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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)

2016 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of Beijing North Star Company Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2016 as set out below:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Revenue	2	**9,829,779**	7,185,973
Cost of sales	3	**(6,965,927)**	(4,388,068)
Gross profit		**2,863,852**	2,797,905
Selling and marketing expenses	3	**(540,239)**	(411,289)
Administrative expenses	3	**(697,384)**	(680,809)
Fair value gains on investment properties		**84,510**	22,420
Other income		**6,146**	–
Other gains – net		**138,420**	1,686
Operating profit		**1,855,305**	1,729,913
Finance income	4	**90,708**	71,684
Finance expenses	4	**(517,463)**	(449,616)
Finance expenses – net	4	**(426,755)**	(377,932)
Share of gains/(losses) of investments accounted for using the equity method		**1,687**	(6,831)
Profit before income tax		**1,430,237**	1,345,150
Income tax expenses	5	**(699,407)**	(561,098)
Profit for the year		**730,830**	784,052
Attributable to:			
Owners of the Company		**806,811**	760,687
Non-controlling interests		**(75,981)**	23,365
		730,830	784,052
Earnings per share attributable to owners of the Company during the year (basic and diluted) *(expressed in RMB cents per share)*	6	**23.96**	22.59

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit for the year	**730,830**	784,052
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Reclassification of revaluation of properties newly transferred to investment properties	**–**	93,787
Other comprehensive income for the year, net of tax	**–**	93,787
Total comprehensive income for the year	**730,830**	877,839
Attributable to:		
Owners of the Company	**806,811**	854,474
Non-controlling interests	**(75,981)**	23,365
	730,830	877,839

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**311,818**	320,470
Investment properties		**12,550,400**	12,396,300
Property, plant and equipment		**2,169,859**	2,272,152
Investments accounted for using the equity method		**254,960**	14,705
Deferred income tax assets		**315,013**	210,306
		15,602,050	15,213,933
Current assets			
Properties under development		**32,593,536**	22,966,299
Completed properties held for sale		**8,729,267**	8,053,187
Other inventories		**62,027**	67,267
Trade and other receivables	8	**6,667,705**	1,651,243
Restricted bank deposits		**555,505**	471,236
Cash and cash equivalents		**7,520,362**	6,104,157
		56,128,402	39,313,389
Total assets		**71,730,452**	54,527,322

CONSOLIDATED BALANCE SHEET (Continued)

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**3,367,020**	3,367,020
Other reserves		**4,364,477**	4,346,651
Retained earnings		**9,470,958**	8,887,245
		17,202,455	16,600,916
Non-controlling interests		**588,842**	603,618
Total equity		**17,791,297**	17,204,534
LIABILITIES			
Non-current liabilities			
Long term borrowings		**20,823,537**	17,085,264
Trade and other payables		**1,462,855**	–
Long term payables		**8,750**	5,282
Deferred income tax liabilities		**1,847,290**	1,778,548
		24,142,432	18,869,094
Current liabilities			
Trade and other payables	9	**24,768,705**	12,978,427
Current income tax liabilities		**1,345,868**	824,753
Current portion of long term borrowings		**2,902,150**	4,158,300
Short term borrowings		**780,000**	492,214
		29,796,723	18,453,694
Total liabilities		**53,939,155**	37,322,788
Total equity and liabilities		**71,730,452**	54,527,322

Notes:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Clarification of acceptable methods of depreciation and amortisation – Amendments to HKAS 16 and HKAS 38;
- Annual improvements to HKFRSs 2012–2014 cycle; and
- Disclosure initiative – amendments to HKAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, ‘trade and other receivables’ would appear to satisfy the conditions for classification as at amortised costs and hence there will be no change to the accounting for these assets. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 ‘Financial Instruments: Recognition and Measurement’ and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 ‘Revenue from Contracts with Customers’, lease receivables, loan commitments and certain financial guarantee contracts. The adoption of HKFRS 9 is expected to have no material impact to the Group.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15, ‘Revenue from contracts with customers’

HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

At this stage, the Group is not able to estimate the impact of the new rules on the Group’s financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16, ‘Leases’

HKFRS 16 ‘Leases’ will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB308,924,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. SEGMENT INFORMATION

Management has determined the operating segments based on the internal reports reviewed by the Board, being the major body in making operation decisions, for assessing the operating performance and resources allocation.

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

Other business of the Group mainly comprises property management, restaurant and recreation operations, the sales of which have not been included within the reportable operating segments, as they are not included within the reports provided to the Board.

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

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

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

Revenue consists of sales from development properties, investment properties and hotels and commercial properties. Revenues recognised during the years ended 31 December 2016 and 31 December 2015 are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Revenue		
Development properties	**7,065,748**	4,527,036
Investment properties and hotels	**2,444,525**	2,322,017
Commercial properties	**187,269**	232,124
	9,697,542	7,081,177
All other segments	**132,237**	104,796
	9,829,779	7,185,973

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

The segment information provided to the Board for the reportable segments for the year ended 31 December 2016 is as follows:

Business segment	**Development properties** *RMB'000*	**Investment properties and hotels** *RMB'000*	**Commercial properties** *RMB'000*	**All other segments** *RMB'000*	**Total Group** *RMB'000*
Total revenues	**7,065,748**	**2,467,587**	**187,269**	**159,051**	**9,879,655**
Inter-segment revenues	**–**	**(23,062)**	**–**	**(26,814)**	**(49,876)**
Revenues (from external customers)	**7,065,748**	**2,444,525**	**187,269**	**132,237**	**9,829,779**
Profit/(losses) before income tax	**468,848**	**783,275**	**(17,787)**	**(16,539)**	**1,217,797**
Depreciation and amortisation	**4,134**	**283,398**	**36,437**	**6,119**	**330,088**
Finance income	**31,731**	**4,778**	**544**	**1,605**	**38,658**
Finance expenses	**26,987**	**–**	**–**	**–**	**26,987**
Share of gain from investments accounted for using the equity method	**1,749**	**–**	**–**	**–**	**1,749**
Adjusted income tax expenses	**573,383**	**197,099**	**(4,457)**	**(4,160)**	**761,865**

The segment information provided to the Board for the reportable segments for the year ended 31 December 2015 is as follows:

Business segment	Development properties *RMB'000*	Investment properties and hotels *RMB'000*	Commercial properties *RMB'000*	All other segments *RMB'000*	Total Group *RMB'000*
Total revenues	4,527,584	2,342,034	232,124	142,912	7,244,654
Inter-segment revenues	(548)	(20,017)	–	(38,116)	(58,681)
Revenues (from external customers)	4,527,036	2,322,017	232,124	104,796	7,185,973
Profit/(losses) before income tax	716,009	680,266	(17,868)	(17,505)	1,360,902
Depreciation and amortisation	3,403	283,999	39,187	3,993	330,582
Finance income	12,353	4,397	838	1,873	19,461
Finance expenses	–	–	–	–	–
Share of loss from investments accounted for using the equity method	–	–	–	–	–
Adjusted income tax expenses	469,425	170,639	(2,339)	(4,346)	633,379

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

The segment information as at 31 December 2016 and 31 December 2015 is as follows:

Business segment	Development properties *RMB'000*	Investment properties and hotels *RMB'000*	Commercial properties *RMB'000*	All other segments *RMB'000*	Total Group *RMB'000*
As at 31 December 2016					
Total segments' assets	**51,654,965**	**7,275,388**	**385,471**	**101,749**	**59,417,573**
Total assets include:					
Investments accounted for using the equity method	**248,594**	**–**	**–**	**–**	**248,594**
Additions to non-current assets (other than deferred tax assets)	**48,712**	**46,675**	**307**	**7,104**	**102,798**
Total segments' liabilities	**42,247,880**	**2,804,368**	**141,094**	**167,687**	**45,361,029**
As at 31 December 2015					
Total segments' assets	34,663,509	7,591,690	442,848	121,006	42,819,053
Total assets include:					
Investments accounted for using the equity method	–	–	–	–	–
Additions to non-current assets (other than deferred tax assets)	6,398	175,961	196	25,729	208,284
Total segments' liabilities	27,912,062	3,329,362	160,889	190,361	31,592,674

The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the assets.

Certain interest-bearing liabilities are not considered to be segment liabilities but rather are managed by the treasury function.

