北辰实业
BEIJING NORTH STAR

HKEx Stock Code: 0588
SSE Stock Code: 601588

2016 Annual Report

Contents

Corporate Profile

Beijing North Star Company Limited (the "Company") was established by its sole promoter, Beijing North Star Industrial Group Limited Liabilities Company on 2 April 1997. The shares of the Company were listed on the Hong Kong Stock Exchange in May in the same year. In October 2006, the Company's A shares were issued and listed on the Shanghai Stock Exchange.

The Company's total registered capital is 3,367,020,000 shares, of which 2,660,000,000 shares (representing 79.002% of the total share capital) are A shares and 707,020,000 shares (representing 20.998% of the total share capital) are H shares.

The Company is principally engaged in development properties, investment properties (including hotels) and commercial properties.

The development properties business mainly set foot in Beijing aiming to expand beyond Beijing. In recent years, as the Company continued to deepen the regional exploration and development in new cities, a multi-level nationwide development layout covering a number of regions is gradually taking shape. The development properties consist of the development and sales of residential units, apartments, villas, offices and commercial buildings of different classes and features. The development projects are spread in the key cities in 11 hot regions including Northern China, Central China, Eastern China and Southwest China, and there are over 30 projects proposed to be built or under construction. Both the development scale and market share of the Company have been continuously enhanced.

Corporate Profile (Continued)

Properties held and operated by the Company involve convention and exhibition, hotel, office, apartment and shopping malls, with a total gross floor area exceeding 1,270,000 m^2, out of which 1,200,000 m^2 is in the Asian-Olympic core district in Beijing. Its operating items mainly include the National Convention Centre, Beijing International Convention Centre, InterContinental Beijing Beichen, North Star V-Continent Beijing Parkview Wuzhou Hotel, Beijing Continental Grand Hotel, National Convention Centre Hotel, Hui Bin Offices, Hui Xin Offices, North Star Times Tower, North Star Century Center, Hui Yuan Apartment, North Star Shopping Centre (Asian Sports Villiage Store (亞運村店)), North Star Shopping Centre (Beiyuan Store (北苑店)), etc. Projects outside Beijing include Intercontinental Changsha (長沙北辰洲際酒店).

While optimising and consolidating traditional properties held, the Company strengthened resources integration and exerted continued efforts on the expansion of new businesses and new technologies of exhibition industry relying on North Star Exhibition Group (北辰會展集團). The brand operation and provision of management services for exhibitions and hotels saw significant achievements in recent years. North Star Exhibition Group provides consulting service and entrusted management for up to 18 exhibition and hotel projects in Beijing, Hebei, Hubei, Jiangxi, Guangdong, Shandong, Hainan and other provinces and municipalities, resulting in the gradual formation of a diversified service profit model centering on entrusted management and the continuous enhancement of the brand influence of " North Star Exhibition".

Adhering to the principle of maximizing shareholders' profit and on a historic mission to "create property value, build a century's foundation", the Company continues its great effort to develop into a nationally leading integrated real estate enterprise and China's most influential exhibition-brand enterprise.

Financial Highlights

RESULTS

Year ended 31st December	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	**9,829,779**	7,185,973	6,233,623	5,504,991	5,735,904
Profit before income tax	**1,430,237**	1,345,150	1,569,370	1,355,309	1,422,649
Income tax expenses	**699,407**	561,098	733,013	523,224	(476,465)
Profit for the year	**730,830**	784,052	836,357	832,085	946,184
Attributable to:					
Owners of the Company	**806,811**	760,687	779,992	799,535	970,008
Non-controlling interests	**(75,981)**	23,365	56,365	32,550	(23,824)

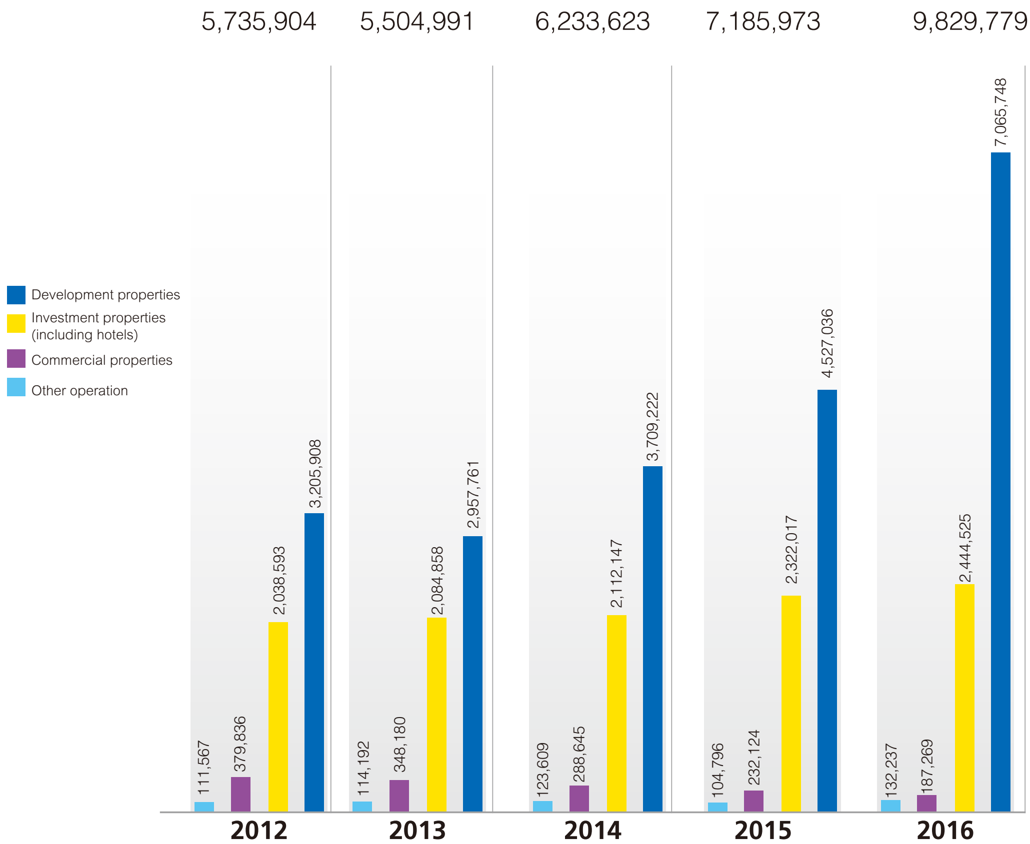
ASSETS AND LIABILITIES

As at 31st December	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Total assets	**71,730,452**	54,527,322	44,474,442	38,561,963	35,762,460
Total liabilities	**53,939,155**	37,322,788	28,307,778	23,067,596	20,857,332
Total equity	**17,791,297**	17,204,534	16,166,664	15,494,367	14,905,128

Financial Highlights (Continued)

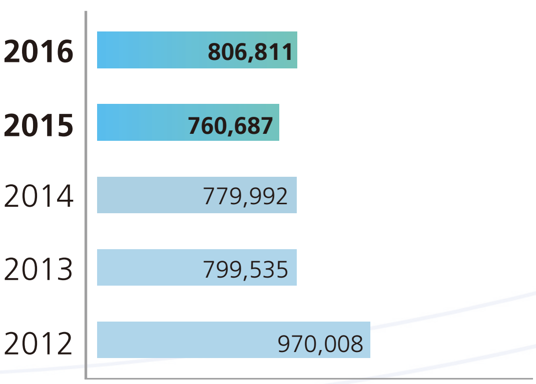
REVENUE BY BUSINESS

RMB'000



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

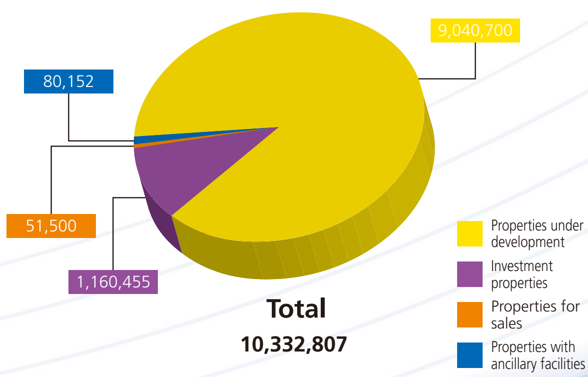
RMB'000



GROSS AREA OF PROPERTY PORTFOLIO

m^2

For the year ended 31 December 2016



Chairman's Report

Dear Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present you the operating results of the Company for the year ended 31 December 2016.

As of 31 December 2016, according to the HKFRSs, the Company recorded a turnover of RMB9,829,779,000, representing a year-on-year increase of 36.79%. Due to 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 projects and remarkable growth in sales, and the increase in gains arising from the changes in fair value of investment properties, profit before income tax and profit attributable to the owners of the Company increased by 6.33% and 6.06% year on year to RMB1,430,237,000 and RMB806,811,000, respectively. In particular, the core operating results of the Company's principal business (after tax) was RMB743,429,000, and earnings per share was RMB0.24, up 6.06% over 2015.

In retrospect of 2016, the global economy and trade grew at slower pace while the international financial market became more volatile, which retarded the recovery of economy. Adhering to the general keynote and new development concept of making progress while ensuring stability, China forged ahead despite of difficulties, focused on promotion of the supply-side structural reform and amplified the total demand to an adequate extent. Meanwhile, it expedited the adjustment to the economic structure and deeply implemented the innovation-based development strategy, and achieved steady growth, adjusted structure and prevented risks by virtue of reform and innovation. Accordingly, the national economy developed slowly, stably but positively. Confronted with the complicated situations at home and abroad, the Company adhered to the strategy of parallel development of asset-heavy investment business and the asset-light service business, actively promoted the implementation of the three major strategies, namely, low-cost expansion, brand expansion and capital expansion, and constantly explored innovative development. The development property business sped up turnover of projects and made breakthroughs in low-cost expansion and the nationwide layout. With a historic significant increase in sales performance, the Company ranked among top 100 real estate enterprises in China. For investment properties, the Company intensified integration of resources, and reinforced the extension and expansion of new businesses and new technologies for convention and exhibition business while optimising and consolidating traditional held-for-sale properties. North Star Events Group successfully provided reception and other services for G20 Summit in Hangzhou, which continually enhanced the influence of "North Star Events" brand. For nurturing businesses, the Company proactively conducted exploration and demonstration, and quickened business positioning, system construction and project implementation. Furthermore, with continuously broadened financing channels and constantly innovated financing modes, the Company's financing cost hit a new low in recent years.

Chairman's Report (Continued)

Looking ahead to 2017, the global economic growth will maintain a sluggish trend due to the uncertainties in the global economic recovery. In the critical period of the new normal, the economic growth of the PRC will be entangled in issues such as insufficient endogenous power for economic growth and accumulation of financial risks. However, with the support of the huge market size, complete supporting industries, accelerated technological progress and consummate infrastructures, the economic development remains promising in the long run. Under such circumstances, faced with both opportunities and challenges, the Company, together with all employees, will make concerted efforts, tackle various difficulties and proactively seek for new development. On one hand, the Company will continue to strengthen and expand its property development business, rapidly increase land reserves and constantly enhance project operation capacity to realise nationwide layout and large scale development. On the other hand, fully capitalizing on the core advantage of North Star Exhibition, it will integrate both internal and external resources, and accelerate the expansion and upgrade of the whole industrial chain of convention and exhibition business. Moreover, during the transformation from property operation to industrial operation, the Company will deeply explore the development opportunities of service-based economy derived from various demands, foster the information-based, characteristic and branded emerging business by virtue of the new economy and new technology such as the Internet and big data, thus form its new profit growth driver and strategic support.

I firmly believe that, all the staff members of North Star will, with strong sense of professionalism and high sense of responsibility, strive for our steadfast mission of "create property value, build a century's foundation" and "build the nation's top-notch brand enterprise of integrated real estate and the most influential brand enterprise of convention and exhibition in China" by further adhering to the strategy of "expansion at low cost, operation with light asset, support by new economy, and development of high-end service industry", without disappointing investors who bestow trust on us.

Finally, on behalf of the Board, I would like to express our most sincere gratitude to all shareholders who have been supporting the development of the Company, and also to all the members of the Board and the supervisory committee of the Company for their due diligence, and I would like to extend our heartfelt thanks to all the staff members of the Company for all the hard work they have done!

By Order of the Board

HE Jiang-Chuan
Chairman

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period

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.

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

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".

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

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

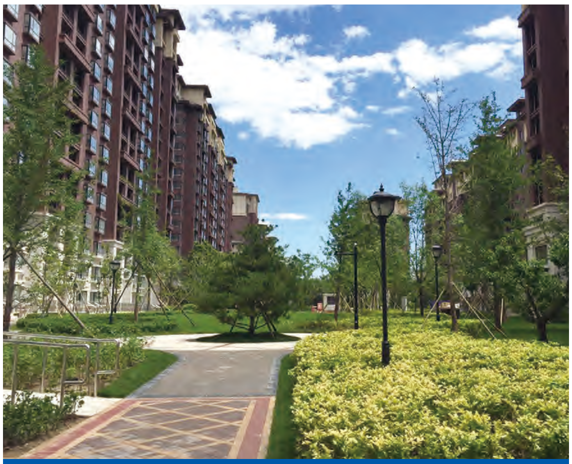
In 2016, under the macro situation combining innovative development with structural adjustment, by adhering to the strategy of parallel development of asset-heavy investment business and asset-light service business, the Company further implemented three major strategies including low-cost expansion, 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.

