business operators. It will ensure that the commercial projects at the National Olympic Convention Centre and Beichen Green Garden open as scheduled.

4. *Successful completion of the mission of Olympic Games hospitality services*

With the emphasis on "four hotels, two villages, two centres and one stadium" of the Olympic Games' hospitality service, the Company will carry out coordination and organisation and ensure that the Olympic Games' hospitality service is delivered with high quality. The Company has continuously compiled manuals, and refined and rehearsed the guest and emergency handling plans. Regular pre-job and operational training were conducted to provide strong support for a successful completion of the Olympic Games hospitality service duties. In addition, the Company will intensify its efforts in publicity and brand building work by capitalising on the opportunities brought by the Olympic Games. It will ensure that the additional assets of the National Olympic Convention Centre and its ancillary projects operate from a "high starting point" and strive to achieve profitability rapidly for the additional projects through market analyses, operations positioning, and studies on development opportunities and management control models.

The "four hotels" refers to Crowne Plaza Park View Wuzhou Beijing, Beijing Continental Grand Hotel, InterContinental Beijing Beichen and the National Olympic Convention Centre Hotel. The "two villages" are Beichen Green Garden Media Village and Hui Yuan Apartment Media Village, while the "two centres" refers to the National Olympic Convention Centre which will be used as the Main Press Centre and the International Broadcasting Centre during the Olympic Games. The "one stadium" refers to the use of the National Olympic Convention Centre as the Fencing Stadium during the Olympic Games. Among these, InterContinental Beijing Beichen and the National Olympic Convention Centre Hotel are ancillary projects of the National Olympic Convention Centre.

4. **Analysis on the Company's business risks**

The Company's business risks mainly come from its development properties. The tightening monetary policies and the continuing prevalent wait-and-see sentiment in the property market increased the uncertainty of the short-term trend. In addition, since a property project involves a longer operation term, in case of material fluctuations taking place in the market, there will be greater problems and risks brought to the Company's sales.

In view of the aforementioned possible risks, the Company will further strengthen its capability on research and anticipation of macro-economic control measures. It will actively seek and capitalise on the market opportunities, as well as adopting more flexible pricing strategies and strengthening marketing and sales efforts to accelerate capital return. Meanwhile, the Company will continue to enhance the internal control system and pushing forward refined management, with a view to improve risk management of the property development operation.

In addition, while it seems likely that global market conditions (the 'credit crunch') will affect market confidence and consumer spending patterns, the Company is well placed to grow revenues through the smooth development of current projects. The Company does not have any exposure to sub-prime lending or collateralised debt obligations. The Company has sufficient headroom to enable it to repay principal and interests of its existing borrowings. The Company also has sufficient working capital to service its operating activities and ongoing investment in property development.

DISCUSSION AND ANALYSIS OF THE GROUP'S PERFORMANCE

Financial resources and liquidity

As at 30 June 2008, the capital and reserve attributable to the Company's equity holders increased by 0.59% compared to 31 December 2007.The increase was attributable to profit attributable to equity holders of the Company during the reporting period of RMB 149,747,000.

The Group's borrowings as at 30 June 2008 amounted to RMB7,275,468,000. The net amount for the Group's 10-year corporate bonds was RMB 1,482,668,000 as at the end of the 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 RMB13,614,184,000, whereas the Group's current liabilities amounted to RMB 8,478,846,000. As at 30 June 2008, cash at bank and on hand amounted to RMB 3,520,505,000 (excluding restricted bank deposits).

As at 30 June 2008, the Group had long-term bank borrowings of RMB2,500,000,000 secured by the land use rights of certain properties under development as well as such properties themselves. The total liabilities to total assets ratio for the Group was 61% (calculated by dividing total liabilities by total assets) as at the end of the reporting period.

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.

Contingent liabilities of the Group are mainly the balance of financial guarantees for the mortgage loans extended to property buyers by banks. The above-mentioned financial guarantees will have no material effects on the financial position of the Group. As at 30 June 2008, the outstanding amount of the financial guarantees was RMB 2,029,083,000 (31 December 2007: RMB 1,939,768,000).

SHARE CAPITAL AND SHAREHOLDERS

Share Capital

The Company's registered capital as at 30 June 2008 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%

	As at 30 June 2008 Unaudited *RMB'000*	**As at 31 December 2007 Audited** *RMB'000*
Registered, issued and fully paid:		
Liquid shares subject to sales restrictions		
1,160,000,000 (31 December 2007: 1,160,000,000) shares of RMB1 each held by State owned legal person	1,160,000	1,160,000
Nil (31 December 2007: 25,000,000) share of RMB1 each held by domestic legal person *(note)*	—	25,000
	1,160,000	1,185,000
Listed shares		
1,500,000,000 (31 December 2007: 1,475,000,000) shares of RMB1 each listed in the Mainland (A shares) *(note)*	1,500,000	1,475,000
707,020,000 (31 December 2007: 707,020,000) foreign invested shares of RMB1 each listed in Hong Kong (H shares)	707,020	707,020
	2,207,020	2,182,020
	3,367,020	3,367,020

Note: Pursuant to the approval document Zheng Jian Fa Xing Zi 2006 No. 44 issued by the China Securities Regulatory Commission, the Company held a public offer of 1,500,000,000 Renminbi-denominated ordinary shares (A shares) on the Shanghai Stock Exchange at an offer price of RMB2.4 per share, of which 750,000,000 shares were placed office to book-building targets. 550,000,000 shares of this portion of A shares became eligible for listing and circulation after a one-year lock-up period starting from the listing date of the public offer shares offered to public investors (16 October 2006). Accordingly, all A shares become eligible for listing and circulation in 2008 (six months ended 30 June 2007: 200,000,000 shares became eligible for listing and circulation).

Substantial Shareholders

As at 30 June 2008, the following persons, other than a director, supervisor or chief executive of the Company, had 5% or more interests in the relevant class of shares of the Company as recorded in the register 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	Corporate interest	Beneficial owner	A shares	1,160,000,000	43.609%	34.452%

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 or underlying shares of the Company as at 30 June 2008.

INTERESTS OF DIRECTORS AND SUPERVISORS OF THE COMPANY

As at 30 June 2008, none of the directors, supervisors, chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies. None of the directors, supervisors, chief executive of the Company or their associates had been granted or had exercised any such rights during the six months ended 30 June 2008.

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 2008.

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 2008 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.

QUALIFIED ACCOUNTANT

The Company has not been able to employ a Qualified Accountant with the specified qualifications set out in Rule 3.24 of the Listing Rules. The Company is in the process of finding a suitable candidate to assume such a position as soon as practicable. The Company will keep the shareholders of the Company informed of the progress of the appointment of the Qualified Accountant.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DESIGNATED DEPOSITS AND DUE FIXED DEPOSITS

As at 30 June 2008, 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 2008, the Company had 5,501 employees. Adjustments of employee remuneration will be made according to the Company's turnover and profitability and are determined by assessing the correlation between the total salary paid and the economic efficiency of the enterprise. Under this mechanism, the management of employee remunerations will be more efficient while employees will be motivated to work hard to bring good results to the Company. Save from 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 2008 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 2008 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
HE Jiang-Chuan
Chairman

Beijing, the PRC

30 July 2008

As at the date of this announcement, the board of directors of the Company comprises seven directors, of whom four are executive directors, namely, Mr. HE Jiang-Chuan, Ms. ZHAO Hui-Zhi, Mr. LIU Jian-Ping and Mr. CHEN Ji; and three are independent non-executive directors, namely, Mr. MENG Yan, Mr. YU Jing-Song and Mr. FU Yiu-Man, Peter.