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit before income tax for reportable segments	**1,217,797**	1,360,902
Corporate overheads	**(107,757)**	(110,560)
Corporate finance costs	**(477,011)**	(438,763)
Corporate finance income	**52,050**	52,223
Share of loss from investments accounted for using the equity method	**(62)**	(56)
Fair value gains on investment properties	**84,510**	22,420
Reversal of depreciation of investment properties	**185,955**	172,285
Land appreciation tax	**470,252**	283,119
Others	**4,503**	3,580
Profit before income tax	**1,430,237**	1,345,150

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

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Total segments' assets	**59,417,573**	42,819,053
Deferred income tax assets	**315,013**	210,306
Corporate cash	**4,528,183**	3,955,376
Interest in investments accounted for using the equity method	**6,366**	14,705
Loans granted	**74,154**	413,697
Aggregated fair value gains on investment properties	**5,533,625**	5,449,115
Reversal of accumulated depreciation of investment properties	**1,855,538**	1,669,583
Others	**–**	(4,513)
Total assets per balance sheet	**71,730,452**	54,527,322
Total segments' liabilities	**45,361,029**	31,592,673
Deferred income tax liabilities	**1,847,290**	1,778,548
Corporate borrowings	**6,133,564**	3,252,423
Other corporate liabilities	**597,272**	699,144
Total liabilities per balance sheet	**53,939,155**	37,322,788

The reconciliation of the Group's depreciation and amortisation for reportable segments and corresponding amount per disclosure for property, plant and equipment and land use rights are mainly reversal of depreciation of investment properties and other related adjustments amounting to RMB185,955,000 (2015: RMB172,285,000). The Company and its subsidiaries were incorporated in the PRC and all the revenue from external customers of the Group are derived in the PRC for the year ended 31 December 2016 and 2015.

The reconciliation of the Group's reportable segments' income tax expenses and total income tax expenses in the consolidated income statement is amounting to RMB62,458,000 (2015: RMB72,281,000), impacted by aforementioned reconciliation items including corporate overheads, corporate financial costs, corporate financial income, fair value gains on investment properties, reversal of depreciation of investment properties and others.

At 31 December 2016 and 31 December 2015, all the Group's non-current assets other than deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) are 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 year ended 31 December 2016 and 2015.

3. EXPENSES BY NATURE

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Depreciation	**138,377**	150,761
Amortisation	**8,652**	8,652
Provision of impairment for receivables	**10**	118
Employee benefit expense	**817,610**	702,134
Advertising costs	**140,387**	113,042
Cost of properties sold		
– Land use rights	**1,698,165**	815,908
– Finance cost capitalised in cost of properties	**812,208**	257,813
– Development costs	**2,956,119**	1,872,164
Cost of goods for resale	**110,790**	132,262
Cost of consumables used	**206,442**	188,356
Business tax	**305,873**	368,136
Other taxation	**175,986**	150,556
Office and consumption expenses	**151,747**	124,348
Management fee	**97,837**	62,163
Energy expenses	**142,050**	138,937
Consulting and service expenses	**215,583**	164,394
Repair and maintenance expenses	**107,195**	111,327
Operating leases	**38,587**	36,275
Auditor's remuneration	**6,290**	7,400
Others	**73,642**	75,420
Total cost of sales, selling and marketing expenses and administrative expenses	**8,203,550**	5,480,166

4. FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interest expense		
– Bank and other borrowings	**(1,494,410)**	(1,171,892)
– Bonds	**(204,013)**	(185,996)
	(1,698,423)	(1,357,888)
Less: Amounts capitalised in properties under development at a capitalisation rate of 6.35% (2015: of 7.22%) per annum	**1,194,425**	919,125
Finance expenses	**(503,998)**	(438,763)
Bank charges and others	**(13,465)**	(10,853)
Finance income – Interest income	**90,708**	71,684
Net finance expenses	**(426,755)**	(377,932)

5. INCOME TAX EXPENSES

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25% (2015: 25%).

The Company and certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**265,120**	265,781
– PRC land appreciation tax	**470,252**	283,119
Deferred income tax	**(35,965)**	12,198
	699,407	561,098

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the local statutory tax rate of the home country of the Company as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit before income tax	**1,430,237**	1,345,150
Add: Share of (gains)/losses of investments accounted for using the equity method	**(1,687)**	6,831
	1,428,550	1,351,981
Tax calculated at the statutory tax rate of 25% (2015: 25%)	**357,138**	337,995
Expenses not deductible for tax purposes	**9,156**	6,699
Tax losses not recognised	**9,459**	4,064
Effect of higher tax rate for the appreciation of land in the PRC	**352,689**	212,340
Utilisation of previous unrecognised tax losses	**(37)**	–
Gain on disposal of a subsidiary	**(28,998)**	–
Income tax expenses	**699,407**	561,098

6. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the number of shares in issue during the year.

Diluted earnings per share are equal to the basic earnings per share since the Company has no potential dilutive ordinary shares during the years ended 31 December 2016 and 2015.

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company *(RMB'000)*	**806,811**	760,687
Number of ordinary shares in issue *(thousands)*	**3,367,020**	3,367,020
Earnings per share (basic and diluted) *(RMB cents per share)*	**23.96**	22.59

7. DIVIDEND

The dividends paid in 2016 are RMB202,021,000 (2015: RMB202,021,000). Proposed dividends of 2016 and 2015 were as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interim dividend paid	**–**	–
2016 proposed RMB0.06 per share final dividend (2015: RMB0.06 per share)	**202,021**	202,021
	202,021	202,021

8. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**58,079**	59,075
Less: provision for impairment of receivables	**(230)**	(78)
Trade receivables – net	**57,849**	58,997
Other receivables	**187,753**	154,093
Less: provision for impairment of receivables	**(14,588)**	(14,836)
Other receivables – net	**173,165**	139,257
Prepaid tax	**1,574,181**	789,560
Prepaid land use rights consideration	**3,100,570**	125,000
Receivables due from related parties	**127,154**	413,697
Receivables due from non-controlling interests	**1,530,617**	–
Other prepayments	**97,627**	93,729
Interest receivables	**6,542**	31,003
	6,667,705	1,651,243

The fair values of trade and other receivables are not materially different from their carrying amounts.

Trade 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 31 December 2016 and 2015, the ageing analysis of the trade receivables were as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
0–30 days	**18,111**	18,623
31–90 days	**7,475**	3,492
Over 90 days	**32,493**	36,960
	58,079	59,075

The credit terms in connection with sales of properties 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.

Other receivables

The Group does not have formal contractual credit terms agreed with the counterparties but the other receivables are usually settled within 12 months. As a result, the Group regards any receivable balance within a 12-month credit period as not overdue. At 31 December 2016 and 2015, the ageing analysis of the other receivables were as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
0–12 months	**97,367**	116,155
12–24 months	**59,478**	13,902
Over 24 months	**30,908**	24,036
	187,753	154,093

9. TRADE AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Advances from customers *(a)*	**18,350,958**	7,018,307
Trade payables	**2,889,049**	2,449,678
Dividends payable to non-controlling interests of a subsidiary	**1,162**	1,162
Accrued construction costs	**852,253**	437,472
Accrued interest	**219,636**	323,042
Amounts due to non-controlling interests	**1,552,557**	1,651,808
Amounts due to Beijing North Star Industrial Group Limited Liabilities Company	**700,000**	–
Amounts due to other related parties *(b)*	**348,846**	–
Other payables	**1,317,099**	1,096,958
	26,231,560	12,978,427
Less: non-current portion of trade and other payables	**(1,462,855)**	–
	24,768,705	12,978,427

(a) The balance mainly represents advances received from purchasers of the Group's properties to be delivered in future. The advances are unsecured and free of interest.

(b) Amounts due to other related parties are unsecured, free of interest and with no fixed repayment date.

At 31 December 2016 and 31 December 2015, the ageing analyses of the trade payables (including amounts of trading nature due to related parties) were as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
0–180 days	**568,027**	526,636
181–365 days	**1,362,976**	224,662
Over 365 days	**958,046**	1,698,380
	2,889,049	2,449,678

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2016 in accordance with the Basic Standard and 38 specific Standard of the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter ("**CAS**"). The differences between the financial statements prepared under CAS and HKFRS are summarised as follows:

	Profit attributable to owners of the Company for the year ended 31 December		**Equity attributable to owners of the Company as at 31 December**	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As stated in accordance with CAS	**600,585**	611,972	**11,660,583**	11,265,270
Impact of HKFRS adjustments:				
1. Reversal of depreciation of investment properties under CAS	**139,466**	129,214	**1,391,653**	1,252,187
2. Fair value adjustment of investment properties under HKFRS	**63,383**	16,815	**4,150,219**	4,086,836
3. Difference on revaluation of certain assets upon the reorganisation in 1997	**3,377**	2,686	**–**	(3,377)
As stated in accordance with HKFRS	**806,811**	760,687	**17,202,455**	16,600,916

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed upon by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary results announcement.

RESULTS AND DIVIDEND

The Group's revenue increased by 36.79% to RMB9,829,779,000. The Group's profit attributable to owners for the year ended 31 December 2016 increased by 6.06% as compared with the same period of last year to RMB806,811,000.

The Board has recommended the payment of a final dividend of RMB0.06 per share (2015: RMB0.06 per share) for the year ended 31 December 2016, totalling RMB202,021,000 to those shareholders whose names appear on the register of shareholders after the close of business at 4:30 p.m. on Monday, 12 June 2017. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the final dividend is expected to be payable on or before Friday, 28 July 2017.