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

1. Development Properties

The Company capitalised 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.

North Star Red Oak Villa



North Star • Villa 1900

Changsha North Star Delta

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.

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

Wuhan North Star Best+

Chengdu North Star • Xianglu

Hangzhou Honor Mansion

Hangzhou North Star Olympic Garden

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, optimise 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.

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)


Hefei North Star CIFI Park Mansion • Luzhou


Suzhou North Star CIFI No. 1 Courtyard

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 merely 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 recognised 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.

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

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 does not include the projects that are under construction and unsold.

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

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	330.00	22.84
9	Changsha, Hunan	North Star Central Park	Residence	Under Construction	336,300	720,000	906,300	480,900	285,800	33.12	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 Garden	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
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 Southern 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.

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

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.

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

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.

Service exercise for G20 Hangzhou Summit (Hangzhou International Expo Center)

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

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 main venue of G20 Hangzhou Summit (Hangzhou International Expo Center)

2016 Media Cooperation Forum on Belt and Road was held at the National Convention Centre

Beijing Fair was held at the National Convention Centre

China (Zhuhai) International Marine High-Tech Expo (Zhuhai International Exhibition Center)

The 15th China Internet Conference was held at the Beijing International Convention Centre

The Unicorn Conference (獨角獸大會) (Note: a conference involving startup businesses with valuation over US$1 billion) was held at the Beijing International Convention Centre

The Company continuously devoted its efforts to optimise 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

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

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 optimised 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

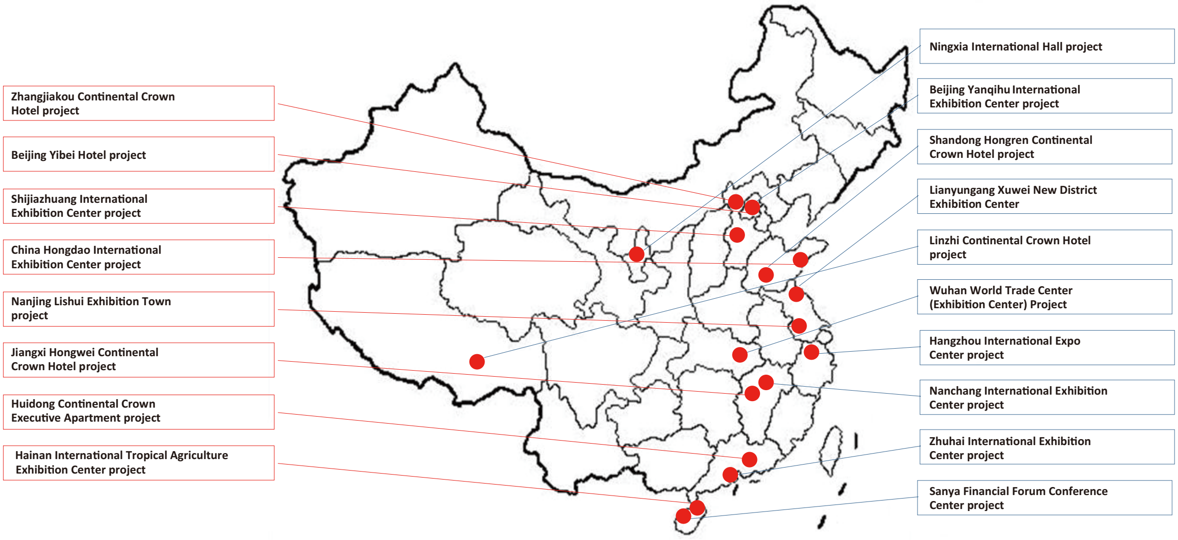
No.	Region	Project	Operation format	Construction area of the real estate leased *(square meter)*	Rental income of the real estate leased
1	Beijing	National Convention Centre	Convention and exhibition	270,000	58,703
2	Beijing	Beijing International Convention Centre	Convention and exhibition	56,400	11,727
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.

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

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 optimise 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.

North Star Shopping Centre

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

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 Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

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.

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

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.


Changsha North Star Delta

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

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 capitalise 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 optimise 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 capitalise 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.

The integrated properties at the National Convention Centre

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

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 optimise 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.

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

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 optimise the direction of business development and capitalise 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.

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

To tackle the aforementioned risks, the Company organised 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 optimised 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.

The Board's Discussion and Analysis on the Company's Operation during the Reporting Period (Continued)

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.

LI Wei-Dong
General Manager

Beijing, the PRC, 22 March 2017

Report on Corporate Governance

We seek to achieve the highest standards in corporate governance, the cornerstone of which is to have an experienced and committed board, and to enhance transparency for shareholders. The Company has already adopted a well-accepted governance and disclosure practice, and will keep improving such practices, so as to nurture a corporate culture reaching high ethical standards.

Throughout the course of 2016, the Company complied with the requirements of the Corporate Governance Code of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules"). The following is an outline of the Corporate Governance Code adopted by the Company.

THE BOARD

Under the stewardship of the chairman, the Board is charged with the responsibility of approving and monitoring the overall strategic plans and policies of the Company, approving operation plans and investment proposals, evaluating performance of the Company and overseeing the work of the Company's management.

A total of nine directors serve on the Board, including the chairman, five executive directors and three independent non-executive directors.

In accordance with the requirements of the Listing Rules, independent non-executive directors must be vetted by the Board to have no direct or indirect material relationships with the Company before they are regarded as independent. The Company has received written confirmation from each independent non-executive directors of his independence and considers all independent non-executive directors are independent of the Company. There is no financial, business, family or other material/related relationship existing among the directors.

In 2016, in order to ensure the directors being fully informed and accommodate to the needs for their contribution to the Board, all the directors of the Company actively participated in continuing professional development and participated in the themed training relevant to corporate governance organised by the domestic regulatory authorities, and timely studied the laws, regulations and documents issued by regulatory authorities.

The terms of the independent non-executive directors of the Company have not exceeded the length limitation under the domestic and foreign regulations.

The Board should meet regularly and the Board meetings should be held at least 4 times a year. The Board had met 56 times in total during 2016.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive directors, senior management and certain specific responsibilities to the Board committees.

Report on Corporate Governance (Continued)

The attendance of each of the directors is set out below:

Directors	**No. of meetings attended in person/ No. of meetings held**	**No. of meetings attended by proxy** *(Note)***/ No. of meetings held**
Executive directors		
Mr. HE Jiang-Chuan	56/56	0/56
Mr. LI Wei-Dong (appointed on 11 October 2016)	16/16	0/16
Mr. LI Chang-Li	52/56	4/56
Ms. ZHAO Hui-Zhi	53/56	3/56
Mr. LIU Jian-Ping	53/56	3/56
Mr. LIU Huan-Bo	56/56	0/56
Mr. ZENG Jin (resigned on 5 August 2016)	33/34	1/34
Independent non-executive directors		
Mr. FU Yiu-Man	55/56	1/56
Mr. DONG An-Sheng (appointed on 25 May 2016)	36/36	0/36
Mr. WU Ge	56/56	0/56
Mr. GUO Li (resigned on 25 May 2016)	20/20	0/20

Note: Pursuant to Article 149 of the Articles of Association of the Company, a director can delegate in writing another director to attend Board meetings on his or her behalf if that director cannot attend the meetings for any reason.

Subsequent to the appointments, all directors must offer themselves for election in the annual general meeting in order to be able to continue to serve their terms, and should retire once every three years. In the event of vacancy in the Board, recommended candidates should be referred to shareholders' general meeting for approval, with a view to appointing people possessing leadership abilities, in order to maintain and enhance the Company's competitiveness.

In January 2005, the Board adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as the disciplinary rules governing securities dealings by the relevant directors of the Company. During the year of 2016, none of the directors and supervisors of the Company had dealt in securities of the Company.

THE CHAIRMAN AND GENERAL MANAGER

Mr. ZENG Jin resigned from the position of the general manager of the Company on 5 August 2016, at the same time, Mr. LI Wei-Dong was appointed as the general manager.

The positions of chairman of the Board and the general manager are held respectively by Mr. HE Jiang-Chuan and Mr. LI Wei-Dong. These positions have been clearly defined with separate responsibilities.

The chairman is responsible for leading and supervising the operations of the Board, effectively planning the Board meetings, ensuring the Board is acting in the best interests of the Company. The chairman shall proactively encourage directors to fully participate in the business of the Board and to make contributions to the functioning of the Board. To this end, the Board meets at regular intervals while the chairman must meet at least once annually with the independent non-executive directors without the presence of the executive directors. Under the stewardship of the chairman, the Board of the Company has adopted well accepted practices and procedures in corporate governance, and has undertaken appropriate measures to maintain effective channels of communication with the shareholders.

Report on Corporate Governance (Continued)

The general manager is responsible for the administration of the company business, as well as the formulation and implementation of company policies, and answerable to the Board in relation to the Company's overall operation. The general manager of the Company works in close collaboration with the other executive directors and the administrative and managerial team of each core business department of the Company, ensuring the Board is made fully aware of the funding needs of the business operation of the Company. Assisted by the financial controller of the Company, the Company's general manager ensures the funding needs of the business operation of the Company are sufficiently met and at the same time closely monitors the operation and financial performance of the Company according to the business plans and budget of the Company, and takes remedial measures as the circumstance requires, and offers opinions to the Board on substantive development and matters. The general manager of the Company is required to keep in close liaison with the chairman and all directors, ensuring that the latter are well briefed on all substantive business development and matters of the Company, and taking a leading role in building and maintaining a highly efficient administrative support team to help him or her to discharge the assigned duties in this position.

ACCOUNTABILITY OF DIRECTORS ON COMPANY'S FINANCIAL STATEMENTS

Directors are charged with the responsibility to compile the Company's financial statements in each financial year with support from the accounting department, and to ensure that the applicable accounting policies are applied consistently and the accounting standards issued by the Hong Kong Institute of Certified Public Accountants are complied with in the preparation of such financial statements and to report the state of affairs of the Company in a true and fair view manner.

The statement issued by the auditor on its reporting responsibilities is set out in the Independent Auditor's Report on pages 58 to 63 of this annual report.

FUNCTIONS OF CORPORATE GOVERNANCE

The Board of the Company adopted terms of reference of directors with the duties of corporate governance, the terms of reference include formulating and reviewing on the policy and practice of corporate governance of the Company, and submitting recommendation thereof to the Board. In addition, the review and supervision on the training and continuing professional development of the directors and senior management as well as the policy and practice of the Company in the compliance with laws and regulations are also included in the terms of reference. Besides, the formulation, review and supervision on the code of conduct and compliance manual of the employees and directors, as well as the review on the compliance with the Corporate Governance Code and the disclosure in the Report on Corporate Governance of the Company are also set out in the terms of reference.

In the year of 2016, the Board has fulfilled the aforesaid functions of corporate governance.

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.

Report on Corporate Governance (Continued)

In accordance with the stipulations in the "Rules of Procedures of Meetings of the Audit Committee of the Board of Directors" of the Company, the audit committee of the Board of the Company performed their duties of due diligence. During the reporting period, the audit committee held four meetings, at which, they mainly considered the audit opinion of the external auditors on the financial report and internal control for the year of 2015 of the Company, and the review results of the external auditors on the interim report for the year of 2016 of the Company. In addition, the audit committee of the Company gave full play to their functions as a professional committee and proactively promoted the establishment of the internal control system of the Company. Moreover, the committee guided the internal audit work of the Company in real earnest and coordinated the communication and cooperation between the Company and the external auditors, so as to improve the relevant work efficiency.

The attendance of each of the members is set out below:

Members	**No. of meetings attended/ No. of meetings held**
Mr. WU Ge	4/4
Mr. FU Yiu-Man	4/4
Mr. DONG An-Sheng (appointed on 25 May 2016)	2/2
Mr. GUO Li (resigned on 25 May 2016)	2/2

REMUNERATION AND EVALUATION COMMITTEE

The remuneration and evaluation committee of the Board of the Company comprises three independent non-executive directors. This committee is chaired by Mr. WU Ge, with the other two members being Mr. FU Yiu-Man and Mr. DONG An-Sheng.

The terms of reference of the remuneration and evaluation committee of the Board of the Company are to study the assessment standards for directors and managerial staff, and to carry out the assessment and to make recommendations, to study the remuneration policy and schemes for directors and senior management personnel, to recommend to the Board on the remuneration of individual executive directors and senior management as well as the remuneration of non-executive directors.

In accordance to the stipulations in the "Rules of Procedures of Meetings of the Remuneration and Evaluation Committee of the Board of Directors" of the Company, the remuneration and evaluation committee diligently performed their duties in due assiduity. During the reporting period, the remuneration and evaluation committee of the Board of the Company held one meeting to consider policies regarding the staff welfare management of the Company and recommend the Company to further optimise relevant work taking into account of the actual circumstance of the Company.

