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)

2011 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of Beijing North Star Company Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2011 (the "**Period**"), based on the 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 relevant requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The 2011 interim financial information of the Company has not been audited but has been reviewed by the Board and the Audit Committee.

For the six months ended 30 June 2011, the Group achieved a revenue of RMB2,470,084,000, representing an increase of 21.1% over the corresponding period of the previous year. Operating profit was RMB1,285,676,000, representing an increase of 31.9% over the same period last year. Profit attributable to equity holders of the Company was RMB756,582,000, representing an increase of 55.1% over the same period last year. Among others, the core operating results of the Company's principal business was RMB391,031,000, a substantial increase of 94.1% over last year, and the gain (after taxation) on changes in fair value of investment properties was RMB365,551,000, representing an increase of 27.6% over the same period last year.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June **2011** ***RMB'000***	 2010 *RMB'000*
Revenue	2	**2,470,084**	2,039,254
Cost of sales		**(1,363,939)**	(1,172,147)
Gross profit		**1,106,145**	867,107
Selling and marketing expenses		**(83,233)**	(62,680)
Administrative expenses		**(224,117)**	(206,965)
Fair value gains on investment properties		**487,400**	381,861
Other losses – net		**(519)**	(4,219)
Operating profit		**1,285,676**	975,104
Finance income		**15,721**	14,467
Finance costs		**(167,835)**	(165,020)
Share of post-tax loss of a jointly controlled entity		**(6,592)**	(9,621)
Profit before income tax	2	**1,126,970**	814,930
Income tax expense	4	**(356,159)**	(260,360)
Profit for the period		**770,811**	554,570
Profit attributable to:			
— equity holders of the Company		**756,582**	487,819
— non-controlling interests		**14,229**	66,751
		770,811	554,570

	Notes	Cents per share	Cents per share
Earnings per share for profit attributable to the equity holders of the Company			
— basic and diluted		**22.47**	14.49
Dividend	5	**—**	—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
ASSETS			
Non-current assets			
Land use rights		**1,091**	1,107
Investment properties		**10,863,000**	10,375,600
Property, plant and equipment		**1,898,216**	1,959,067
Interest in a jointly controlled entity		**—**	6,592
Deferred income tax assets		**57,663**	48,481
Total non-current assets		**12,819,970**	12,390,847
Current assets			
Properties under development		**11,387,934**	10,865,895
Completed properties held for sale		**3,364,119**	4,163,588
Inventories		**125,972**	119,302
Trade and other receivables	6	**687,533**	475,887
Restricted bank deposits		**61,451**	38,988
Cash and cash equivalents		**2,840,459**	2,520,146
Total current assets		**18,467,468**	18,183,806
Total assets		**31,287,438**	30,574,653

EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**3,367,020**	3,367,020
Other reserves	**4,069,939**	4,069,943
Retained earnings		
— Proposed final dividend	**—**	67,340
— Others	**6,053,920**	5,297,338
	13,490,879	12,801,641
Non-controlling interests	**183,298**	173,511
Total equity	**13,674,177**	12,975,152
LIABILITIES		
Non-current liabilities		
Long term borrowings	**7,993,316**	7,402,702
Long term payables	**9,636**	9,636
Deferred income tax liabilities	**1,352,334**	1,208,661
Deferred income	**2,550**	2,550
Total non-current liabilities	**9,357,836**	8,623,549

Current liabilities			
Trade and other payables	7	**5,540,503**	5,763,010
Current income tax liabilities		**300,922**	363,796
Current portion of long term borrowings		**1,714,000**	1,969,146
Short term borrowings		**700,000**	880,000
Total current liabilities		**8,255,425**	8,975,952
Total liabilities		**17,613,261**	17,599,501
Total equity and liabilities		**31,287,438**	30,574,653
Net current assets		**10,212,043**	9,207,854
Total assets less current liabilities		**23,032,013**	21,598,701

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

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

2. SEGMENT INFORMATION

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

The board considers the business from a product/service perspective. From a product/service perspective, management assesses the performance of development properties, commercial properties and investment properties and hotels.