CLOSURE OF REGISTER OF SHAREHOLDERS

According to the Law on Corporate Income Tax of the People's Republic of China and the relevant implementing rules which came into effect on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders as appearing on the H share register of shareholders of the Company. Any shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees or other groups and organisations will be treated as being held by non-resident enterprise shareholders and therefore the dividend payable therein will be subject to the withholding of the corporate income tax.

The register of shareholders of the Company will be closed from Friday, 28 April 2017 to Monday, 29 May 2017 (both days inclusive), during which no transfer of the Company's shares will be registered for the purpose of ascertaining the shareholders' entitlement to attend and vote at the 2016 annual general meeting. All completed transfer documents relating to H shares, accompanied by the relevant share certificates, must be lodged with the H share registrar of the Company, Hong Kong Registrars Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 27 April 2017.

Subject to the approval of the shareholders at the annual general meeting, the proposed final dividend will be payable to the shareholders whose names appear on the register of shareholders of the Company after the close of business at 4:30 p.m. on Monday, 12 June 2017. The register of shareholders of the Company will be closed from Monday, 5 June 2017 to Monday, 12 June 2017 (both days inclusive), during which no transfer of the Company's shares will be registered. In order to qualify for the proposed final dividend, all completed transfer documents relating to H shares, accompanied by the relevant share certificates, must be lodged with the H share registrar of the Company in Hong Kong, Hong Kong Registrars Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 2 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

I. OPERATING ENVIRONMENT

In 2016, confronted with the complicated situations at home and abroad, China proactively adapted to the new normality of economic development, adhered to the general working principle of making progress while ensuring stability, devoted considerable efforts in promoting supply-side structural reforms and achieved preliminary results. It accelerated adjustment of economic structure, thoroughly implemented innovative development strategy, facilitated regional coordination and development, realized steady growth, adjusted structure and prevented risks based on reform and innovation. Meanwhile, it comprehensively utilized various monetary policy tools to bolster the development of real economy. The annual GDP growth rate reached 6.7%, and the national economy operated gradually, steadily and positively, proving a sound start for the "Thirteenth Five-Year Plan".

1. Development Properties

In 2016, the real estate market demonstrated two stages of significant difference. For the first three quarters, under influence of macro-circumstances such as monetary easing policies and the general keynote of de-stocking, the transaction prices of lands kept going up in the first- and second-tier "hot" cities in China, with significant increases in housing prices in multiple cities. The prices in the first-tier cities rocketed and the second-tier cities followed their paces. Meanwhile, the third- and fourth-tier cities sped up de-stocking. The real estate market saw sizzling development with a rise in both volume and price. Along with rapid growth in housing prices in popular cities, the central government and local governments launched another round of classification-based regulation at the end of the third quarter. Policies for home buying restrictions and mortgage restrictions were consecutively issued in over twenty cities including Beijing, Shenzhen, Shanghai, Guangzhou, Suzhou and Chengdu, which resulted in an obvious drop in sales. In general, sales area and sales amount of commodity houses for the whole year in China reached a new high. The de-stocking in the first- and second-tier cities achieved sound results while the investment growth in property development stabilized countrywide. According to the statistics of the National Bureau of Statistics (the same applied hereinafter), commodity housing sales area in the real estate market of China for 2016 was 1,375.4 million square meters, rising 22.4% over the same period last year and the corresponding average sales price was RMB7,203 per square meter, rising 11.39% over the same period last year.

Among the first-tier cities, the real estate market in Beijing fluctuated significantly. Prior to implementation of the 930 New Policy, demands from first-time home buyers, upgraders and investors were robust in the real estate market due to the relaxed credit policy, which supported the sales of commodity houses to stay at a high level. However, after the 930 New Policy taking effect, the real estate market calmed down due to the regulation policy. As affected by the decrease in additional supply, the housing market experienced a drop in sales volume but rise in sales price. On the other hand, the land market in Beijing proved relatively quiet. As affected by policies and supply volume, sales volume and total sales amount lingered at a historical low while the land unit price stayed at a higher level. Second-tier cities outperformed third-tier cities with excellent sales performance in the year. In particular, the stock-to-sales ratio in certain leading second-tier cities dropped tremendously, reflecting the short supply in the market and resulting in sharp rise in housing price. Accordingly, the stock pressure on third- and fourth-tier cities was to a certain extent mitigated. However, after the launch of relevant regulation policies, the increase in housing price narrowed down, and de-stocking remained as the top priority.

Table 1: A summary of commodity housing sales as at the end of the Reporting Period in the cities that the Company has established presence

City	Sales area *(0'000 square meters)*	Percentage increase compared to the same period last year	Sales amount *(RMB100 million)*	Percentage increase compared to the same period last year	Average transaction price *(RMB/ square meter)*	Percentage increase compared to the same period last year
Beijing	981	12.9%	2,796	11.3%	28,489	27.8%
Changsha	2,308	36.8%	1,422	52.0%	6,160	11.1%
Wuhan	2,931	21.4%	2,878	41.9%	9,819	16.8%
Hangzhou	1,888	46.1%	3,061	60.6%	16,211	9.99%
Chengdu	3,279	34.0%	2,419	50.1%	7,377	12.0%
Suzhou	2,259	16.4%	3,071	53.1%	13,596	31.6%
Nanjing	1,406	-1.6%	2,515	56.3%	17,884	58.8%
Hefei	1,706	32.6%	1,588	64.4%	9,312	24.0%
Langfang	481	25.0%	506	47.5%	10,513	18.0%
Chongqing	5,105	14.0%	2,636	17.4%	5,162	3.0%
Ningbo	1,126	33.0%	1,322	41.6%	11,738	6.5%

Source: National Bureau of Statistics, CRIC data, statistics on Langfang are derived from data of "Langfang Municipal Commission of Urban-Rural Development".

2. Investment Properties (Including Hotels)

China devoted considerable efforts in adjusting economic structure and developing service industry. Under such background, the investment properties (including hotels) market showed a stable and positive tendency. Meanwhile, as driven by economic transformation of China, the industrial innovation also gave rise to extra demand in investment properties market. In particular, the office building market in Beijing witnessed vigorous sales in 2016, with its customers primarily from finance, science and technology, culture and media as well as professional service enterprises. Despite of the combined effect of more supplies and slower absorptions on the office building market in the city, together with the slightly higher vacancy rate, the rent level remained stable at a high level. As for convention and exhibition market, under the "Thirteenth Five-Year Plan", service trade (including convention and exhibition industry) was identified as a development priority, with the strategic objective of "strengthening the country through trading" being put forward. Under such admirable backdrop, the convention and exhibition industry was continually expanding scale and accelerating the progress of industry marketization and internationalization, thus embracing huge growth potentials. Benefiting from strong development of convention and exhibition and tourism as well as higher national consumption level, the number of guests served by the high-end hotels and catering industry stabilized and picked up, while price and occupancy rate grew steadily. In addition, there was no material change in supply of apartment market. As policies for home buying restrictions in real estate market increased the long-term demand for apartments to a certain extent, the average price steadily increased and occupancy rate remained steady.

3. Commercial Properties

As for the commercial properties, due to combined impact of slower economic growth and E-commerce, traditional commerce faced escalating competitions. In response to such unfavorable circumstances, the traditional commerce integrated the off-line business with e-commerce, adopted the "Internet perspective", and continually explored omni-channel marketing mode to enhance profitability.

II. BUSINESS REVIEW DURING THE REPORTING PERIOD

In 2016, under the macro situation combining innovative development with structural adjustment, by adhering to the strategy of parallel development of asset-heavy investment business and asset-light service business, the Company further implemented three major strategies including low-cost expansion, brand expansion and capital expansion, and constantly explored innovative development which brought about positive results. In 2016, revenue of the Company increased year on year by 36.79% to RMB9,829.779 million due to the increase in products available for settlement. Affected by the increase in preliminary expenses and change in structure of settlement of projects in the period as a result of rapid increase in the number of development project and remarkable growth in sales amounts, and the increase in gains arising from the changes in fair value of investment properties as compared with that of last year, profits before income tax and profits attributable to the owners of the Company were RMB1,430.237 million and RMB806.811 million respectively, up 6.33% and 6.06% respectively over the previous year. In particular, the after-tax core operating results of the principal businesses of the Company (excluding gains arising from the changes in fair value) were RMB743.429 million. Gains (after tax) arising from the changes in fair value of investment properties were RMB63.383 million in the period. Earnings per share were RMB0.24, up 6.06% over the same period last year.

1. Development Properties

The Company capitalized on the market opportunities, employed flexible marketing strategy, sped up projects turnover, and recorded remarkable increase in sales results of development properties and achieved a historical breakthrough. As a result, the Company successfully edged itself into the top 100 real estate enterprises in China. In 2016, due to increase in products available for settlement, revenue of development property reached RMB7,065.748 million (including parking space), up 56.08% over the same period last year. Affected by the increase in preliminary expenses and change in structure of settlement of projects in the period as a result of rapid increase in the number of development project and remarkable growth in sales amounts, the profit before tax was RMB468.848 million, down 34.52% over the same period last year. During the Reporting Period, the new and resumed construction area of development property was 4,470,000 square meters; the completed area was 1,040,000 square meters; the contracted sales amount and the sales area were RMB22.6 billion (including parking space) and 1,550,000 square meters, respectively.