Report on Corporate Governance (Continued)

For the year ended 31 December 2016, the remuneration of the members of the senior management by band is set out below:

Remuneration band *(RMB)*	**Number of persons**
Less than 1,000,000	11

Note: The members of the senior management disclosed above refer to the employees other than directors and supervisors.

Further particulars regarding the directors, supervisors and senior management's emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 28, 38 and 40 to the financial statements.

The attendance of each of the members is set out below:

Members	**No. of meetings attended/ No. of meetings held**
Mr. WU Ge	1/1
Mr. FU Yiu-Man	1/1
Mr. DONG An-Sheng (appointed on 25 May 2016)	0/0
Mr. GUO Li (resigned on 25 May 2016)	1/1

NOMINATION COMMITTEE

The nomination committee of the Board of the Company comprises three independent non-executive directors and two executive directors. This committee is chaired by Mr. HE Jiang-Chuan, with the other four members being Mr. LI Wei-Dong, Mr. FU Yiu-Man, Mr. DONG An-Sheng and Mr. WU Ge.

The nomination committee of the Board of the Company is responsible for the nomination of the directors and managerial staff of the Company. It is also responsible for the review of the structure, number of members and composition of the Board, as well as the evaluation on the independence of the independent non-executive directors.

The Company is of the view that the diversity of the Board is one of the essential factors in sustaining the competitive edge of the Company and facilitating the sustainable development of the Company. When considering the composition of the Board, various aspects would be considered for the diversity of the Board, including but not limited to gender, age, cultural and ethnic background, education, professional qualifications, skills, knowledge and expertise, etc.

The nomination committee of the Board of the Company is responsible for reviewing the principle of diversified selection in nomination of directors, assisting and maintaining the diversified visions and various educational backgrounds and professional knowledge, which include the in-depth understanding in the real estate industry, the operational and management in property development, hotel and convention and exhibition, and the professional qualifications in the fields of law and accounting. Each directors has years of experience in his respective professional fields. Whatever backgrounds or experiences the directors have, they all take it as their common goal to promote the industry in order to bring sustainable growth for the Company.

Directors of the Company shall be elected at the shareholders' general meeting for a term of three years. The term of directors will expire on the date of the annual general meeting of the Company for the year of 2017 and they shall be eligible for re-election.

Report on Corporate Governance (Continued)

In accordance with the stipulations in the Rules of Procedures of Meetings of the Nomination Committee of the Company, during the reporting period, the nomination committee of the Board of the Company held two meetings, at which, corresponding qualified candidates were nominated and submitted to the Board of the Company in due course for approval in view of the resignation of the former independent non-executive director, executive director and general manager of the Company, thus ensuring the integrity and compliance of the corporate governance structure. In addition, the nomination committee of the Board examined the structure, number of members and composition of the Board of the Company, and evaluated and examined the independence of the independent non-executive directors of the Company. Therefore, they were of the view that the structure and composition of the Board of the Company was in compliance with the requirements of the corporate governance and there was no impact on the independence of the independent non-executive directors.

The attendance of each of the members is set out below:

Members	No. of meetings attended/ No. of meetings held
Mr. HE Jiang-Chuan	2/2
Mr. LI Wei-Dong (appointed on 11 October 2016)	0/0
Mr. FU Yiu-Man	2/2
Mr. DONG An-Sheng (appointed on 25 May 2016)	1/1
Mr. WU Ge	2/2
Mr. ZENG Jin (resigned on 5 August 2016)	2/2
Mr. GUO Li (resigned on 25 May 2016)	1/1

STRATEGIC COMMITTEE

The strategic committee of the Board of the Company comprises 3 independent non-executive directors and 2 executive directors. This committee is chaired by Mr. HE Jiang-Chuan, and the other four members are Mr. LI Wei-Dong, Mr. FU Yiu-Man, Mr. DONG An-Sheng and Mr. WU Ge.

The principal duties of the strategic committee of the Board of the Company are to carry out research and make recommendations on the Company's long-term development strategies and major investment decisions.

In accordance with the stipulations in the Rules of Procedures of Meetings of the Strategic Committee of the Company, during the reporting period, the strategic committee of the Board of the Company held two meetings, at which, the members of the strategic committee earnestly performed their duties in due diligence. On the basis of analysis of the external environment faced by the Company and research of development path of model enterprises in the industry, and taking into account of the actual operation and management of the Company, they discussed the wealth management plan for temporary idle funds and the 13th Five-year Plan of the Company as well as relevant proposals, fully tapping into the potential of a professional committee.

Report on Corporate Governance (Continued)

The attendance of each of the members is set out below:

Members	No. of meetings attended/ No. of meetings held
Mr. HE Jiang-Chuan	2/2
Mr. LI Wei-Dong (appointed on 11 October 2016)	0/0
Mr. FU Yiu-Man	2/2
Mr. DONG An-Sheng (appointed on 25 May 2016)	2/2
Mr. WU Ge	2/2
Mr. ZENG Jin (resigned on 5 August 2016)	1/1
Mr. GUO Li (resigned on 25 May 2016)	0/0

SUPERVISORY COMMITTEE

The supervisory committee of the Company comprises five supervisors, with three supervisors representing the shareholders and two supervisors representing the staff and workers.

Mr. LIU Yao-Zhong resigned from the position of supervisor representing the staff and workers on 22 March 2016 due to his age. At the same time, Mr. YAN Jing-Hui was appointed as a supervisor representing the staff and workers.

As Mr. LI Guo-Rui resigned from the position of supervisor representing the shareholders due to his age, Mr. ZHANG Jin-Li was appointed as a supervisor representing the shareholders on 25 May 2016.

The supervisory committee is chaired by Mr. ZHAO Chong-Jie and the other four members are Mr. ZHANG Jin-Li, Ms. SONG Yi-Ning, Mr. YAN Jing-Hui and Mr. ZHANG Wei-Yan.

During 2016, the supervisory committee of the Company exercised its monitoring authority according to the law and protected the legal interests of the shareholders, the Company and the staff. For details of the supervisory committee's works, please refer to Report of the Supervisory Committee in this annual report.

The supervisory committee held 4 meetings in 2016.

The attendance of each of the supervisors is set out below:

Supervisors	No. of meetings attended/ No. of meetings held
Mr. ZHAO Chong-Jie	4/4
Mr. ZHANG Jin-Li (appointed on 25 May 2016)	2/2
Ms. SONG Yi-Ning	4/4
Mr. YAN Jing-Hui (appointed on 22 March 2016)	4/4
Mr. ZHANG Wei-Yan	4/4
Mr. LI Guo-Rui (resigned on 25 May 2016)	2/2
Mr. LIU Yao-Zhong (resigned on 22 March 2016)	0/0

In accordance with the provisions of the Company's Articles of Association, the term of office for the supervisors shall be three years, which will expire on the date of the annual general meeting of the Company for the year of 2017, and they shall be eligible for re-election.

Report on Corporate Governance (Continued)

COMPANY SECRETARY

The company secretary is appointed by the Board of the Company. The company secretaries of the Company are Mr. GUO Chuan, deputy general manager of the Company and company secretary on the PRC activities, and Mr. LEE Ka-Sze, Carmelo, external service provider and company secretary on Hong Kong activities. Mr. GUO and Mr. LEE were appointed as company secretaries of the Company in 2004 and 1997, respectively. The company secretary is responsible to provide opinions on corporate governance to the Board and to ensure satisfactory exchange of information between members of the Board and compliance with the policies and procedures of the Board as well as the arrangement of training and professional development to the directors of the Company. The internal major contact person of the Company is Mr. GUO Chuan, company secretary of the PRC activities.

They have received relevant professional training, which fulfilled the requirements of Rule 3.29 of the Listing Rules.

APPOINTMENT AND REMUNERATION OF EXTERNAL AUDITOR

The external auditor currently appointed by the Company is PricewaterhouseCoopers. The work which the external auditor is engaged to perform must produce measurable benefits and added-values to the Company and should not cause adverse effects on the independence or independent standing of its audit function. The fees paid to the Company's auditor, PricewaterhouseCoopers, for the year of 2016 was RMB6,290,000, all of which were related to auditing services.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has established an audit department. The department reports to the Board of the Company, and is responsible for performing auditing duties including organising and implementing regular audits, specific audits and economic liability audits for the Company and its subsidiaries, with the approval by the Board of the Company.

The Board has the ultimate responsibility in overseeing the operation of all business units under the Company's management. The Board shall appoint suitable and qualified personnel to serve on the Board of all subsidiaries and associates operating in key business areas, attending their board meetings to oversee the operation of such companies. The management in each business area is accountable for the operation and performance of the business under its area of responsibility.

The financial controller of the Company is required to prepare guidelines and procedures for the approval and control of expenditure. All business expenditure must be monitored and controlled according to overall corporate budget, and internally controlled by business centres against the approval level appropriate to the level of responsibilities of the relevant executives. Capital expenditure must be subject to comprehensive monitoring and control in accordance with the annual budget preparation and allocation approval procedures, major items of capital expenditure within allocation approval limits as well as expenditure not included in annual budget preparation must be subject to further detailed monitoring and allocation approval by the financial controller or other executive directors of the Company before the projects can be initiated.

In 2016, pursuant to the requirements in the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) in Mainland China and the supporting guidelines and the stipulations in other internal control supervisions, the Company conducted self-assessment on the effectiveness of the internal control of the Company and issued the Internal Control Evaluation Report. Through implementation of timely update and improvement of internal control system, self-assessment of the management, independent assessment of the audit department, immediate improvement on internal control issues and other internal control work, the Company effectively guarantees the reasonableness of design and effectiveness of operation of the internal control system of the Company. Meanwhile, PricewaterhouseCoopers Zhong Tian LLP carried forward audit on the effectiveness of the internal control in relation to the financial report of the Company and issued the Audit Report on Internal Control with unqualified opinions.

Report on Corporate Governance (Continued)

The Board is responsible to ensure a sound and effective risk management and internal control system of the Group and would review the effectiveness of such systems from time to time, so as to safeguard investments of shareholders and assets of the Group. However, such systems are created to manage but not eliminate the risk of failure to achieve business objectives, therefore, the Board can only provide reasonable but not absolute assurance against the risks of material misstatement or loss.

The audit department and the management of the Company regularly reviewed the effectiveness of risk management and internal control and reported to the Board after being considered by Audit Committee. As of 31 December 2016, the Board was of the view that the Company did a fruitful job in risk management and internal control during the Reporting Period, and no significant events which may affect the shareholders were identified.

Besides, the Board has conducted review of the effectiveness of the risk management and internal control system of the Company and its subsidiaries for 2016 and considered the adequacy of resources, qualifications and experience of staff in respect of the Company's accounting and financial reporting function, and their training programs and budget in accordance with code provisions C.2.1 and C.2.2 of the Corporate Governance Code of the Listing Rules.

MANAGEMENT OF INSIDE INFORMATION

The Company has formulated the Management System for the Holders of Inside Information so as to regulate inside information management of the Company, strengthen confidentiality of inside information and safeguard the principles of openness, fairness and justice of information disclosure of the Company. With respect to the procedures for handling and dissemination of inside information and internal control measures, the Company:

- strictly keeps the inside information of the Company confidential before disclosure, and disclose the inside information immediately upon approval by the Board;
- conducts registration of insiders strictly according to the requirements of Management System for the Holders of Inside Information;
- regulates all relevant securities transactions by giving notice to insiders in a timely manner, including registration of specific insiders before the price-sensitive period (including 60 days prior to annual results announcement and 30 days prior to interim results announcement), and sending notice of restrictions on trading shares and prohibitions on insider dealings by post at the same time.

The Company performs its information disclosure obligations strictly under the true, accurate, complete, timely, fair and effective standards. In August 2016, the Company formulated and adopted the Management System for Information Disclosure Deferral and Exemption which had specified the scope of information disclosure deferral and exemption and relevant approval procedures, strengthening its risk prevention ability and further intensifying the identification and evaluation of inside information.

During the Reporting Period, there was no disclosure of inside information, and none of the directors, supervisors or senior management of the Company made use of any inside information to deal with the shares of the Company in contravention of relevant rules. No investigation or rectification was conducted or required by the regulatory authorities in this regard.

Report on Corporate Governance (Continued)

INVESTOR RELATIONS AND SHAREHOLDER'S INTEREST

The Board of the Company has formulated a policy of shareholder communication to ensure on-going communication between the Company and shareholders as well as investors.

After publication of the Company's interim and annual financial results, the Company has proactively arranged briefing sessions for people from the investment industry at regular intervals, using the opportunity to promote investor relations and two-way communication. Through the investor relations manager, the Company responds to information requests and inquiries by people from the investment industry.

The Company encourages shareholders to participate in general meetings, in which the chairman of the Board of the Company and the chairman of all the professional committees will be on hand to answer questions raised by shareholders on the business operations of the Company. In the general meeting, the Company will explain the detailed procedures on poll to the shareholders and answer the questions of shareholders thereon. The website of the Company also publishes periodically updated financial and other information of the Company, which the shareholders can browse and look through at any time.

GENERAL MEETINGS

In 2016, the Company held 4 general meetings, including the 2015 annual general meeting, the first A Shareholders Class Meeting for 2016, the first H Shareholders Class Meeting for 2016 and the first extraordinary general meeting for 2016.