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

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

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

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

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

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

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

			Unaudited		
	Development properties	**Commercial properties**	**Investment properties and hotels**	**All other segments**	**Total Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2011					
Total segment revenue	**1,429,280**	**208,375**	**788,563**	**79,022**	**2,505,240**
Inter-segment revenue	**(5,181)**	**—**	**(6,990)**	**(22,985)**	**(35,156)**
Revenue from external customers	**1,424,099**	**208,375**	**781,573**	**56,037**	**2,470,084**
Profit before Tax	**425,389**	**27,144**	**187,728**	**(1,609)**	**638,652**
Six months ended 30 June 2010					
Total segment revenue	1,183,297	195,600	623,104	75,338	2,077,339
Inter-segment revenue	—	—	(10,414)	(27,671)	(38,085)
Revenue from external customers	1,183,297	195,600	612,690	47,667	2,039,254
Profit before Tax	348,355	23,255	79,944	133	451,687

	Development properties *RMB'000*	Commercial properties *RMB'000*	Unaudited Investment properties and hotels *RMB'000*	All other segments *RMB'000*	Total Group *RMB'000*
As at 30 June 2011					
Total segment assets	**16,417,100**	**597,164**	**6,955,031**	**77,831**	**24,047,126**
Total segment assets include:					
Additions to non-current assets (other than deferred tax assets)	1,036	371	5,123	835	7,365
As at 31 December 2010					
Total segment assets	16,085,555	631,620	7,119,116	84,693	23,920,984
Total segment assets include:					
Interest in a jointly controlled entity	—	6,592	—	—	6,592
Additions to non-current assets (other than deferred tax assets)	727	6,618	205,746	783	213,874

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

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

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

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

The Company and its subsidiaries are domiciled in the PRC and all the revenue from external customers of the Group are derived in the PRC for the six months ended 30 June 2011 and 2010.

At 30 June 2011 and 31 December 2010, all the Group's non-current assets other than deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the PRC.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the six months ended 30 June 2011 and 2010.

3. OPERATING PROFIT

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

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

4. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2011 and 2010. The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate for the six months ended 30 June 2011 and 2010 is 25%.

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

5. DIVIDEND

A dividend that relates to the year ended 31 December 2010 amounting to RMB 67,340,000 was approved by the Annual General Meeting in June 2011 and paid in July 2011 (Dividend related to the year ended 31 December 2009: RMB 101,011,000).

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

Total dividend paid by the Group to the equity holders of the Company and non-controlling interests is nil for the six months ended 30 June 2011 (Six months ended 30 June 2010: RMB 163,600,000).

6. TRADE AND OTHER RECEIVABLES

As at 30 June 2011 and 31 December 2010, the Group's trade and other receivables include trade receivables, prepaid tax, other prepayments and receivables.

The majority of the Group's sales are on cash or advance basis. The remaining amounts are with credit terms of 30 to 90 days. At 30 June 2011 and 31 December 2010, the ageing analysis of the trade receivables were as follows:

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

7. TRADE AND OTHER PAYABLES

As at 30 June 2011 and 31 December 2010, the Group's trade and other payables mainly include trade payables, advance from customers, accrued long term assets construction costs, accrued properties under development costs, accrued interest and other payables. The ageing analysis of the trade payables (including amounts due to related parties of trading in nature) were as follows:

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

RECONCILIATION OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Group has prepared a separate set of consolidated interim financial statements for the six months ended 30 June 2011 in accordance with Chinese Accounting Standards ("CAS") issued by the China Ministry of Finance. The differences between the financial information prepared under the CAS and Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants are summarised as follows:

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

2011 INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE 2011 H SHARE INTERIM REPORT

I. Operating Environment

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

1. Development Properties

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

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

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

2. Investment Properties (including hotels)

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

3. Commercial Properties

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

II. Review of Operations During the Reporting Period

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

1. Development Properties

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

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

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

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

2. Investment Properties (including hotels)

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

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

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

3. Commercial properties

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

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

III. Outlook of Business Environment in the Second Half of 2011

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

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

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

IV. Management Measures for the Second Half of 2011

1. Development Properties

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

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

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

2. Investment Properties (including hotels)

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

3. Commercial properties

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

V. Analysis on the Company's Development Problems and Risks

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

① Market risks for development properties. The successive implementation of more stringent control policies-such as restrictions on property purchase and mortgage issuance in the first half of 2011-indicates that the macro control policies over the real estate market will not only prevail but also intensify until the asset price sees significant signs of loosening. In line with a quick fall in the transaction volume of commodity residential units in the real estate market and more robust construction of social security housing, growth in property prices of several cities began to slow down. Coupled with buyers' anticipation of changes, the market will be more inclined to take a wait-and-see attitude. If demand cannot be effectively released for a prolonged period, the real estate market may see a bumpy ride. Taking into account the impacts of the above factors, there are great uncertainties as to the direction of the property market in the short-and mid-term. Worse still, since a property project involves a longer operation cycle, any market turbulence may put the Company's operation stability and sales of real estates at risk.