As for investment, the Company proactively pushed forward the implementation of low-cost expansion strategy. The Company focused on the first- and second-tier cities with lower stock to sales ratio, short de-stocking span, frequent population flow and strong market demands and devoted more efforts in its comprehensive expansion through various measures including the tender-bid-listing and the inclusion-merge-acquisition. Meanwhile, it continued to promote the in-depth development in the existing regions and the expansion to new cities, and accelerated the nationwide layout across different regions at multiple levels. During the Reporting Period, the Company obtained an aggregate of 14 land parcels in Chengdu, Hangzhou, Chongqing, Ningbo, Suzhou and Wuhan, with a newly added land reserve of approximately 3,700,000 square meters and an equity land reserve of approximately 3,340,000 square meters. As at the end of the Reporting Period, the Company already established presence in 11 cities, namely Beijing, Changsha, Wuhan, Hangzhou, Chengdu, Nanjing, Suzhou, Hefei, Langfang, Chongqing and Ningbo, possessed 30 projects in the pipeline and under construction, with the planned total floor area of over 15,000,000 square meters. Accordingly, the Company established a trans-regional layout covering North China, Central China, East China and the Southwest.

As for marketing, the Company sped up the progress of de-stocking to improve sales performance. Keeping abreast of the policy adjustments and latest updates in the market, the Company gave top priority to the acceleration of turnover of projects, and made ongoing efforts to improve decision-making efficiency, optimize system construction, reduce financing cost, innovate marketing strategy and pace itself in sales. As a result, the Company witnessed a strong growth momentum and made a historic breakthrough in sales performance. Besides, the Company edged itself into one of the Top 100 Real Estate Companies in China and recorded a cash recovery rate of 88%. In particular, the sales revenue in October reached a new peak at RMB4.2 billion, accounting for 18.58% of the annual sales revenue.

For Beijing North Star Royal Oak Villa project, the Company made effective use of the distinctive merits of the project and carried out a series of theme activities in virtue of new media marketing. The Company recorded a contracted sales amount of around RMB1.3 billion, consecutively ranking front in the regional market. For Beijing North Star Villa 1900 project, the Company made timely and flexible adjustments to the pricing mechanism in response to demand changes of the customers and achieved a revenue rise sharper than expectation, recording a contracted sales amount of RMB1.04 billion. As for Changsha North Star Delta project, it leveraged on a series of favorable factors such as the investment and construction of the municipal-level cultural facilities featuring "two venues and one hall" (namely, Changsha Museum, Changsha Library and Changsha Concert Hall) in Changsha, the convenient transportation system concerning various transport facilities including the Metro, intercity railways and bus transit network, as well as the planning for a diversified and comprehensive new town integrating business, residence, leisure and culture functions. Accordingly, North Star Delta project recorded the best performance in residential housing sales in Changsha for 6 consecutive years, ranked first in sales in 2016 in Hunan Province, and was also among the top players in terms of the sales results for single real estate project in China. During the Reporting Period, the sales area of North Star Delta project was 640,000 square meters and the sales amount was around RMB6.2 billion. Since it was open for sale, the project has recorded accumulated sales amounts of RMB18.3 billion, and cash collection of RMB18.2 billion. The accumulated construction area of the project was 3,910,000 square meters, the completed area was 2,500,000 square meters and the sales area was 1,850,000 square meters (including the sale area of residential properties of 1,690,000 square meters), accounting for 75%, 48% and 35% of the total gross floor area, respectively. With higher-than-expected sale price, Wuhan North Star Best+ Phase II project was sold out in mere 2 hours after opening for sale and thus became the most coveted project in the area, with the contracted sales amount of RMB630 million. Chengdu North Star Xianglu project was open for sale one month earlier than planned. Capitalizing on favorable market conditions, its first available houses were well recognized by the market and were all sold out within one week with a contracted sales amount of RMB590 million. Projects including Hangzhou Honor Mansion, Hangzhou North Star Olympic Garden, Hefei North Star CIFI Park Mansion Luzhou and Suzhou North Star CIFI No. 1 Courtyard were consistently in heated demand since opening for sale and recorded contracted sales amounts of RMB2.26 billion, RMB1.69 billion, RMB2 billion and RMB1.76 billion, respectively.

Table 2: Real Estate Reserve during the Reporting Period

No.	Region(s) of the land held for development	Land area held for development *(square meter)*	Consolidation area for class one land *(square meter)*	Planned Plot Ratio-Based Gross Floor Area *(square meter)*	Whether cooperative development project is involved	Area of cooperative development *(square meter)*	Percentage of interest in cooperative project *(%)*
1	North Star Delta	1,290,200	–	3,820,000	No	–	100
2	North Star Central Park	425,400	–	720,000	Yes	367,200	51
3	North Star • Landsea Southern Gate Green Shire (北辰• 朗詩南門綠郡)	83,300	–	158,600	Yes	63,400	40
4	Suzhou North Star CIFI No. 1 Courtyard	164,300	–	180,500	Yes	90,300	50
5	Nanjing North Star CIFI Park Mansion • Jin Ling	4,500	–	70,700	Yes	36,100	51
6	North Star • Guangguli	491,500	–	337,000	Yes	171,900	51
7	North Star • South Lake Xianglu	147,300	–	210,000	No	–	100
8	Langfang Longhe New District Project	419,200	–	296,800	No	–	100
9	Hangzhou Xianghu Project	208,300	–	144,000	Yes	36,000	25
10	North Star CIFI Park Mansion • Luzhou	147,800	–	239,000	Yes	119,500	50
11	Wuhan Linkonggang Project	976,000	–	716,000	No	–	100
12	Suzhou Wuzhong District No. 50, 51, 69 Land Lot Project	388,300	–	268,800	No	–	100
13	Ningbo Yinfeng District Project	186,400	–	137,400	No	–	100
14	Ningbo Chenpodu Project	405,700	–	292,500	Yes	149,200	51
15	Chongqing Yuelai Convention Xincheng Projcet	1,163,700	–	918,000	No	–	100
	Total	6,501,900	–	8,509,300	–	1,033,600	–

Notes:

1. Planned plot ratio-based gross floor area and area of cooperative development represent the data calculated with reference to the conditions of assignment at the time of project auction;
2. Land area held for development represents the gross construction area of land held for development;
3. Planned plot ratio-based gross floor area represents the total plot ratio-based gross floor area of the planned projects;
4. Area of cooperative development projects represents the plot ratio-based gross floor area attributable to the percentage of interest in the cooperative development projects;
5. Total land reserve of the Company is 9,092,200 square meters, and equity land reserve is 7,802,700 square meters. The land reserve in the above table doesn't include the projects that are under construction and unsold.

Table 3: Investment in Real Estate Development during the Reporting Period

Unit: 100 Million Currency: RMB

No.	Location	Project	Operating state	Under construction/ Newly commenced/ Completed projects	Project area *(square meter)*	Planned plot ratio-based gross floor area *(square meter)*	Total floor area *(square meter)*	Floor area under construction *(square meter)*	Completed area *(square meter)*	Total investment	Actual investment amount during the Reporting Period
1	Chaoyang, Beijing	North Star Green Garden	Residence and supporting facilities	Completed	870,000	1,210,000	1,600,200	–	1,600,200	90.80	0.15
2	Chaoyang, Beijing	Bihai Fangzhou Garden	Villa, apartment and residence	Completed	119,500	55,000	77,100	–	77,100	17.43	0.24
3	Changping, Beijing	North Star Red Oak Villa	Villa	Under Construction	287,500	150,000	213,700	116,800	97,000	24.07	2.34
4	Haidian, Beijing	North Star • Xianglu	Residence	Completed	142,400	230,000	312,100	–	312,100	28.59	0.08
5	Chaoyang, Beijing	North Star • Fudi	Commercial, residence and supporting facilities	Completed	161,600	390,000	459,300	–	459,300	27.54	0.40
6	Shunyi, Beijing	North Star • Villa 1900	Residence	Under Construction	101,200	140,000	213,300	137,100	207,900	24.45	1.02
7	Shunyi, Beijing	Modern Beichen Yue MOMA	Owner occupied commercial housing and housing of two limits	Under Construction	52,800	109,300	132,500	132,500	42,500	23.47	2.67
8	Changsha, Hunan	North Star Delta	Residence, commercial and office building	Under Construction	780,000	3,820,000	5,200,000	1,871,800	2,502,800	33.12	22.84
9	Changsha, Hunan	North Star Central Park	Residence	Under Construction	336,300	720,000	906,300	480,900	285,800	48.00	2.14
10	Wuhan, Hubei	North Star Contemporary Best+	Residence and commercial	Under Construction	104,700	241,100	313,800	313,800	110,900	21.00	1.35
11	Hangzhou, Zhejiang	North Star Olympic	Residence and commercial	Under Construction	83,900	235,000	317,500	317,500	–	28.30	3.02
12	Hangzhou, Zhejiang	Hangzhou Shunfa CIFI Honor Mansion, Phase I	Residence and commercial	Under Construction	41,900	75,000	108,400	108,400	–	14.85	1.24
13	Hangzhou, Zhejiang	Hangzhou Shunfa CIFI Honor Mansion, Phase II	Residence and commercial	Commenced	13,400	23,000	32,600	32,600	–	4.90	0.31