Attendance of the directors at the general meetings is set out below:

Directors	Annual general meeting	Extraordinary general meeting/ H Shareholders Class Meeting	Attendance rate
Executive directors			
Mr. HE Jiang-Chuan	1/1	2/2	100%
Mr. LI Wei-Dong (appointed on 11 October 2016)	0/0	1/1	100%
Mr. LI Chang-Li	0/1	0/2	0
Ms. ZHAO Hui-Zhi	0/1	0/2	0
Mr. LIU Jian-Ping	0/1	0/2	0
Mr. LIU Huan-Bo	1/1	2/2	100%
Mr. ZENG Jin (resigned on 5 August 2016)	1/1	1/1	100%
Independent non-executive directors			
Mr. FU Yiu-Man	0/1	1/2	33%
Mr. DONG An-Sheng (appointed on 25 May 2016)	0/0	1/1	100%
Mr. WU Ge	0/1	1/2	33%
Mr. GUO Li (resigned on 25 May 2016)	1/1	1/1	100%

CONSTITUTION

There is no change in the Articles of Association of the Company in 2016.

Report on Corporate Governance (Continued)

RIGHTS OF SHAREHOLDERS

Convening of an Extraordinary General Meeting or a Class Meeting of Shareholders by Shareholders' Requisition

Pursuant to Article 97 of the Articles of Association of the Company, shareholders holding more than 10% of the shares of the Company individually or in aggregate may propose the convening of an extraordinary general meeting or a class shareholders' meeting in accordance with the procedures stipulated in Article 97 of the Articles of Association. Shareholders can submit a written requisition to the Board to convene an extraordinary general meeting or a class shareholders' meeting. The written requisition shall state the objects of the meeting and shall be signed by the shareholders and submitted to the secretariat of the Board of the Company.

Article 97 of the Articles of Association is set out in the Articles of Association of the Company.

PUTTING FORWARD PROPOSALS TO THE GENERAL MEETINGS

According to Article 71 of the Articles of Association of the Company, shareholders solely or collectively holding more than 3% of the shares of the Company may submit in writing interim proposals to the convener ten (10) days before the date of the convening of the shareholders' general meeting.

The convener shall, within two (2) days upon receipt of such proposals, review the proposals and serve a supplementary notice of the shareholders' general meeting to announce the content of the interim proposals.

Except for the circumstances prescribed in the preceding provision, the convener may not change the proposal listed in the notice of the shareholders' general meeting or add new proposal after the notice of the shareholders' meeting has been served.

The proposals that have not been listed in the notice of the shareholders' general meeting or that are not in compliance with Article 71 of the Articles of Association shall not be voted and resolved on at the shareholders' general meeting.

Procedures in relation to the nomination of directors by shareholders have been published on the website of the Company.

PROCEDURES FOR DIRECTING PROPOSALS, ENQUIRIES OF SHAREHOLDERS TO THE BOARD

Shareholders can at any time send their proposals, enquiries and concerns to the Board in writing through the secretariat of the Board of the Company. The contact details of the secretariat of the Board are set out in Corporate Information on page 162 of this annual report.

The secretariat of the Board shall forward the proposals, enquiries and concerns of the shareholders to the Board and/or relevant committees under the Board, as appropriate, to answer the questions of the shareholders.

In 2017, the Company will continue to dedicate itself to improving the standards of its corporate governance according to changing regulatory requirements, the Company's latest development and feedbacks from shareholders, so as to ensure stable and healthy growth of the Company while enhancing shareholders' value.

By Order of the Board
GUO Chuan
Company Secretary

Beijing, the PRC, 22 March 2017

Profile of Directors, Supervisors and Senior Management

CHAIRMAN

Mr. HE Jiang-Chuan, aged 53, is the chairman of the Board of the Company and a representative of the fourteenth Beijing People's Congress. Mr. HE graduated from the Tianjin University and Capital University of Economics and Business with a bachelor's degree in engineering and a master's degree in economics and is qualified as a senior economist. Mr. HE was the deputy director of the Beijing Municipal Housing Reform Office and the chief of the Beijing Municipal Housing Fund Management Centre. Mr. HE joined BNSIGC in November 1994 as the deputy general manager. Mr. HE became an executive director, deputy general manager and company secretary of the Company in 1997. He has been the general manager of the Company since February 2004. He was appointed as chairman of the Company in April 2007 and was re-elected as an executive director and chairman of the Company in May 2015. Mr. HE has 28 years of experience in housing reform, real estate finance and property development and management. Mr. HE was awarded the gold prize of the 4th Beijing Outstanding Young Entrepreneurs (北京市第四屆優秀青年企業家) and one of the "Top Ten Most Influential Entrepreneurs" (最具影響力十大企業家) in the Sixth Beijing Influence Selection (第六屆北京影響力評選活動).

EXECUTIVE DIRECTORS

Mr. LI Wei-Dong, aged 48, is an executive director and the general manager of the Company. He graduated from Renmin University of China with a master's degree in management. He is an engineer. Mr. LI served as the mechanical workshop director, deputy manager and manager of Beijing Yanshan Cement Factory (北京市燕山水泥廠), the chief of the real estate division and the assistant to the general manager of BBMG Group Company Limited* (北京金隅集團有限責任公司) and the manager of Tengda Plaza (騰達大廈), manager of BBMG Property Management Co., Ltd. (北京金隅物業管理有限公司), chairman of Beijing Dacheng Property Development Co., Ltd. (北京大成房地產開發有限責任公司), deputy general manager and executive director of BBMG Corporation* (北京金隅股份有限公司). Mr. LI possesses extensive experience in real estate development and property management.

Mr. LI Chang-Li, aged 53, is an executive director of the Company. Mr. LI graduated from Guanghua School of Management, Peking University with a master's degree in business administration and a senior economist. Mr. LI served as manager at the International Trade Department of Beijing General Corporation of Business Materials Trade Group (北京建築材料經貿總公司), deputy general manager and general manager of Beijing General Corporation of Building Materials Trade Group (北京建築材料經貿集團總公司), deputy general manager, general manager and director of BBMG Group Company Limited (北京金隅集團有限責任公司), executive director and deputy chairman of BBMG Corporation (北京金隅股份有限公司). Mr. LI joined the Company in 2011. He was re-elected as an executive director of the Company in May 2015. Mr. LI has accumulated more than 26 years of experience in building materials, investment property operation management and real estate development industries in the PRC.

Ms. ZHAO Hui-Zhi, aged 63, is an executive director of the Company. Ms. ZHAO graduated from the Beijing Administration College and has received postgraduate education. Ms. ZHAO joined BNSIGC in March 1989 and became the executive director and deputy general manager of the Company in 1997. She then became general manager of the Company during the period from June 2000 to February 2004. From February 2004 to April 2007, she was an executive director and chairman of the Company. From April 2007 to March 2015, she became the general manager of the Company. She was re-elected as an executive director of the Company in May 2015. Ms. ZHAO has 25 years of extensive experience in property management such as hotels, convention centres, apartments and office buildings.

Profile of Directors, Supervisors and Senior Management (Continued)

Mr. LIU Jian-Ping, aged 62, is an executive director of the Company. Mr. LIU graduated from the Beijing Administration College and has received postgraduate education. He joined BNSIGC in 1988 and served as the general manager of Beijing Continental Grand Hotel. In 1997, he was appointed as an executive director of the Company and re-elected as an executive director of the Company in May 2015 and had become the deputy general manager of the Company from March 2012 to March 2015. Mr. LIU has extensive experience in the hotel and investment property operation and management.

Mr. LIU Huan-Bo, aged 59, is an executive director and deputy general manager of the Company. Mr. LIU is a postgraduate of the Party School of Central Committee. Mr. LIU had worked in the Xinqiao Hotel (新僑飯店) and Shigatse Hotel, Tibet (西藏日喀則飯店). Mr. LIU joined BNSIGC since 1989 and had held positions as the general manager of Hui Yuan Apartment, Beijing Recreation Centre Co., Ltd. (北京康樂宮有限公司) and Beijing International Convention Centre. Mr. LIU has been appointed as the deputy general manager of the Company in 2002 and was re-elected as an executive director of the Company in May 2015. He concurrently serves as the chairman of Beijing North Star Xin Cheng Property Management Co., Limited (北京北辰信誠物業管理有限責任公司) and Beijing North Star Xintong Network Technologies and Services Co., Ltd. (北京北辰信通網絡技術服務有限公司), the chairman and the general manager of Beijing North Star Convention Group Co., Limited (北京北辰會展集團有限公司) as well as the chairman of Beijing North Star Hotel Management Co., Ltd (北京北辰酒店管理有限公司). Mr. LIU has extensive experience in hotels, convention and exhibition and investment property management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FU Yiu-Man, aged 61, is an independent non-executive director of the Company. Mr. FU graduated from the University of Pennsylvania in the U.S.. He had successively served in ABN AMRO HG Asia, Peregrine Group, Vickers Ballas, SwissBank Corporation of New York, Barings Securities and CCB International Securities in Hong Kong. Mr. FU has accumulatively more than 30 years of experience in terms of financial management, securities business.

Mr. DONG An-Sheng, aged 65, is an independent non-executive director of the Company. Mr. DONG graduated from Northwest University of Political Science and Renmin University of China with a doctoral degree in law. He currently serves as a professor and PHD Supervisor of the School of Laws of Renmin University of China, the deputy director of Research Center of Civil and Commercial Law of the Renmin University of China, a researcher of Financial and Fiscal Policy Research Centre (金融與財政政策研究中心) and Finance and Securities Research Institute (金融與證券研究所) of the Renmin University of China, the vice chairman of China Institution of Securities Law (中國證券法研究會), a member of the Society of China Comparative Law Research Centre (中國比較法學會), Chinese Society of Private International Law (中國國際私法學會) and the Society of Beijing International Law (北京國際法學會), an arbitrator of Shenzhen Arbitration Committee (深圳仲裁委員會). Mr. DONG has extensive experience in the fields including the Company Law, the Securities Law as well as the Financial Law.

Mr. WU Ge, aged 49, is an independent non-executive director of the Company. Mr. WU consecutively obtained a bachelor's degree in science, master's degree in accounting and doctoral degree in economics from Nanjing Normal University (南京師範大學), Nankai University (南開大學) and University of International Business and Economics (對外經貿大學). He is currently a professor of the Accounting Department of the International Business School of University of International Business and Economics, and an instructor of doctorate students. He was a council member of the fourth session of the Financial Accounting Society of China (中國金融會計學會), council member of the sixth and seventh sessions of the Finance and Cost Sub-society of the Accounting Society of China (中國會計學會財務成本分會). Mr. WU has rich experience in areas such as financial management, corporate practical accounting, cost management and international accounting

Profile of Directors, Supervisors and Senior Management (Continued)

CHAIRMAN OF SUPERVISORY COMMITTEE

Mr. ZHAO Chong-Jie, aged 61, is the chairman of the supervisory committee of the Company. Mr. ZHAO is a senior economist graduated from Beijing College of Finance with a master's degree. Mr. ZHAO served as the deputy head of the Division of Agricultural Product Price, head of General Office, and deputy general director of Beijing Price Bureau, and bureau director-level chairman of the Beijing Municipal State-owned Enterprises Supervisory Board (北京市國有企業監事會正局級監事會主席). Mr. ZHAO serves as the supervisor representing shareholders and the chairman of the supervisory committee of the Company since 2014. Mr. ZHAO has long been engaged in economic management, commodity price control and enterprise supervision and has extensive hands-on experience in economic theories, commodity price control and corporate supervisory committee.

SUPERVISORS

Mr. ZHANG Jin-Li, aged 53, is a supervisor representing shareholders. Mr. ZHANG graduated from Beijing Normal University and Beijing University of Aeronautics and Astronautics with as a master's degree in science and a doctoral degree in management. Mr. ZHANG served as the Secretary of Party Committee of Hekou of Huairou District in Beijing, the assistant to the governor of the Huairou District government, director of the District Housing and Urban-Rural Development Committee of the Huairou District, head of the Liaison Office of the Key Construction Contracts under the Housing and Urban-Rural Development Committee of Beijing and the deputy commander of the Tibet Lhasa Commander Headquarters of the Beijing Counterpart Support and Economic Cooperation Leading Group. Mr. Zhang joined the Company in 2015, and has been in charge of disciplinary inspection. Mr. ZHANG possesses extensive work experience in administrative management and supervision.

Ms. SONG Yi-Ning, aged 53, is a supervisor representing shareholders of the Company. Ms. SONG graduated from Wuhan University of Technology with a master's degree. Ms. SONG served as a senior staff member and principal staff member of the Division of Statistics and Division of Wage of Beijing Labor and Social Security Bureau, a principal staff member of the State-owned Assets Supervision and Administration Commission of Beijing People's Government, and a deputy-division-head-level full-time supervisor of Beijing Municipal State-owned Enterprises Supervisory Board. Mr. SONG serves as a supervisor representing shareholders of the Company since 2014. Ms. SONG has long been engaged in administrative management and enterprise supervision and has extensive hands-on experience in enterprise supervision and inspection.