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

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

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

DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE

Financial resources and liquidity

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

The Group's bank borrowings as at 30 June 2011 amounted to RMB7,234,371,000, among which the Group had long-term bank borrowings of RMB3,820,371,000 secured by certain investment properties, properties, plants and equipment, properties under development and completed properties held for sale. As at 30 June 2011, the net amount for the Group's 10-year corporate bonds was RMB1,488,572,000 as at the end of the period, and balances of the 5-year corporate bonds as at the end of the period amounted to RMB1,684,373,000. The assets-liability ratio of the Group was 56.3% (calculated by dividing total liabilities by total assets) as at the end of the reporting period.

Current assets of the Group, which mainly comprised cash at bank and on hand, trade and other receivables, completed properties held for sale and properties under development for sale, amounted to RMB18,467,468,000, whereas the Group's current liabilities amounted to RMB8,255,425,000. As at 30 June 2011, the balance of cash at bank and on hand amounted to RMB2,840,459,000 (excluding restricted bank deposits).

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

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

SHARE CAPITAL AND SHAREHOLDERS

Share Capital

The Company's registered capital as at 30 June 2011 totalled 3,367,020,000 shares in issue, comprising:

Domestic-listed circulating A shares	2,660,000,000 shares	Representing 79.002%
Foreign-listed H shares	707,020,000 shares	Representing 20.998%

Shareholdings of Substantial Shareholders

As at 30 June 2011, the following person, other than a director, supervisor or chief executive of the Company, had 5% or more interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests in the shares and short positions required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance ("SFO"):

Long Positions in Shares of the Company

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

Save as disclosed above, the register required to be kept under Section 336 of Part XV of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 30 June 2011.

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

INTERESTS OF DIRECTORS AND SUPERVISORS OF THE COMPANY

As at 30 June 2011, none of the directors, supervisors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies. None of the directors, supervisors, chief executives of the Company or their associates had been granted or had exercised any such rights during the six months ended 30 June 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has strived to maintain and establish a high level of corporate governance and has fully complied with the code provisions set out in the "Code on Corporate Governance Practices" contained in Appendix 14 of the Listing Rules during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiries from all directors and supervisors of the Company, the Company confirms that its directors and supervisors have complied with the required standards as set out in the Model Code during the six months ended 30 June 2011.

AUDIT COMMITTEE

An audit committee has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Company. The Group's unaudited interim results for the six months ended 30 June 2011 have been reviewed by the Audit Committee and the Board of the Company. The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DESIGNATED DEPOSITS AND DUE FIXED DEPOSITS

As at 30 June 2011, the Group had no designated deposits that were placed with financial institutions in the PRC. All of the Group's cash deposits have been placed with commercial banks in the PRC in compliance with relevant laws and regulations. The Group has not experienced any incidents of not being able to withdraw bank deposits when due.

EMPLOYEES

As at 30 June 2011, the Company had 4,756 employees. Adjustments of employee remuneration will be made according to the Company's results and profitability and are determined by assessing the correlation between the total salary paid to employees and the economic efficiency of the enterprise. Under this policy, the management of the Company's remunerations will be more efficient while employees will be motivated to work hard for good results and development of the Company. Save for the remuneration policies disclosed above, the Company does not maintain any share option scheme for its employees and the employees do not enjoy any bonus. The Company regularly provides for its administrative personnel trainings on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws, in different forms, such as seminars, site visits and study tours.

STAFF QUARTERS

During the Period, the Company did not provide any staff quarters to its staff.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2011 interim report which sets out all the information required by the Listing Rules will be published on the designated website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.beijingns.com.cn in due course.

DOCUMENT FOR FUTURE REFERENCE

The original copy of the 2011 interim report, signed by the Chairman is available for inspection at the Secretariat of the Board of the Company, of which the address is:

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

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

Beijing, the PRC
29 August 2011

As at the date of this announcement, the Board comprises 7 directors, of which Mr. HE Jiang-Chuan, Ms. ZHAO Hui-Zhi, Mr. LIU Jian-Ping, Mr. CHEN Ji are executive directors and Mr. LONG Tao, Mr. GAN Pei-Zhong and Mr. WONG Yik Chung are independent non-executive directors.