No.	Location	Project	Operating state	Under construction/ Newly commenced/ Completed projects	Project area *(square meter)*	Planned plot ratio-based gross floor area *(square meter)*	Total floor area *(square meter)*	Floor area under construction *(square meter)*	Completed area *(square meter)*	Total investment	Actual investment amount during the Reporting Period
14	Nanjing, Jiangsu	Nanjing North Star CIFI Park Mansion • Jin Ling	Residence	Commenced	25,300	70,700	105,300	100,800	–	27.10	1.52
15	Chengdu, Sichuan	North Star • Landsea Sourthern Gate Green Shire	Residence and commercial	Commenced	63,600	158,600	234,300	151,000	–	24.92	1.43
16	Chengdu, Sichuan	North Star • Xianglu	Residence and commercial	Commenced	40,400	96,900	150,800	150,800	–	15.69	2.28
17	Suzhou, Jiangsu	Suzhou North Star CIFI No. 1 Courtyard	Residence and commercial	Commenced	178,700	180,500	296,400	132,100	–	25.46	0.84
18	Hefei, Anhui	Hefei North Star CIFI Park Mansion • Luzhou	Residence and commercial	Commenced	141,700	239,000	348,000	198,800	–	43.00	13.99
19	Chengdu, Sichuan	North Star • South Lake Xianglu	Residence	Commenced	88,000	210,000	299,000	151,700	–	22.35	11.29
20	Hangzhou, Zhejiang	Shanyin Road Project	Residence	Commenced	21,900	48,200	69,900	69,900	–	16.00	8.92
		Total			3,654,800	8,402,300	11,390,500	4,467,900	5,695,600	843.04	78.07

Note: 1. Total investment represents the estimated total investment amounts for the project.

Table 4: Real Estate Sales during the Reporting Period

No.	Location	Project	Operating state	Saleable area *(square meter)*	Pre-sold area *(square meter)*
1	Chaoyang, Beijing	North Star Green Garden	Residence and supporting facilities	3,375	–
2	Changping, Beijing	North Star Red Oak Villa	Villa	67,266	36,968
3	Haidian, Beijing	North Star • Xianglu	Residence	31,988	–
4	Chaoyang, Beijing	North Star • Fudi	Commercial, residence and supporting facilities	27,729	–
5	Shunyi, Beijing	Modern Beichen Yue MOMA	Owner occupied commercial housing and housing of two limits	35,976	27,695
6	Shunyi, Beijing	North Star • Villa 1900	Residence	131,307	–
7	Changsha, Hunan	North Star Delta	Residence, commercial and office building	1,070,388	643,256
8	Changsha, Hunan	North Star Central Park	Residence	161,737	130,706
9	Wuhan, Hubei	North Star Contemporary Best+	Residence and commercial	144,019	106,364
10	Hangzhou, Zhejiang	North Star Olympic Garden	Residence and commercial	210,084	126,557
11	Hangzhou Zhejiang	Hangzhou Shunfa CIFI Honor Mansion, Phase I	Residence and supporting facilities	55,638	53,465
12	Suzhou, Jiangsu	Suzhou North Star CIFI No. 1 Courtyard	Residence and commercial	108,862	92,444
13	Nanjing, Jiangsu	Nanjing NorthStar CIFI Park Mansion Jin Ling	Residence	31,229	30,692
14	Chengdu, Sichuan	North Star Landsea Sourthern Gate Green Shire	Residence and commercial	73,211	70,540
15	Hangzhou, Zhejiang	Hangzhou Shunfa CIFI Honor Mansion, Phase II	Residence and supporting facilities	22,487	17,617
16	Chengdu, Sichuan	North Star • Xianglu,	Residence and commercial	47,295	40,573
17	Hefei, Anhui	Hefei North Star CIFI Park Mansion • Luzhou	Residence and commercial	109,830	95,714
		Total	–	2,332,421	1,472,591

Notes:
1. The pre-sold area is the pre-sold construction area for the pre-sold property of the project;
2. In 2016, the sales area is 1,549,400 square meters, the sales amount is RMB22,614 million, the settlement area is 630,500 square meters, and the settlement amount is RMB7,066 million.

2. Investment Properties (Including Hotels)

In the face of new economic development trend and under increasingly severe competitive environment, the Company made full use of its advantages in resource integration and intensified its comprehensive management capability. While pushing forward service upgrade in traditional held-for-sale properties, the Company concentrated its efforts on innovative development, strengthened the external expansion of new business and new technology in convention and exhibition industry, further released the development vitalities of the Company and tapped new endogenous driving force for the sustainable development of the Company. As a result, operating benefits of the Company continued to increase at a stable pace. In 2016, benefits of innovative businesses gradually emerged due to on-going improvement in held-for-sale properties projects, the Company recorded an operating revenue from investment properties (including hotels) of RMB2,444.525 million, representing a year-on-year increase of 5.28%. Profit before tax amounted to RMB783.275 million, representing a year-on-year increase of 15.14%.The valuation surplus of the segment for this period was RMB84.510 million, increased by RMB62.09 million as compared with the same period last year.

The Company energetically promoted the implementation of the brand expansion strategy. Aiming for building itself into "the most influential exhibition-brand enterprise in China", North Star Events Group has been proactively promoting its operation and management output in exhibition venues and hotel brand since its incorporation one year ago, thus gradually established a diversified service and profit-making mode with reliance on entrusted management and progressively completed its strategic landscape by extending its business to numerous cities across the country. In September 2016, North Star Events Group managed to host the G20 Hangzhou Summit with high-quality and high-standard services, which set a precedent for the Company's reception of state-level foreign affairs activities by providing and managing convention venues, demonstrated the professionalism of the "North Star Exhibition and Convention" brand. Ever since, the presence of the "North Star Exhibition and Convention" brand expanded unremittingly. During the Reporting Period, North Star Events Group managed to enter into contracts on preliminary consulting services and entrusted operation for eight projects, including those located in Jiangxi, Guangdong, Shandong and Hainan. As at the end of the Reporting Period, the cumulative contracted convention and hotel projects on consulting service and entrusted management totaled

18, with an accumulated floor area of 3,471,500 square meters under entrusted operation and management. Owing to the professional operation and management of North Star Events Group, after opening for business in succession, Zhuhai International Convention & Exhibition Center, Hangzhou Olympic and International Expo Center and other entrusted management projects enjoyed a stable increase in both the reception number of conventions and events and the market exposure. The devotions and endeavors of North Star Events Group were highly appreciated by the project owners.

While accelerating the brand operation and management output of the convention and exhibition and the hotel, North Star Events Group proactively carried forward its business in R&D of convention and exhibition, the integrative development of "convention and exhibition + Internet economy" as well as the sponsoring and undertaking of conventions and exhibitions. In particular, subsequent to the participation in the compilation of planning on the development of conventions and exhibitions with the competent authorities in China, during the Reporting Period, the North Star Events Group managed to sign 3 contracts in relation to the preliminary demonstration and feasibility study for large conference/convention and exhibition centers, 2 contracts in relation to the compilation of planning/recommendation on the development of convention and exhibition industry at district level, as well as 1 contract in relation to the municipal-level standard formulation project. The sponsoring and undertaking of conventions also experienced an upward trend, and a total of 4 events were held during the Reporting Period, including "Global Mobile Internet Conference-Mobile Internet + Catering Forum", "Beijing Fair • Exhibition Sector (京交會會展板塊)", "Beijing International Forum on Rehabilitation" and "China Convention and Exhibition Resources Sharing Conference". In addition, it proactively competed to host the "China Animation Comic Game Festival (中國遊戲節)". On the other hand, North Star Events Group embarked on its tentative endeavors in the "Internet + Convention and Exhibition" and set up the main frame of the "XINGHUIZHAN" website, indicating the rudimentary formation of the basic platform for intelligent convention and exhibition. Moreover, work on convention-related education and training, industrial exchange and the integration of convention and internet economy were also under steady progress.