Mr. YAN Jing-Hui, aged 56, is a supervisor representing staff and workers of the Company. Mr. YAN graduated from Beijing Municipal Communist Party School with a post-graduate degree. Mr. YAN joined BNSIGC in 1990. He served as a party branch secretary and general manager of Beijing Theatre, the president and vice chairman of Beijing Chen'ao Coffee & Food Co., Ltd. (北京辰奧咖啡有限公司) and a vice general manager of North Star Asian Games Villiage Auto Trade Market Center (北辰亞運村汽車交易市場中心). He is currently serving as vice chairman of the trade union of the Company. Mr. YAN has ample working experience in administration management and trade union work.

Mr. ZHANG Wei-Yan, aged 57, is a supervisor representing staff and workers of the Company. Mr. ZHANG graduated Beijing Municipal Communist Party School with an undergraduate diploma. He is a senior accountant. Mr. ZHANG joined BNSIGC in 1990 and currently serves as the head of the audit department of the Company. Mr. ZHANG has become a supervisor representing staff and workers of the Company since 2012. Mr. ZHANG has extensive experience in corporate financial management and corporate audit.

Profile of Directors, Supervisors and Senior Management (Continued)

DEPUTY GENERAL MANAGER

Mr. DU Jing-Ming, aged 52, is a deputy general manager of the Company. He graduated from Beijing Normal University with a doctor's degree in law. Mr. DU served as the deputy director of the General Office of the Beijing Municipal Government and deputy director of the Information Network Office of the Beijing Municipal Government. He joined BNSIGC in 2004. He was the deputy general manager of BNSIGC. Mr. DU has become the deputy general manager of the Company since 2012. Mr. DU has extensive experience in corporate administration and management, enterprise culture and publicity work.

Ms. ZHANG Wen-Lei, aged 49, is a deputy general manager of the Company. Ms. ZHANG graduated from the School of Economics and Management of Northern Jiaotong University and has received postgraduate education and is a senior economist as well as a senior accountant. Ms. ZHANG served as the chief economist of the Fourth Office of China Railway 18th Engineering Bureau (中鐵第十八工程局四處) and the deputy-chief economist of China Railway 18th Engineering Bureau. She joined BNSIGC in 2001. She was the chief economist and the chief legal advisor of BNSIGC. Ms. ZHANG has become the deputy general manager of the Company since 2012. Ms. ZHANG has extensive experience in construction engineering, tendering, works pricing and works supervision.

Mr. LIU Tie-Lin, aged 54, is a deputy general manager of the Company. Mr. LIU graduated from Tsinghua University with a postgraduate degree. Mr. LIU joined BNSIGC since 1990 and served as the general manager of North Star Shopping Centre. Mr. LIU was appointed as the deputy general manager of the Company in 2002. Mr. LIU has extensive experience in commercial property operation management.

Mr. CHEN De-Qi, aged 53, is a deputy general manager of the Company. Mr. CHEN graduated from University of Chinese Academy of Sciences with a master's degree in science. He is a senior economist. Mr. CHEN joined BNSIGC since 1993 and successively served as the deputy head of the Development Department of BNSIGC, deputy general manager and general manager of Beijing North Star Real Estate Development Co., Limited and general manager of the branch company of Beijing North Star Property of Beijing North Star Company Limited. Mr. CHEN has become the deputy general manager of the Company since 2015. Mr. CHEN possesses profound experience in real property development and management.

Mr. GUO Chuan, aged 48, is a deputy general manager, a secretary to the Board and the chief legal advisor of the Company. Mr. GUO graduated from Capital University of Economics and Business and University of International Business and Economics with an LLB degree in economic law and an EMBA degree and is a qualified lawyer. Mr. GUO joined BNSIGC in 1991, and was consecutively deputy director and director of the Secretariat of the Board of the Company. In February 2004, Mr. GUO was appointed as secretary to the Board of the Company and was appointed as the chief legal advisor of the Company in July 2008. He has served as a deputy general manager of the Company since March 2017. Mr. GUO has extensive experience in corporate governance, legal affairs, corporate branding and strategic management.

Mr. SUN Dong-Fan, aged 54, is a deputy general manager of the Company. Mr. SUN graduated from Beijing Jiaotong University with an EMBA degree. He is senior economist. Mr. SUN joined BNSIGC in 1988 and successively served as a deputy manager, general manager of Hui Yuan Apartment and general manager of Office Building Operation and Management Branch of Beijing North Star Company Limited. Mr. SUN has served as an assistant to general manager of Beijing North Star Company Limited since January 2016 and standing deputy general manager of Beijing North Star Convention Group Co., Limited. He has served as a deputy general manager of the Company since March 2017. Mr. SUN has extensive experience in investment properties management.

Profile of Directors, Supervisors and Senior Management (Continued)

FINANCIAL CONTROLLER

Ms. CUI Wei, aged 43, is the financial controller of the Company. Mr. CUI graduated from Central University of Finance and Economics and obtained a master's degree in management. She is a senior accountant. Ms. CUI was a deputy chief accountant and chief accountant of Beijing No. 1 Municipal Co., Ltd. (北京市市政一有限責任公司) and the chief accountant of Beijing Municipal Construction Co., Ltd. Ms. CUI joined the Company in 2013 and became the financial controller of the Company. Ms. CUI has rich experiences in company financial management.

COMPANY SECRETARY

Mr. GUO Chuan, aged 48, is a deputy general manager, a secretary to the Board and the chief legal advisor of the Company. Mr. GUO graduated from Capital University of Economics and Business and University of International Business and Economics with an LLB degree in economic law and an EMBA degree and is a qualified lawyer. Mr. GUO joined BNSIGC in 1991, and was consecutively deputy director and director of the Secretariat of the Board of the Company. In February 2004, Mr. GUO was appointed as secretary to the Board of the Company and was appointed as the chief legal advisor of the Company in July 2008. He has served as a deputy general manager of the Company since March 2017. Mr. GUO has extensive experience in corporate governance, legal affairs, corporate branding and strategic management.

Mr. LEE Ka Sze, Carmelo, aged 56, is company secretary of the Company and such office is served by him as a representative of external service provider. He is responsible for ensuring the Company has been in compliance with the regulations of Hong Kong. Mr. LEE graduated from the University of Hong Kong with a bachelor's degree in law. He is a practicing solicitor in Hong Kong and a partner of Woo Kwan Lee & Lo, the Company's legal adviser on Hong Kong laws. Mr. LEE was appointed as the company secretary of the Company in 1997.

Report of the Directors

The Board of the Company is pleased to present to the shareholders its report together with the audited financial reports of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in development properties, investment properties (including hotels) and commercial properties. The subsidiaries are mainly engaged in property development and property investment in Beijing and Changsha City of Hunan Province in the PRC.

BUSINESS REVIEW

1. Business performance, principal risk and uncertainties and future development

The Group's business performance, principal risk and uncertainties and future development for the year ended 31 December 2016 are discussed on page 8 to 28 of the annual report.

2. Significant subsequent events

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 Dong-Fan, 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.

3. Environmental policies and performance

The environmental policy and its performance of the Group for the year ended 31 December 2016 is set out in the section "Efforts for Environmental Protection" paged 21 of the "The Board's Discussion and Analysis on the Company's Operation during the Reporting Period" of this annual report.

4. Laws and regulations that have a significant impact on the Company

The Company has strictly complied with the Listing Rules, the SFO, the Company Law, Securities Law, the Rules for Governance of Securities Companies and other relevant laws and regulations and industry rules which had significant influence on the business and operation of the Company during the year.

5. Key relationships

The explanation on the key relationships between the Company and its employees, customers or suppliers and the personnel who has material impact on and is the key to the prosperity of the Company is set out in the Report of the Directors of this annual report.

Report of the Directors (Continued)

RESULTS AND PROFIT DISTRIBUTION

The results of the Group for the year ended 31 December 2016 and the financial positions of the Group and the Company as at 31 December 2016 prepared in accordance with HKFRS are set out on pages 64 to 70 of this annual report.

DIVIDEND

The Board recommends the payment of a final dividend of RMB0.06 per share for the year ended 31 December 2016, totalling RMB202,021,000.

FIVE YEAR FINANCIAL SUMMARY

The Group's consolidated results and summaries of assets and liabilities for the last five financial years are set out on pages 4 to 5 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's cost of purchase of goods and services was derived from its five largest suppliers and less than 30% of the Group's revenue of sale of goods and services was derived from its five largest customers.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owned more than 5% interest of the Company's share capital) had any interest in the major suppliers or customers mentioned above.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements of property, plant and equipment of the Group and of the Company during the year are set out in note 8 to the consolidated financial statements.

PRINCIPAL PROPERTIES

The summary of principal properties profile owned by the Group is set out on pages 158 to 160 of this annual report.

RESERVES

Details of movements of the reserves of the Group and the Company during the year are set out in note 20 to the consolidated financial statements.

Report of the Directors (Continued)

DISTRIBUTABLE RESERVES

In accordance with the articles of association of the Company, the profit available for appropriation by the Company for the purpose of dividend payments is based on the lesser of the net profit of the Company determined in accordance with China Accounting Standards for Business Enterprises; and the net profit determined in accordance with HKFRSs.

Distributable reserves of the Company as at 31 December 2016 amounted to RMB1,749,774,469 (2015: RMB1,764,407,706).

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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The directors, supervisors and senior management during the year and up to the date of this report are as follows:

Executive Directors

HE Jiang-Chuan	*Chairman*
LI Wei-Dong (appointed on 11 October 2016)	*Director*
Li Chang-Li	*Director*
ZHAO Hui-Zhi	*Director*
LIU Jian-Ping	*Director*
LIU Huan-Bo	*Director*
ZENG Jin (resigned on 5 August 2016)	*Director*

Independent Non-Executive Directors

WU Ge	*Director*
FU Yiu-Man	*Director*
DONG An-Sheng (appointed on 25 May 2016)	*Director*
GUO Li (resigned on 25 May 2016)	*Director*

Supervisors

ZHAO Chong-Jie	*Chairman of Supervisory committee*
ZHANG Jin-Li (appointed on 25 May 2016)	*Supervisor*
SONG Yi-Ning	*Supervisor*
YAN Jing-Hui (appointed on 22 March 2016)	*Supervisor*
ZHANG Wei-Yan	*Supervisor*
LI Guo-Rui (resigned on 25 May 2016)	*Supervisor*
LIU Yao-Zhong (resigned on 22 March 2016)	*Supervisor*

Report of the Directors (Continued)

Senior Management

LI Wei-Dong (appointed on 5 August 2016)	*General Manager*
ZENG Jin (resigned on 5 August 2016)	*General Manager*
LIU Huan-Bo	*Deputy General Manager*
DU Jing-Ming	*Deputy General Manager*
LI Yun (resigned on 7 March 2017)	*Deputy General Manager*
ZHANG Wen-Lei	*Deputy General Manager*
LU Jian (resigned on 11 October 2016)	*Deputy General Manager*
LIU Tie-Lin	*Deputy General Manager*
CHEN De-Qi	*Deputy General Manager*
GUO Chuan (appointed on 7 March 2017)	*Deputy General Manager*
SUN Dong-Fan (appointed on 7 March 2017)	*Deputy General Manager*
CUI Wei	*Financial Controller*
GUO Chuan	*Company Secretary*
LEE Ka Sze, Carmelo	*Company Secretary – served as a representative of external service provider*

The biographical details of directors, supervisors and senior management are set out on pages 40 to 44 of this annual report.

The Company has received confirmation from each of the independent non-executive directors of their independence and considered all independent non-executive directors to be independent of the Company.

None of the directors or supervisors has entered into any service contract with the Company or any of its subsidiaries, which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

RESIGNATION

Mr. GUO Li has tendered his resignation from the position of director due to personal work reasons, which became effective after the new election of Mr. DONG An-Sheng, an independent non-executive director to fill in such vacancy at the annual general meeting of the Company held on 25 May 2016. Mr. ZENG Jin tendered his resignation from the position of director due to work rearrangement and the resignation application of Mr. ZENG Jin came into effect when it was delivered to the Board. During the year, no director resigned from his office or refused to stand for re-election to his office due to reasons relating to the affairs of the Company.

PERMITTED INDEMNITY PROVISIONS

During the Reporting Period, the Company has purchased the appropriate liability insurance for its directors, supervisors and senior management.

EQUITY-LINKED AGREEMENTS

As considered and approved at the 76th meeting of the sixth session of the Board of the Company, the Company proposed a non-public issuance of no more than 569,470,000 A shares (inclusive) to no more than 10 target investors at an adjusted issue price of no less than RMB4.39 per A share. The proposed total proceeds would be not more than RMB2,500 million (inclusive) and would be, after deducting the issuance expenses, used for the development and construction of North Star Xinhe Delta Zone E4 and E6 Projects (北辰新河三角洲E4、E6區) and Hangzhou Xiaoshan North Star Olympic Garden Project (杭州蕭山北辰•奧園項目), and the repayment of bank loans. On 3 February 2016, the Company received the “Approval in relation to the Non-public Issuance of Shares by Beijing North Star Company Limited” (Zheng Jian Xu Ke [2016] No. 204) issued by the China Securities Regulatory

Report of the Directors (Continued)

Commission (the "CSRC"), and such approval was valid for a period of six months from the issuance approval date (i.e. 28 January 2016). Due to the changes in the capital market, the Company has not managed to complete such non-public issuance within six months from the date on which the issuance was approved by the CSRC (i.e. prior to 28 July 2016). Therefore, the approval for such non-public issuance lapsed automatically upon expiry.