The Company continuously devoted its efforts to optimize and strengthen its traditional held-for-sale properties, which brought about a stable growth in economic benefits arising from all businesses. National Convention Centre kept a close watch on the market movements and duly captured industry information. While consolidating regular large conferences, it made ongoing attempts to develop high-quality new customers and made overall arrangements in accordance with the scheduling of various conferences. As such, the quality and efficiency of asset operation was improved on a consistent basis and both revenue and profit broke the historic records. Beijing International Convention Centre made further efforts on customer segmentation, advanced the in-depth management, expanded marketing channels, improved its concrete facilities, revitalized inefficient assets and improved the service quality. As a result, it achieved steady growth in asset operation results. In terms of office building business, the Company continued to integrate customer resources and tapped customer demands. It accelerated the pace in signing new contracts through differentiated marketing strategies. In spite of the adverse effects on the aggravating competition at the surroundings, the occupation rate and the rent remained relatively high, making great contribution to profits of investment properties (including hotels). In terms of hotel business, based on market demands, the Company continually optimized the customer structure, highlighted the operation advantages, vigorously tapped market potentials and constantly innovated the marketing modes. Through these efforts, its economic benefits and market influence constantly improved which kept housing price and occupancy rate superior to the average level of the industry. In terms of apartment business, the Company continued to underpin the secular tenant market and level up the casual visitor market based on the membership and through diversified products and services. Meanwhile, the Company also vigorously extended the convention market. Consequently, the occupation rate maintained at a high level whereas the average price increased amidst stability.

Table 5: Leasing of Real Estate during the Reporting Period

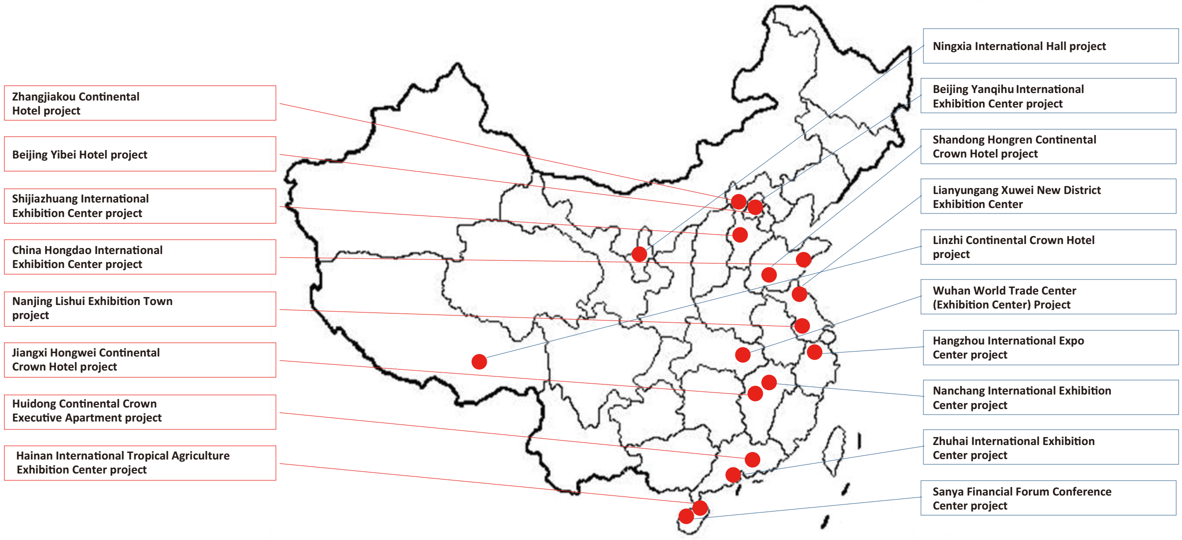
Unit: 0'000 Currency: RMB

No.	Region	Project	Operation format	Construction area of the real estate leased *(square meter)*	Rental income of the real estate leased
1	Beijing	National Convention Centre	Convention and exhibition	270,000	58,703
2	Beijing	Beijing International Convention Centre	Convention and exhibition	56,400	11,727
3	Beijing	Hui Bin Offices	Office building	37,800	6,232
4	Beijing	Hui Xin Offices	Office building	38,000	6,044
5	Beijing	North Star Times Tower	Office building	139,367	22,110
6	Beijing	North Star Century Center	Office building	149,800	28,626
7	Beijing	Beijing Continental Grand Hotel	Hotel	42,613	13,993
8	Beijing	National Convention Centre Hotel	Hotel	50,200	10,669
9	Beijing	V-Continent Beijing Parkview Wuzhou Hotel	Hotel	60,205	18,400
10	Beijing	Intercontinental Beijing North Star Hotel	Hotel	60,000	18,242
11	Changsha	Intercontinental Changsha	Hotel	79,199	17,791
12	Beijing	Hui Yuan Apartment	Apartment	179,662	23,401
13	Beijing	North Star Shopping Centre (Asian Games Village Branch (亞運村店))	Commercial	30,463	17,484
14	Beijing	B5 Commercial Area of North Star Green Garden	Commercial	49,689	5,957

Notes:

1. The commercial operation modes of North Star Shopping Centre (Asian Games Village Branch) are dominated by joint operation and subordinated by lease and proprietary operation;
2. The B5 Commercial Area of North Star Green Garden has been leased to Beijing Shopin Retail Development Co. Ltd. (北京市上品商業發展有限責任公司) since August 2016;
3. Construction area of the real estate leased represents the total construction area of the project;
4. The rental income of real estate leased is the operating income of the projects;
5. Construction area and operating revenue of North Star Times Tower have included the construction area and operating revenue of the Legend Shopping Centre project.

Table 6: Summary table of the entrusted operation projects and consulting projects of the Company in 2016



Note: Projects in red boxes are new projects in 2016.

3. Commercial Properties

As for commercial properties, the Company emphatically improved commodity quality and service experience, continued to optimize commodity portfolio, continually improved the mobile payment means, proactively carried forward the further transformation of retail from physical stores to the O2O model and suppressed the declining trend of operation.

4. Nurturing Business

The Company vigorously explored new businesses and energetically promoted the development of the health and elderly care industry and the cultural creativity industry. On one hand, piloting the Changsha International Healthcare Town project (長沙國際健康城項目), the Company audaciously explored a commercialized, replicable, distinctive and profitable North Star health and elderly care business mode. On the other hand, the Company took initiative to practice the integrative development of the cultural creativity industry and the principal businesses of the Company through the strategic cooperation in relation to Palace Museum, the construction of "North Star Delta" cultural creativity industry park in Changsha, and the establishment of "North Star Guangguli" in Wuhan, the biggest cultural creativity industrial colony in Central China.

5. Financing Work

The Company actively pursued and implemented capital expansion strategy. While continuing to scale up direct financing, the Company strived to tap the asset potentials of the Company, intensified the ongoing innovations in financing modes, and expanded the financing channel in an all-round manner, thus effectively reducing the average financing cost on the whole.

6. Comprehensive Strength and Brand Building

The Company firmly believes that the "North Star" brand is the most powerful endorsement for the Company's development, and is also the performance guarantee and basic drive for sustainable development. Over time, the Company adheres to the enterprise mission of "Creating property value and building centuries foundation", centers on the objective of "China complex estate brand and China top influential exhibition brand", insists on building good brand image, wins the respects and praises from shareholders, customers, cooperative partners and competitors in the process of development, and the comprehensive strengths and the industrial impact are continuously increasing. In the Reporting Period, the Company has been awarded with "Professional Leading Brand of China Complex Estate" for ten consecutive years and "Beijing Top 20 Funds and Credits for Real Estate" for two consecutive years, and awarded with "2016 Top 10 Leading Real Estate Developers in terms of Overall Strength (2016領袖地產綜合實力十強)".

7. Investor Relations

By means of on-site road show, investors research, teleconference, special column on the website of the Company and hotline, the Company gradually formed a multiple-layer and diversified communication mechanism with its investors. While enabling investors to gain profound knowledge and recognition of the Company, such communications also facilitated the establishment of a lasting and stable mutual confidence between the Company and investors, thus practically safeguarded the interests of its investors and maximized the Company's value and the shareholders' interests.

8. Efforts for Environmental Protection

The investment properties segment of the Company has been deeply tapping potentials through continually promoting the energy-saving technology and equipment renovation, achieved effective results in energy saving and fulfilled the target for reduction of consumption, thus actively contributing to the "Blue sky action" initiated in Beijing, the capital of China. During the "12th Five Year Plan" period, the comprehensive energy consumption of the investment properties held by the Company in Beijing has been decreased for 5 consecutive years. During the Reporting Period, the Company's comprehensive energy consumption recorded a year on year decrease of 6%. Therefore, the Company was specially granted the title of "Construction Entity for Demonstration Base of Energy Saving and Environment Protection as Well as Low Carbon Education in Beijing" by Beijing Municipal Commission of Development and Reform. The development properties segment of the Company strives to integrate the green and environmentally friendly concepts into its development process. The design and construction of each project are carried out in accordance with the green building standards. Currently, eight projects including the Changsha North Star Delta and Wuhan North Star Guangguli have been rated as green buildings.

III. COMPETITION PATTERN AND DEVELOPMENT TREND IN THE INDUSTRY

In 2017, the critical year for the implementation of the "13th Five-year Plan", China will comprehensively press ahead with the "Five-in-one" general layout, coordinate and advance the "Four Comprehensives" strategic layout, firmly establish and carry through new development concepts, and learn, digest and lead the new formality of economic development. China will lay particular emphasis on the improvement of development quality and efficiency and focus on the promotion of the supply-side structural reform. Meanwhile, it will amplify the total demand to an appropriate extent, accelerate structural adjustments and reinforce the driving effects of innovation. In addition, China will proceed with proactive fiscal policy and prudent currency policy to safeguard the stable and healthy development momentum of the economy.

As for development property, given the lasting differentiation among cities, the city-based implementation of policy will be consistently deepened under the principles of risk control and de-stocking. In the short term, various demands and investments in the hot first and second-tier cities will be restricted due to the impact of regulation policies; and both quantity and price are expected to decrease. In contrast, de-stocking will continue to be the keynote in the third and fourth-tier cities and the market is expected to maintain the smooth and stable trend due to the sustainable rigid demand and the demand for better housing. In the medium and long term, the central government consistently deepens the supply side reform, takes great efforts to invigorate the real economy, intensifies classification-based adjustment and controls and accelerates the establishment of a sound and longstanding mechanism for the stable and healthy development of the real estate market. Such measures will create a favorable environment for the long-term development of the industry. In the meantime, with the advancement of the urbanization layout, the real estate market tends to be more rational.

As for investment properties (including hotels), the State Council issued the Certain Opinions on Accelerating Cultivation and Development of the Housing Rental Market (the "**Opinions**") in June 2016 to speed up the cultivation and development of the housing rental market from a comprehensive perspective. The Opinions specify that by 2020, a housing renting market system featuring multiple suppliers, standard service scope as well as stable leasehold relationship will be basically established, which will provide a sound policy environment for the development of apartments. Furthermore, the Certain Opinions of the State Council on Further Promoting the Reform and Development of the Exhibition Industry will promote the market-oriented, professional and international development of the convention and exhibition industry in a continuous manner. The Beijing-Tianjin-Hebei integration and the strategic positioning of Beijing as the "Four Centers" continue to take effects intensively and extensively. Both will contribute to the new round of development in the convention and exhibition industry. Moreover, the Asian Infrastructure Investment Bank agreement, the "One Belt, One Road Initiative" and the setup of free trade zone will also further stimulate demands for office buildings. Meanwhile, China speeds up the development of service consumption and boosts the innovation in modes of service industry and cross industry integration, while devoting great efforts to develop tourism, which will directly lead to the turnaround of hotel and catering business.

In terms of commercial properties, following the consistent promotion for supply side structural reform and the release of the underlying demands in the domestic market, the supply quality and consumption environment will be improved more rapidly, which will help further tap into the consumption potentials.

IV. DEVELOPMENT STRATEGY OF THE COMPANY

In spite of the complicated and changing operating environment, the Company will firmly establish and carry through the innovative development concept and actively adapt to the new normality of economic development. It will make the best of new opportunities in economic development, hold fast to the strategic development direction of "operation with light asset, support by new economy, expansion at low cost and development of high-end service industry" and constantly deepen the implementation of the three strategies, i.e. low cost expansion, brand expansion and capital expansion. The Company will also spare no efforts to seek operational improvement and scale development of its principal businesses, and actively press forward with the research and development of nurturing business and the implementation thereof, thereby continually enhancing the Company's sustainable development capacity.

1. Development Properties

In respect of land expansion, the Company will leverage on its nationwide strategic layout, further tap potentials in the popular first and second-tier cities and regions in which it has established presence, concentrate lasting efforts on Yangtze River economic zone, the Beijing-Tianjin-Hebei Capital Economic Circle and the Sichuan-Chongqing city cluster as well as other node cities with strong economic support and brisk demands, and flexibly adopt various means such as public bidding, cooperative development, and merger and acquisition to replenish its land reserve and facilitate the Company to become bigger and stronger in its real estate business. Besides, along with the accelerating progress of the urbanization in China, the Company will also keep a close watch on the movements of market policy, pay consistent attention to and proactively participate in the new urbanization projects, urban village reconstruction projects and new development opportunities in the wake of the collaborative development of Beijing, Tianjin and Hebei. The Company will continue to improve the brand image of the Company and gear the economic benefits of the Company towards a new level.

In respect of project operation, the Company will further strengthen professional management, deepen system construction, accelerate turnover of the projects, increase cash recovery rate and consistently enhance the capability to maintain rapid turnover. In the meantime, the Company will place equal importance on risk management and control in accelerating the development of the real estate business, make flexible and dynamic adjustments to the relationship between project development and capital needs and reinforce quality control throughout the project operation so as to improve the comprehensive competitiveness in a continuous manner.

2. **Investment Properties (Including Hotels)**

The Company will capitalize the development opportunities, keep abreast of the industry trend and follow the trend of market so as to dig out the operating potentials in each sector of investment properties (including hotels). On one hand, it will optimize and strengthen the existing traditional businesses including the conference centers, hotels, office buildings and apartments to enhance the overall profitability; on the other hand, it will further capitalize on its advantages on resource integration, vigorously expand new businesses, actively promote the innovative development and full integration of its exhibition economy and new economy, new business and new technologies by leveraging on North Star Events Group as the platform, thereby continually improving the utilization efficiency of resources and innovating the profit-making mode.

3. **Commercial Properties**

In response to impact of e-commerce, changes in shopping style of customers and the increase in its cost pressure, the Company will configure the brand and product portfolio in a reasonable manner to push forward the integration of the online and offline resources constantly and strive to maintain stable operation of the commercial properties of the Company.

4. **Nurturing Business**

By virtue of its principal business resources and comparative advantages, the Company will speed up its pace to promote the breakthrough in business nurturing through exploration, research and demonstration. As for health and elderly care, the Company will establish the business mode and industrial chain for health and elderly care, advance the information construction in the elderly care field and speed up the establishment of elderly care brand system. As for cultural creativity, the Company carried out preliminary research on business positioning and business mode, based on which it will speed up the implementation of the projects on hand. Meanwhile, it will passionately integrate upstream and downstream resources in cultural creativity industry through various capital operation means.

5. **Financing and Capital Expenditure**

Catering to the scale expansion of its principal business, the Company will make the best of the "headquarters financing" mode to establish a diversified financing platform and energetically innovate financing methods in accordance with the policy changes in the market. Meanwhile, it will also take sustaining efforts to optimize the Company's debt structure and improve capital utilization efficiency so as to firmly safeguard the sustainable development of the Company.

The Company is expected to make fixed asset investment of RMB260 million in 2017, which will be paid on the basis of work progress. The capital will come from internal fund.

V. SCHEME OF OPERATIONS

In 2017, it is estimated that new construction area of the Company's development properties will be 2.57 million square meters, area for new and resumed construction will be 6.02 million square meters and the completed area will be 1.37 million square meters. Given the impact of the regulation policy on real estate industry, the Company will strive to achieve sales of 1.25 million square meters with contracts signed (including parking spaces) amounting to RMB20 billion.

The Company investment properties will innovate the business development models while upgrading the existing operation service abilities, strengthen the brand impact on upstream and downstream industry chain, and actively cultivate new performance growth point.

In 2017, the Company will strictly control costs and expenditures through strengthening budget rigidity and standardizing budget execution.

VI. POTENTIAL RISKS FACED BY THE COMPANY

1. Policy Risks in Development Properties

The development of real estate industry is subject to tremendous impact of the national macro-control policies such as the national industry policy, land management policy, and other policies regarding housing, finance, taxation and city planning. Such policies are cyclical in nature. In 2016, the real estate industry experienced a changing process from general easing policy to increasingly tightening policy for hot cities. In addition, frequent implementation of policies imposing restrictions on purchase and loans and intensitying regulatory measures resulted in a remarkable decrease in sales volume of commodity housing in the first and second-tier popular cities. The real estate industry in 2017 is expected to proceed with the regulatory tendency. Under such influence, there may arise more uncertainties in the market. The operational cycle of real estate projects is relatively long, therefore, any significant adjustment to relevant policies may pose certain risks to real estate companies regarding land acquisition and project development, sales, funds collection.

In response to the foresaid risks, the Company will take better advantages of macro policies and improve the responsiveness to the policies and market changes. It will continuously optimize the direction of business development and capitalize on development opportunities based on the policy directions, with an aim to reduce risks to the minimum and to continuously enhance the capability of sustainable development of the development properties business.

2. Market Risks

The lasting differentiation in real estate market and fierce competition for popular cities and certain prime land parcels among real estate enterprises resulted in "three high" (high gross price, high unit price and high premium rate) phenomenon in the land market of the first and second-tier cities. It tends to be normal that the price of land is higher than the price of house. The persistent high transaction price may result in increase of development cost of enterprises and may also pose the risk of narrower profit margin. At the same time, the subsequent excessively high housing prices are susceptible to induce regulation policies, which will impose risks on enterprises in operation and sale, land reserve, finance and capital as well as operation stability.

In response to the aforesaid risks, the Company will pay close attention to the development trend of the market, strengthen the evaluation on the newly entered cities and the feasibility study and profit prediction on new projects, adopt flexible business partnerships and insist on low cost expansion strategy, so as to enhance quality and speed up the turnover of its products, further improve its ability of project development as well as management and control of operation. Meanwhile, it will devote more efforts in research and exploring of nurturing businesses of health and elderly care and cultural creativity, so as to avoid market risks.