The Company and BNSIGC entered into a subscription agreement on 16 April 2015, pursuant to which, BNSIGC agreed to subscribe in cash for a number of A shares (the number of shares being rounded down to the nearest integer without decimals) equivalent to approximately 34.482% of the total A shares ultimately issued by the Company under such non-public issuance at a price identical to that offered to other subscribers. After the approval for such non-public issuance of shares lapsed automatically upon expiry on 28 July 2016, the subscription agreement entered into by and between the Company and BNSIGC had been terminated accordingly.

DIRECTORS AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year and up to the ending date, the Company was a party to any arrangements whose objects are, or one of whose objects is, to enable the directors and supervisors of the Company to acquire benefits by means of the acquisition of Shares in, or debentures, of the Company or any other body corporate.

EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of directors, supervisors and senior management's emoluments are set out in notes 38 and 40 to the consolidated financial statements.

INDIVIDUALS WITH THE HIGHEST PAY

During the year, one of the five individuals with the highest emolument in the Group was directors of the Company.

MANAGEMENT CONTRACTS

Except for the connected transaction contracts as stated in this report, no contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2016, none of the directors, supervisors and chief executives of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (as defined under Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company or Hong Kong Stock Exchange pursuant to the Model Code. None of the directors, supervisors and chief executives of the Company, their spouses or children under the age of 18 had been granted any rights to subscribe for shares in or debentures of the Company or its associated corporations, nor has any of them exercised such rights during the year.

At no time during the year were the Company and its associated corporations a party to any arrangement to enable the directors, supervisors and chief executives of the Company (including their spouses and children under 18 years old) to hold any interests or short positions in the shares in or debentures of, the Company, and its associated corporations.

Report of the Directors (Continued)

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Apart from service contracts in relation to the Company's business, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its substantial shareholders was a party and in which a director or supervisor or their related entities of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the directors, supervisors and management shareholders has any interest in business which competes or may compete with the business of the Group under the Listing Rules.

DETAILS OF SHARE OFFERING AND LISTING

Class of shares	H shares
Listing place	Hong Kong
Offer price	HK$2.40 per share
Listing date	14 May 1997
Number of issued shares	707,020,000 shares

Class of shares	A shares
Listing place	Shanghai
Offer price	RMB2.40 per share
Listing date	16 October 2006
Number of issued shares	1,500,000,000 shares

SHARE CAPITAL

The Company's total number of issued shares as at 31 December 2016 was 3,367,020,000, comprising:

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

Details of the movements in share capital of the Company are set out in note 19 to the consolidated financial statements.

Report of the Directors (Continued)

SUBSTANTIAL SHAREHOLDERS' INTEREST

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 31 December 2016, the Company had been notified of the following substantial shareholders' interests or short positions, being 5% or more of the relevant class of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Long positions in the shares of the Company:

Name of shareholder	Class of shares	No. of shares	No. of relevant shares	Capacity	Nature of interest	Percentage of the relevant class of share capital	Percentage of total share capital
Beijing North Star Industrial Group Limited Liabilities Company ("BNSIGC")Note	A shares	1,161,000,031Note	–	Beneficial owner	Corporate interest	43.65%	34.48%

Save as disclosed above, the register required to be kept under Section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 31 December 2016.

Note: Pursuant to the document titled "Implementation measure for the transfer of part of the state-owned shares to the National Council for Social Security Fund in domestic securities market" (Cai Qi [2009] No. 94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and announcement No. 63 of 2009 jointly issued by the Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund, after the reform of shareholder structure, all the limited companies who conducted the initial public offering in the domestic securities market with its shares (including state-owned shares) listed shall transfer part of its state-owned shares with reference to 10% of the actual issued shares during initial public offering to National Council for Social Security Fund except those otherwise stipulated by the State Council. For the companies which meet the conditions for direct transfer of shares but are required to maintain the controlling status of the nation pursuant to relevant national regulations, the state-owned shareholders are required to perform their obligation of transfer by way of (including but not limited to) distributing dividend or turning into internal resources while ensuring the capital being contributed to the national treasury in full in a timely manner after approval by the asset supervision and management authority.

The Company completed the initial public offering for A shares and was listed in October 2006 with an issue size of 1.5 billion shares. Pursuant to No. 94 document and the announcement No. 63 of 2009 jointly issued by the Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund, the 150,000,000 shares held by BNSIGC are frozen at present as BNSIGC was a state-owned shareholder prior to the listing of the Company.

On 30 October 2015, the BNSIGC has issued a guarantee to National Council for Social Security Fund, undertaking to perform its share transfer obligation through cash contribution and fully contributed to the national treasury with RMB360,000,000 in cash from the 150,000,000 shares to be transferred. The BNSIGC has paid the first amount of RMB60,000,000 on 20 November 2015 and paid the second amount of RMB100,000,000 on 18 November 2016. So far, the 150,000,000 shares held by the BNSIGC in the Company are still frozen.

Report of the Directors (Continued)

THE COMPANY'S TOP 10 SHAREHOLDERS OF LIQUID SHARES IN THE A-SHARE AND H-SHARE MARKETS

As at 31 December 2016, the shareholders as recorded in the registers of holders of A shares and H shares kept by the Company are as follows:

As at the end of the reporting period, the total number of shareholders is:	221,597 holders

Shareholdings of top ten shareholders of the Company as at 31 December 2016

Name of shareholders	Class of shares	Total number of shares held at the end of the period *(shares)*	Percentage of shares held *(%)*
Beijing North Star Industrial Group Limited Liabilities Company	A share	1,161,000,031	34.482
HKSCC NOMINEES LIMITED	H share	684,754,499	20.337
Wangfujing Group Co.,Ltd. (王府井集團股份有限公司)	A share	125,300,000	3.721
Zhong Hang Xin Gang Guarantee Co., Ltd. (中航鑫港擔保有限公司)	A share	73,573,353	2.185
Bank of China – China AMC Return Securities Investment Fund (中國銀行－華夏回報證券投資基金)	A share	15,732,056	0.467
Ping An Bank Co., Ltd. – Xinhua Zengying Return Bond Type Securities Investment Fund (平安銀行股份有限公司－新華增盈回報債券型證券投資基金)	A share	14,255,559	0.423
TAO Andong	A share	14,243,086	0.423
FANG Yuelun	A share	12,789,148	0.380
Ping An Bank Co., Ltd. – Xinhua Axin No. 2 Capital Guaranteed Combined Securities Investment Fund (平安銀行股份有限公司–新華阿鑫二號保本混合型證券投資基金)	A share	11,568,766	0.344
China Resources Szitic Trust Co., Ltd. – Runzhixin tranche 18 Collective Fund Trust Plan (華潤深國投信托有限公司－潤之信18期集合資金信託計劃)	A share	11,469,626	0.341

Note: HKSCC NOMINEES LIMITED stands for Hong Kong Securities Clearing Company (Nominees) Limited, which held the Company's H shares on behalf of a number of customers.

DESIGNATED DEPOSITS AND DUE 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.

STAFF RETIREMENT SCHEME

Details of the Group's staff retirement scheme are set out in note 28 to the consolidated financial statements.

Report of the Directors (Continued)

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.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 38 to the consolidated financial statements also constituted connected transactions (including continuing connected transactions) under the Listing Rules and/or the Listing Rules of Shanghai Stock Exchange. Such transactions between certain connected persons (as defined in the Listing Rules) and the Group which have been entered into and/or are ongoing during the year are shown below for which relevant disclosure, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

(1) Entrusted Loans

During the reporting period, the Company has obtained the entrusted loans amounting to RMB300,000,000 from BNSIGC. The interest rate is a fixed rate of 4.75%. The Company does not need to provide any pledge or guarantee for these loans. The Company has made repayment for due entrusted loans of RMB1,000,000,000. As of the end the Reporting Period, the entrusted loans had been repaid in full.

(2) Interest Expense for the Entrusted Loans

During the reporting period, the total interest expense for the entrusted loans payable by the Company amounted to RMB21,150,208, representing 1.25% of the interest expense of the Company for the year. The total interest expense for the entrusted loans paid by the Company amounted to RMB22,294,514. Such transaction was settled by cash.

(3) Shareholder Loans

During the reporting period, the Company has obtained the shareholder loans amounting to RMB700,000,000 from BNSIGC at the benchmark interest rate for the same period stipulated by the People's Bank of China. The Company does not need to provide any pledge or guarantee, and the principal will fall due in 24 months.

(4) Use of Authorised Logo and Signage Usage

Pursuant to the "Contract of Authorised Logo and Signage Usage" entered into with BNSIGC on 18 April 1997, the Company paid RMB10,000 of authorised logo and signage usage fee to BNSIGC during the reporting period, representing 0.03% of the leases of the Company. Such transaction was settled by cash.

Report of the Directors (Continued)

(5) Land Rental

According to a lease agreement dated 11 April 1997 entered into between the Company and BNSIGC, BNSIGC leased to the Company a piece of land on which the Company's investment properties and their ancillary facilities are located for its use. With an area of approximately 167,000 m^2, the piece of land is leased for terms of 40 years to 70 years, subject to the type of usage of different portions of the piece of land. The rental for the reporting period was RMB15,524,761, representing 40.23% of the leases of the Company. Such transaction was settled by cash. The rentals for future years will be adjusted with reference to the percentage increase of the previous year's consumer price index as announced by the National Bureau of Statistics.

(6) Renting Properties from Others

In 2016, the Company's subsidiary, Beijing North Star Xin Cheng Property Management Co., Limited (hereafter called "Xin Cheng Property"), entered into a property rental agreement with Chen Yun Property, a subsidiary of BNSIGC. Pursuant to the agreement, Xin Cheng Property leased certain properties from Chen Yun Property as office properties. The term of the lease is one year, starting from 1 January 2016 and ended at 31 December 2016. The rental for the reporting period was RMB900,000, representing 2.33% of the leases of the Company. Such transaction was settled by cash.

(7) Amount Provided to and Received from Joint Ventures

The Company provided fund to Wuhan Contemporary North Star, a joint venture of the Company, for project development with interest accrued of RMB13,360,441 in the Reporting Period, accounting for 14.70% of the interest income of the Company. During the Reporting Period, an amount of RMB203,346,125 was recovered and the interest of RMB34,529,688 was received. Such transaction was settled by cash.

During the Reporting Period, the Company provided an amount of RMB53,000,000 to Hangzhou Jinhu, a joint venture of the Company, for project development. The interest receivable amounted to RMB1,334,569.

The Company obtained an amount of RMB62,500,000 from Hangzhou Jinhu, a joint venture of the Company. The fund is interest-free without fixed term for repayment, and it is not involved in any charge, pledge or guarantee.

The Company obtained an amount of RMB268,388,321 from Hangzhou Chenxu, a joint venture of the Company. The fund is interest-free without fixed term for repayment, and it is not involved in any charge, pledge or guarantee.

(8) Amount Provided to and Received from Associates

The Company provided fund to Hangzhou Xufa, an associate of the Company, for project development with interest accrued of RMB5,718,342 in the Reporting Period, accounting for 6.30% of the interest income of the Company. During the Reporting Period, an amount of RMB136,197,025 was recovered and the interests of RMB10,345,201 was received. Such transaction was settled by cash.

The Company obtained an amount of RMB17,957,774 from Hangzhou Xufa, an associate of the Company. The fund is interest-free without fixed term for repayment, and it is not involved in any charge, pledge or guarantee.

Report of the Directors (Continued)

The independent non-executive directors of the Company have reviewed the transactions set out in the above paragraphs (1) to (8), and confirmed in accordance with the Listing Rules that, such transactions were conducted on normal commercial terms and the terms of relevant agreements in the ordinary and usual course of business of the Company, if applicable, and such terms were fair and reasonable to all the shareholders of the Company.

PricewaterhouseCoopers, the auditor of the Company, has reviewed the transactions in the above paragraphs (4), (5) and (6), which have constituted the continuing connected transactions for the year ended 31 December 2016, and has advised in its letter to the Company pursuant to the Listing Rules that, (i) such transactions have been approved by the Board of the Company; (ii) the pricing of such transactions was in line with the pricing policy of the Company based on a sample basis; and (iii) such transactions were conducted under relevant agreements governing such transactions. 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 the continuing connected transactions in the above paragraphs (4), (5) and (6).

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2016, the bank loans and other borrowings of the Group are set out in note 23 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision under the Company's Articles of Association and the related laws of the PRC, which obliges the Company to offer new shares with pre-emptive rights to existing shareholders for purchase of shares on pro-rata basis.

SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 9 to the consolidated financial statements.

MAJOR LITIGATION OR ARBITRATION

The Company was not involved in any material litigation or arbitration during the year.

POLICIES ON INCOME TAX

In compliance with the PRC laws and regulations, the Company and its subsidiaries and a jointly controlled entity paid corporate income tax at a rate of 25% based on taxable income.