3. Short-term Risks of Talent Fostering of the Company

The Company continuously strengthened its national business layout for real estate development and its exhibition brand expansion in recent years, thus effectively consolidating its sustainable development capability. However, as a result of the rapid increase in trans-regional real estate projects and entrusted hotel or exhibition management projects, the Company has soaring demands for senior management personnels and professional talents and hence may be exposed to the risk of talent shortage in the near future.

To tackle the aforementioned risks, the Company organized a range of courses, including training class for general managers of real estate projects and training class for senior managers of exhibition projects, to actively cultivate talents, improve overall quality of the personnel and speed up the expansion of talent reserve. Meanwhile, the Company carried out work on human resources planning in case of personnel shortage. In addition, the Company introduced relevant regulations such as basic qualifications for different levels of positions to specify employment standards, standardized recruitment procedures, constantly optimized personnel structure and stimulated internal organizational vitality, so as to guarantee strong talent for its stable and long-term development.

VII. CORE COMPETITIVENESS ANALYSIS

With more than two decades of development, China's real estate industry has gradually become more rational and mature during the process of initiation, exploration, development and adjustment. In recent years, it experienced rapid expansion, growing industry concentration, continuous innovation of business models and increasingly diversified means of financing.

As for the future development of China's real estate industry, under China's economic keynote of seeking improvement in stability, the golden fast-growing age of real estate market has come to an end, and it has entered the silver age of relatively stable development at medium and high speed, and the differentiated development of cities has become a new normality. At the same time, the government adheres to the classification-based control and local condition-based policy, encourages de-stocking and prevents asset bubble. Under such circumstances, the real estate industry is situated in such a policy period that gives rise to new development opportunities featuring the integration of various industries and capital sources driven by innovation, transformation and revolution.

Under such industrial background, the Company's comprehensive operating capacity in the real estate market and its brand influence become its advantages and core competitiveness. After years of development, the Company has formed a complete industry chain covering real estate investment, development, and operation. The real estate development, being the source of revenue growth, and real estate operation, being the basis for stable income, are interdependent and mutually reinforcing, thus increasing the anti-risk capacity of the Company.

On the one hand, the Company has the ability to develop and operate complex real estate and brand advantage. Property types developed by the Company include luxury houses, villas, apartments, affordable housing, office buildings, commercial properties, etc. In addition, it also has strong professional competence and competitiveness in the development of large-scale and comprehensive real estate projects. Since 2007, it has been awarded with the title of "Professional Leading Brand of China Complex Estate" by China's TOP10 real estate research group for ten consecutive years. Besides, in recent years, the Company sticks to the strategy of low-cost expansion and has taken various measures to advance regional expansion with balanced regional layout. As at the end of the Reporting Period, it has launched real estate development business in 11 cities, namely Beijing, Changsha, Wuhan, Hangzhou, Chengdu, Suzhou, Nanjing, Hefei, Langfang, Chongqing and Ningbo, representing the Company's foundations and professional capability for nationwide development.

On the other hand, as one of China's largest exhibition operators, the Company boasts the ability in high-end exhibition and hotel operation and services and enjoys high brand awareness and influence in the industry. The Company holds and operates more than 1.2 million square meters of investment properties (including hotels) in Asian-Olympic core district. With more than 20 years of experience in exhibition and hotel operation and the ability in providing internationalized professional operation services, it has successfully delivered hosting services for an array of national, integrated and international conferences such as Olympic Games, APEC summit, Beijing Fair and the Hangzhou G20 Summit, creating a globally renowned service brand of North Star. In addition, the Company has intensively pushed ahead with exhibition brand expansion in the past two years, making remarkable achievements in the promotion of its exhibition brand throughout the country. In the meantime, the Company takes the opportunity of the establishment of the North Star Exhibition Group to scientifically integrate its industrial resources such as exhibitions, hotels, and information services, thereby carrying out exploration and practice for the whole value chain covering operation of convention and exhibition venues, sponsoring and undertaking of conventions and exhibitions, informationization of convention and exhibition, and R&D and education of exhibitions, creating huge rooms for the Company's innovative development and full integration of its exhibition economy and new economy, new technologies and new business.

In the future, the Company will adhere to three major strategies consisting of low cost expansion, brand expansion, and capital expansion to sustain the overall development path featuring "asset-light operation, support of new economy, low-cost expansion and development of high-end services", in a great effort to develop into a nationally leading composite real estate brand and China's most influential exhibition-brand enterprise.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2016, the equity attributable to owners of the Company increased by 3.62% compared to 31 December 2015. The increase was mainly due to profit attributable to owners of the Company of RMB806,811,000 during the Reporting Period.

The Group's bank and other borrowings as at 31 December 2016 amounted to RMB20,533,892,000. As at the end of the year, net values of the Group's 5-year corporate bonds and 7-year corporate bonds were RMB2,483,252,000 and RMB1,488,543,000, respectively.

Current assets of the Group, which mainly comprised cash at bank and on hand, completed properties held for sale and properties under development, amounted to RMB56,128,402,000, whereas the current liabilities amounted to RMB29,796,723,000. As at 31 December 2016, balances of cash at bank and on hand amounted to RMB7,520,362,000 (excluding restricted bank deposits) and none of the bonds in issue were exposed to redemption and payment risks. During the year, the Company did not engage in any transaction on financial products or derivative instruments.

As at 31 December 2016, the Group had secured borrowings from banks and other financial institutions of RMB17,545,592,000 with certain investment properties, hotels, properties under development and completed properties held for sale as the collaterals. RMB1,050,000,000 were secured by the Company's certain interests in a subsidiary. The asset-liability ratio calculated by total liabilities divided by total assets for the Group was 75% as at the end of the Reporting Period (31 December 2015: 68%).

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

The Company did not have any contingent liabilities during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DESIGNATED DEPOSITS AND OVERDUE FIXED DEPOSITS

As at 31 December 2016, the Group had no designated deposits placed with financial institutions in the PRC. All of the Group's cash deposits are placed with commercial banks in the PRC and are in compliance with applicable laws and regulations. The Group has not experienced any incidents of not being able to withdraw bank deposits upon maturity.

EMPLOYEES

As at 31 December 2016, the Company had 5,345 employees. The employee remuneration policy of the Company is that the total salary is paid with reference to its economic efficiency. Save for the remuneration policy disclosed above, the Company does not provide any share option scheme for its employees. The Company regularly provides its management personnel trainings on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. The training is provided in different forms, such as seminars, site visits, study tours and survey tours.

STAFF HOUSING QUARTERS

During the year, the Group did not provide any housing quarters to its staff.

CORPORATE GOVERNANCE CODE

The Company strives to maintain and establish a high level of corporate governance and has fully complied with the codes and provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to 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 year.

AUDIT COMMITTEE

The Company has established an audit committee since September 2004. The audit committee comprises three independent non-executive directors, namely Mr. WU Ge as the chairman, Mr. FU Yiu-Man and Mr. DONG An-Sheng. Their duties include reviewing and supervising the Company's financial reporting process, risk management and internal control systems. The audit committee and the management have jointly reviewed the accounting principles and major policies adopted by the Group and have discussed matters on auditing, risk management, internal control and financial reporting, as well as reviewing the unaudited interim financial report and the audited annual financial statements of the Group. The audit committee has also reviewed the annual results and draft financial statements of the Group for the year ended 31 December 2016.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

1. On 7 March 2017, due to work rearrangement, Ms. LI Yun, deputy general manager of the Company, tendered her resignation as the deputy general manager of the Company to the Board. On the same date, having been endorsed by the independent opinions of the independent non-executive directors of the Company, the Board resolved to approve Ms. LI Yun to resign as the deputy general manager of the Company and nominate Mr. GUO Chuan, the secretary to the Board, and Mr. SUN Dongfan, the assistant to the general manager, as the deputy general managers of the Company.

2. At the 97th meeting of the 7th session of the Board of the Company on 8 March 2017, the establishment of Beijing North Star Property Company Limited (北京北辰置業有限公司) by the Company by using the equity interests in 26 companies directly held by the Company as the contributions was considered and approved. The registered capital of Beijing North Star Property Company Limited was approximately RMB2.683 billion (the final registered capital shall be subject to the registration with the administration authority for industry and commerce) and the Company will hold 100% equity interests in it.

By Order of the Board
BEIJING NORTH STAR COMPANY LIMITED
HE Jiang-Chuan
Chairman

Beijing, the PRC, 22 March 2017

As at the date of this announcement, the Board comprises 9 directors, of which Mr. HE Jiang-Chuan, Mr. LI Wei-Dong, Mr. LI Chang-Li, Ms. ZHAO Hui-Zhi, Mr. LIU Jian-Ping and Mr. LIU Huan-Bo are executive directors and Mr. FU Yiu-Man, Mr. DONG An-Sheng and Mr. WU Ge are independent non-executive directors.