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.

Report of the Directors (Continued)

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.

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.

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.

REVIEW ON ANNUAL RESULTS

The audit committee has reviewed the annual results and the financial statements of the Group for the year ended 31 December 2016 according to its terms of reference.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, there is sufficient public float which is more than 25% of the Company's issued shares as required under the Listing Rules.

AUDITOR

The accounts of the Company have been audited by PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP who retire and being eligible, offer themselves for re-appointment as auditors of the Company. A resolution re-appointing PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company's PRC and international auditors will be proposed at the 2016 annual general meeting.

By Order of the Board

HE Jiang-Chuan
Chairman

Beijing, the PRC, 22 March 2017

Report of the Supervisory Committee

The Supervisory Committee of the Company (hereinafter as the "Supervisory Committee"), in compliance with the provisions of the Company Law of the People's Republic of China, the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, conscientiously carried out their duty, protected shareholders' rights, safeguard the Company's interest and abided by the principle of integrity, took an active role to work reasonably and cautiously with diligence to protect the interests of the Company and its shareholders.

In 2016, the Supervisory Committee met four times in total and the supervisors attended the Board meetings, 2015 annual general meeting as well as the extraordinary general meetings of 2016 held during the reporting period. During the course of preparation of 2016 Annual Report, the Supervisory Committee has seriously reviewed and agreed to the audited financial reports, profit appropriation proposal and the self-assessment report of the Board on internal control of the Company to be proposed by the Board for presentation at the 2016 annual general meeting. It also strictly and effectively monitored and supervised the Board and management of the Company in making significant policies and specific decisions to ensure that they were in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of its shareholders and employees. It is of the opinion that in 2016, the Board and management of the Company were able to make decision in lawful procedures, strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the shareholders in accordance with the laws and regulations and the Articles of Association.

During the reporting period, the Supervisory Committee conducted continuous supervision over the implementation of the Registration and Management System for the Holders of Inside Information (內幕信息知情人登記管理制度) and the cash dividends of the previous year of the Company and had not detected any insider dealings by any holders of inside information or any other act detrimental to the interests of the Company. The cash dividend policy of the Company was implemented effectively under the Articles of Association and the resolutions of general meetings. Meanwhile, the Supervisory Committee was of the opinion that, the connected transactions between the Company and related parties were conducted at fair market prices and in compliance with reviewing and disclosure procedures, without prejudicing the interests of the Company and minority shareholders.

The Supervisory Committee is satisfied with the achievement and economic effects of the Company in 2016 and has great confidence to the future of the Company.

In 2017, the Supervisory Committee of the Company will continue to strictly comply with the Articles of Association and the relevant regulations, so as to safeguard shareholders' interests and fulfill all its duties.

By Order of the Supervisory Committee
ZHAO Chong-Jie
Chairman of the Supervisory Committee

Beijing, the PRC, 22 March 2017

Independent Auditor's Report

pwc

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BEIJING NORTH STAR COMPANY LIMITED
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Beijing North Star Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 64 to 156, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report (Continued)

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BEIJING NORTH STAR COMPANY LIMITED (Continued)
(incorporated in the People's Republic of China with limited liability)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties
- Impairment of a hotel property in the PRC

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 7 to the consolidated financial statements As at 31 December 2016, the Group's investment properties were measured at fair value and carried at 12,550 million. The fair value was determined by management with reference to the valuations performed by an independent professional valuer engaged by the Group (the "Valuer"). The Group's investment property portfolio mainly included office units, apartments units, shopping malls and convention centres. • Office units, apartments units and shopping malls: the valuation of these was derived using the income capitalization approach (term and reversionary method), the relevant key assumptions included adjustment on term yield and reversionary yield. • Convention centres: the valuation of these was derived using the discounted cash flow approach, the relevant key assumptions included rental value and discount rate. All the relevant key assumptions were influenced by the prevailing market conditions and characteristics of individual property such as location, size and age of the properties.	We assessed the competence, capabilities and objectivity of the Valuer. We obtained and read the valuation reports for all investment properties and held discussion with the Valuer to understand the valuation approach and key assumptions. We checked property specific information such as location, building age, occupancy status and rental value used by the Valuer with management's records. We assessed the reasonableness of the valuation method applied based on our knowledge of the business and industry. We assessed the reasonableness of the changes in fair value by analysing the 2016 operating performance of the Group's properties. We also involved our internal valuation specialists, on a sample basis, to assist on assessing the methodologies used by the Valuers and compared the valuations of investment properties to our independently formed market expectations.

Independent Auditor's Report (Continued)

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BEIJING NORTH STAR COMPANY LIMITED (Continued)
(incorporated in the People's Republic of China with limited liability)

KEY AUDIT MATTERS *(CONTINUED)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties (Continued)	
We focus on this area due to the significant quantum to the consolidated financial statements, and key assumptions in valuation involved significant judgements and estimates.	In light of the above, we found the significant judgements and estimates applied by management were supportable in light of available evidence.
Impairment of a hotel property in the PRC	
Refer to note 8 to the consolidated financial statements The Group operates a hotel in Changsha city, Hunan Province, the PRC. As at 31 December 2016, the hotel property was recorded as property, plant and equipment with a net book value of RMB795 million. The hotel has been loss making since its operation from October 2014 and is expected to face fierce competition due to the opening of new hotels in 2016 as well as in the near future. Management performed impairment testing on the hotel property as at 31 December 2016 and based on the result of testing, no impairment loss was recognised. Management determined the recoverable amount of the hotel property through fair value less costs of disposal. The fair value was determined with reference to the valuation performed by the Valuer. Costs of disposal mainly included transaction taxes. The valuation of the hotel property was derived using the discounted cash flow approach by the Valuer. Key assumptions used in the valuation included forecast occupancy rate, forecast average daily rate and discount rate. Such key assumptions were influenced by prevailing market conditions and adjusted according to the characteristics of the hotel. We focus on this area due to the key assumptions in impairment testing involved significant judgements and estimates.	We assessed the competence, capabilities and objectivity of the Valuer. We obtained and read the valuation report and held discussion with the Valuer to understand the valuation approach and key assumptions. We involved our valuation experts to assist on assessing the reasonableness of the valuation approach and the key assumptions used in the valuation, including forecast occupancy rate, forecast average daily rate and discount rate to our independently formed market expectations. We assessed the reasonableness of the transaction taxes through recalculation in line with tax rules. In light of the above, we found the significant judgements and estimates used in the impairment testing of the hotel asset were supportable in light of available evidence.

Independent Auditor's Report (Continued)

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BEIJING NORTH STAR COMPANY LIMITED (Continued)
(incorporated in the People's Republic of China with limited liability)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (Continued)

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BEIJING NORTH STAR COMPANY LIMITED (Continued)
(incorporated in the People's Republic of China with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (Continued)

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BEIJING NORTH STAR COMPANY LIMITED (Continued)
(incorporated in the People's Republic of China with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is LEONG Kin Bong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2017

(If there is any inconsistency between the English and Chinese version of this Independent auditor's report, the English version shall prevail.)

Consolidated Balance Sheet

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Land use rights	6	**311,818**	320,470
Investment properties	7	**12,550,400**	12,396,300
Property, plant and equipment	8	**2,169,859**	2,272,152
Investments accounted for using the equity method	10	**254,960**	14,705
Deferred income tax assets	24	**315,013**	210,306
		15,602,050	15,213,933
Current assets			
Properties under development	13	**32,593,536**	22,966,299
Completed properties held for sale	14	**8,729,267**	8,053,187
Other inventories	15	**62,027**	67,267
Trade and other receivables	16	**6,667,705**	1,651,243
Restricted bank deposits	17	**555,505**	471,236
Cash and cash equivalents	18	**7,520,362**	6,104,157
		56,128,402	39,313,389
Total assets		**71,730,452**	54,527,322
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	19	**3,367,020**	3,367,020
Other reserves	20	**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

Consolidated Balance Sheet (Continued)

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Long term borrowings	23	**20,823,537**	17,085,264
Trade and other payables	21	**1,462,855**	–
Long term payables		**8,750**	5,282
Deferred income tax liabilities	24	**1,847,290**	1,778,548
		24,142,432	18,869,094
Current liabilities			
Trade and other payables	21	**24,768,705**	12,978,427
Current income tax liabilities	22	**1,345,868**	824,753
Current portion of long term borrowings	23	**2,902,150**	4,158,300
Short term borrowings	23	**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

The financial statements on pages 64 to 70 were approved by the Board of Directors on 22 March 2017 and were signed on its behalf.

He Jiang Chuan
Director

Li Wei Dong
Director

The notes on pages 71 to 156 are an integral part of these consolidated financial statements.

Consolidated Income Statement

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Revenue	5	**9,829,779**	7,185,973
Cost of sales	25	**(6,965,927)**	(4,388,068)
Gross profit		**2,863,852**	2,797,905
Selling and marketing expenses	25	**(540,239)**	(411,289)
Administrative expenses	25	**(697,384)**	(680,809)
Fair value gains on investment properties		**84,510**	22,420
Other income	26	**6,146**	–
Other gains – net	27	**138,420**	1,686
Operating profit		**1,855,305**	1,729,913
Finance income	29	**90,708**	71,684
Finance expenses	29	**(517,463)**	(449,616)
Finance expenses – net	29	**(426,755)**	(377,932)
Share of gains/(losses) of investments accounted for using the equity method	10	**1,687**	(6,831)
Profit before income tax	5	**1,430,237**	1,345,150
Income tax expense	30	**(699,407)**	(561,098)
Profit for the year		**730,830**	784,052
Attributable to:			
Owners of the Company	31	**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)*	31	**23.96**	22.59

The notes on pages 71 to 156 are an integral part of these consolidated financial statements.

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

The notes on pages 71 to 156 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the Company				Non-controlling interests	Total equity
		Share capital	Other reserves	Retained earnings	Total		
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2016		3,367,020	4,346,651	8,887,245	16,600,916	603,618	17,204,534
Comprehensive income							
Profit/(loss) for the year		–	–	806,811	806,811	(75,981)	730,830
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	806,811	806,811	(75,981)	730,830
Transactions with owners in their capacity as owners							
2015 final dividends		–	–	(202,021)	(202,021)	–	(202,021)
Transfer from retained earnings	20	–	21,077	(21,077)	–	–	–
Proceeds from capital injection from non-controlling interests		–	–	–	–	79,500	79,500
Acquisition of additional interests in a subsidiary from non-controlling interests	36	–	(3,251)	–	(3,251)	(2,316)	(5,567)
Partial disposal of a subsidiary with lost of control		–	–	–	–	(15,979)	(15,979)
Total transactions with owners in their capacity as owners		–	17,826	(223,098)	(205,272)	61,205	(144,067)
Balance at 31 December 2016		3,367,020	4,364,477	9,470,958	17,202,455	588,842	17,791,297

The notes on pages 71 to 156 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (Continued)

	Note	Attributable to owners of the Company				Non-controlling interests	Total equity
		Share capital	Other reserves	Retained earnings	Total		
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2015		3,367,020	4,261,968	8,365,110	15,994,098	172,566	16,166,664
Comprehensive income							
Profit for the year		–	–	760,687	760,687	23,365	784,052
Other comprehensive income		–	93,787	–	93,787	–	93,787
Total comprehensive income		–	93,787	760,687	854,474	23,365	877,839
Transactions with owners in their capacity as owners							
2014 final dividends		–	–	(202,021)	(202,021)	–	(202,021)
Transfer from retained earnings	20	–	36,531	(36,531)	–	–	–
Proceeds from injection from non-controlling interests		–	–	–	–	424,000	424,000
Acquisition of a subsidiary		–	–	–	–	(16,313)	(16,313)
Fair value forward contract over non-controlling interest		–	(45,635)	–	(45,635)	–	(45,635)
Total transactions with owners in their capacity as owners		–	(9,104)	(238,552)	(247,656)	407,687	160,031
Balance at 31 December 2015		3,367,020	4,346,651	8,887,245	16,600,916	603,618	17,204,534

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	33	**3,112,167**	(2,584,243)
Interest received		**83,359**	60,756
Interest paid		**(1,836,225)**	(1,199,121)
PRC income tax paid		**(1,135,346)**	(637,445)
Net cash generated from/(used in) operating activities		**223,955**	(4,360,053)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(37,665)**	(39,229)
Increase of investment properties		**(69,590)**	(16,037)
Loans granted to related parties		**(55,500)**	(328,947)
Loan repayments received from related parties		**342,043**	192,750
Interest received for loans granted		**44,875**	1,526
Acquisition of additional interests in a subsidiary from non-controlling interests		**(5,567)**	–
Proceeds from sale of property, plant and equipment	33 (a)	**4,693**	320
Acquisition of a subsidiary, net of cash acquired		**3**	64
Investment in a joint venture and an associate		**(140,000)**	(2,500)
Purchases of available-for-sale financial assets		**(1,600,000)**	–
Proceeds from disposal of available-for-sale financial assets		**1,606,146**	–
Disposal of a subsidiary		**(168,430)**	–
Net cash used in investing activities		**(78,992)**	(192,053)
Cash flows from financing activities			
Proceeds from borrowings and insurance of bonds		**10,421,764**	10,319,631
Repayments of borrowings		**(7,558,444)**	(4,699,744)
Proceeds from borrowings from non-controlling interests		**2,452,668**	1,587,506
Proceeds from borrowings from a related party	38(iii)	**700,000**	–
Repayments from and funds to non-controlling interests		**(4,622,225)**	(825,732)
Proceeds from capital injection from non-controlling interests		**79,500**	424,000
Dividends paid to company's shareholders	32	**(202,021)**	(202,021)
Net cash generated from financing activities		**1,271,242**	6,603,640
Net increase in cash and cash equivalents		**1,416,205**	2,051,534
Cash and cash equivalents at beginning of year		**6,104,157**	4,052,623
Cash and cash equivalents at end of year	18	**7,520,362**	6,104,157

The notes on pages 71 to 156 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statement

1. GENERAL INFORMATION

Beijing North Star Company Limited (the "Company") is a joint stock limited liability Company established in the People's Republic of China (the "PRC") on 2 April 1997 as part of the reorganisation (the "Reorganisation") of a state-owned enterprise known as Beijing North Star Industrial Group Limited Liabilities Company ("BNSIGC").

Pursuant to the Reorganisation in preparation for the listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Company took over the principal subsidiaries and business undertakings of BNSIGC, together with their related assets and liabilities. The Company was granted the status of a sino-foreign joint venture joint stock limited Company on 20 July 1998. The address of its registered office is No. 8 Bei Chen Dong Road, Chao Yang District, Beijing, the PRC.

On 25 September 2006, the Company issued 1,500,000,000 A shares at RMB2.4 per share and these shares were listed on the Shanghai Stock Exchange on 16 October 2006. Since then, the Company's shares have been jointly listed on the Main Board of The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange.

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

These consolidated financial statements are presented in Renminbi, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 22 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures

(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.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted *(Continued)*

HKFRS 9, 'Financial instruments' *(Continued)*

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.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations not yet adopted *(Continued)*

HKFRS 16, 'Leases'

HKFRS 16 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, see note 35. 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.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Associates *(Continued)*

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS, 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of directors that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income' or 'finance cost'. All other foreign exchange gains and losses are presented in the income statement within 'other gains/(losses) – net'.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20–40 years
Hotel properties	20–40 years
Plant and machinery	5–15 years
Furniture, fixtures, equipment and motor vehicles	5–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.7 Property, plant and equipment *(Continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within 'other gains/(losses) – net', in the consolidated income statement.

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings, the cost of plant and machinery, installation, testing and other direct costs incurred during the development period. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. The carrying amount of a construction-in-progress is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9). When the assets concerned get ready for their intended use, the costs are depreciated in accordance with the policy as stated above.

2.8 Properties

(a) *Land use rights*

All land in Mainland China is state-owned and no individual land ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights, which are stated at cost and amortised over the use terms of 40 to 70 years using the straight-line method.

Land use rights which is held for development for sales are inventories (Note 2.11) and measured at lower of cost and net realisable value. Land use rights which are held for long-term rental yields are investment properties (Note 2.8(b)) and measured at fair value. Land use rights for own use are stated at cost and amortised over the use terms of 40–50 years using the straight-line method.

(b) *Investment properties*

Investment property, principally leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Investment property is measured initially at its cost, including related transaction cost and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as 'fair value gains on investment properties'.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8 Properties *(Continued)*

(b) Investment properties (Continued)

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as investment property and measured at fair value if its fair value becomes reliably determinable or construction is completed (whichever is earlier).

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income and increases the revaluation surplus within equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to amontisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

The Group's financial assets comprise "trade and other receivables" (Note 2.12), "cash and cash equivalents" (Notes 2.13) and "restricted bank deposits" (Note 17) in the consolidated balance sheet. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Financial assets *(Continued)*

Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss as part of other income when the Group's right to receive payments is established.

2.11 Inventories

(a) Properties under development and Completed properties held for sale

Properties under development and Completed properties held for sale are stated at the lower of cost and net realisable value Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. On completion, the properties are transferred to completed properties held for sale.

Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and Completed properties held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(b) Other inventories

Other inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to the purchases. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.13 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Liquid shares, A shares and H shares issued by the Company are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the PRC where the Company and its subsidiaries and joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associate and joint venture, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 Current and deferred income tax *(Continued)*

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(a) Pension obligations

The Group has only defined contribution plans.

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the Reporting Period are discounted to their present value.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Employee benefits *(Continued)*

(c) Early retirement benefits

The Group provides early retirement benefits to employees who accept early retirement arrangements. Early retirement benefits are salaries and social welfare paid for employees who accept voluntary retirement before the normal retirement date, as approved by the Group's management. The related benefit payments are made from the date of the early retirement till the normal retirement ages. The accounting treatment of the Group's early retirement benefits is in accordance with termination benefits as determined in HKAS 19. The liability is recognised for the early retirement benefit payments from the date of early retirement to the normal retirement date when satisfied the condition of termination benefit with a corresponding charge in the consolidated income statement. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in consolidate income statement when incurred.

(d) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of the relevant properties have been completed and the properties have been delivered to the purchasers pursuant to the sale agreements, and collectability of related receivables is reasonably assured.

Deposits and installments received on properties sold prior to the date of revenue recognition are included in current liabilities.

(b) Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the lease.

(c) Sales of goods – retail

Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(d) Sales of services

Revenue from provision of services is recognised in the accounting period in which the services are rendered.

2.22 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the leasor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the leasor), are charged to the income statement on a straight-line basis over the period of the lease.

2.24 Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight- line basis over the expected lives of the related assets.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.26 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks on behalf of certain purchasers of the Group's properties to secure mortgage loans.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC only, with most transactions denominated in RMB. Therefore, the Group does not have significant exposure to foreign exchange risk. The conversion of RMB into foreign currencies is subjected to the rules and regulations of the foreign exchange control, as promulgated by the PRC government.

(ii) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk, which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The Group closely monitors the trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements to hedge its exposure to interest rate risk, but will consider hedging interest rate risk should the need arise.

At 31 December 2016, if interest rates of borrowings obtained at variable rates had increased/decreased by 10% (approximately 70 basis points) with all other variables held constant, the Group's post-tax profit for the year, after taking into account the impact of interest capitalisation, would have decreased/increased by approximately RMB16,334,000 (2015: RMB14,551,000).

(b) Credit risk

The Group is exposed to credit risk in its restricted bank deposits, cash and cash equivalents, and trade and other receivables.

Substantially all of the Group's cash and cash equivalents, and restricted cash are held all in major financial institutions located in the PRC, which management believes are of high credit quality as majority of them are held in state-owned banks. There was no recent history of default of cash and cash equivalents, and restricted cash from such financial institutions/ authority.

The Group's trade receivable balances are due from third party customers as a result of sales of goods. The Group's other receivables are mainly due from third parties. The Group performs ongoing credit evaluations of the financial condition of its customers/debtors on an individual basis, taking into accounts their financial position, past experience and other factors, and generally does not require collateral from the customers/debtors' account on the outstanding balances. Based on the expected realisation and timing for collection of the outstanding balances, the Group maintains a provision for doubtful accounts and actual losses incurred have been within management's expectation, and management believes that there is no material credit risk inherent in the Group's outstanding receivable balances.

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

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

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
At 31 December 2016					
Borrowings (including interest)	**4,961,256**	**8,887,198**	**9,119,154**	**5,659,555**	**28,627,163**
Trade and other payables *(Note 11)*	**6,008,993**	**1,462,855**	**–**	**–**	**7,471,848**
Financial guarantee *(Note 34)*	**8,750,340**	**–**	**–**	**–**	**8,750,340**
Total	**19,720,589**	**10,350,053**	**9,119,154**	**5,659,555**	**44,849,351**
At 31 December 2015					
Borrowings (including interest)	6,017,416	4,533,923	10,706,841	5,175,286	26,433,466
Trade and other payables *(Note 11)*	5,623,682	–	–	–	5,623,682
Financial guarantee *(Note 34)*	3,424,501	–	–	–	3,424,501
Total	15,065,599	4,533,923	10,706,841	5,175,286	35,481,649

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the asset-liability ratio. This ratio is calculated as total liabilities divided by total assets.

The asset-liability ratios at 31 December 2016 and 2015 were as follows:

	As at 31 December	
	2016	2015
Asset-liability ratio	**75%**	68%

The increase of the asset-liability ratio is mainly due to the pre-sale of properties and increase of advances from customer.

3.3 Fair value estimation

Other than investment properties, the Group has no other assets that carried at fair value as at 31 December 2016 and 2015. The different levels regarding fair value determination have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Details of the fair value of investment properties have been disclosed in Note 7.

The carrying amounts of the Group's financial assets and financial liabilities approximated their fair values due to their short maturities, except the long term borrowings which are described in Note 23.

As described in Note 4.2(a), the fair value of the financial guarantee is considered not to be significant.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Estimate of fair value of investment properties*

The fair values of investment properties owned by the Group are assessed annually by an independent professional valuer. Details of the judgement and assumptions have been disclosed in Note 7.

(b) *Estimate of impairment of property, plant and equipment*

Property, plant and equipment is reviewed by management for impairment whenever events or changed in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. In most circumstances, there is no active market for the Group's property, plant and equipment, management makes estimates when determine the asset's fair value or value in use.

(c) *Income taxes*

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses in the period in which such determination is made.

(d) *Land appreciation taxes*

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its land appreciation tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expenses in the periods in which such taxes are finalised with local tax authorities.

Notes to the Consolidated Financial Statement (Continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(e) *Estimate of impairment of properties under development*

Property under development is reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may be higher than net realizable value. The net realizable value is the higher of estimated selling price of the properties in the ordinary course of business, less estimated costs to complete the development of properties and applicable variable selling expenses and carrying amount of the properties under development. Management makes judgments on whether such events or changes in circumstances have occurred, and makes estimates mainly for selling price and cost to complete the development of the properties in determining the net realizable value.

(f) *Estimate of construction cost of completed properties held for sale*

The Group makes estimations on properties construction cost upon recognition of respective costs of sales. Such estimates are substantiated by detailed budgetary information as developed by the management, and will be assessed periodically, as the constructions progresses. Should these estimates depart from their actual finalized costs, such differences would affect the accuracy of costs of sales recognised.

4.2 Critical judgements in applying the entity's accounting policies

(a) *Revenue recognition*

The Group has recognised revenue from the sale of properties held for sale as disclosed in Note 2.21. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

As disclosed in Note 34, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when relevant property ownership certificates are lodged with the various banks by the purchasers. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on the past experiences, there were no significant defaults of mortgage facilities by the purchasers resulted in the bank guarantees were called upon. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

Notes to the Consolidated Financial Statement (Continued)

5. 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 segments. 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.

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION *(CONTINUED)*

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/(loss) before income tax	**468,848**	**783,275**	**(17,787)**	**(16,539)**	**1,217,797**
Depreciation and amortization	**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/(loss) before income tax	716,009	680,266	(17,868)	(17,505)	1,360,902
Depreciation and amortization	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.

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION *(CONTINUED)*

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.

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION *(CONTINUED)*

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 *(Note 24)*	**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 *(Note 24)*	**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

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION *(CONTINUED)*

The reconciliation between the Group's depreciation and amortisation for reportable segments and corresponding amount per disclosure for property, plant and equipment (Note 8) and land use rights (Note 6) 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 between reportable segments' income tax expenses and total income tax expenses 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.

6. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net carrying amounts are analysed as follows:

	2016 ***RMB'000***	2015 *RMB'000*
At 1 January	**320,470**	329,122
Amortisation	**(8,652)**	(8,652)
At 31 December	**311,818**	320,470

As at 31 December 2016, certain land use rights with net book value of RMB310,903,000 (2015: 319,523,000) are pledged as securities for bank and other borrowings (Note 23).

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES

	2016 RMB'000	2015 RMB'000
At fair value		
At 1 January	12,396,300	11,574,900
Additions	58,942	101,359
Disposal	–	(9)
Transfer from owner-occupied property and completed properties held for sale	10,648	572,581
Fair value gains charged into income statement	84,510	22,420
Fair value gains charged into statement of comprehensive income	–	125,049
At 31 December	12,550,400	12,396,300

(a) Amounts recognised in income statement for investment properties

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Rental income	1,527,984	1,498,638
Direct operating expenses arising from investment properties that generate rental income	(314,152)	(294,709)
Direct operating expenses that did not generate rental income	(266,312)	(258,112)
	947,520	945,817

The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties (Note 24).

(b) Valuation basis

An independent valuation of the Group's investment properties was performed by the valuer, Greater China Appraisal Limited, to determine the fair value of the investment properties as at 31 December 2016 and 2015. The following table analyses the investment properties carried at fair value, by valuation method.

7. INVESTMENT PROPERTIES *(CONTINUED)*

(b) Valuation basis *(Continued)*

(i) Fair value hierarchy

	Fair value measurements at 31 December using significant unobservable inputs (Level 3)	
	2016	2015
	RMB'000	*RMB'000*
Recurring fair value measurements		
Investment properties:		
Office units	**5,838,900**	5,795,300
Apartments	**1,824,000**	1,748,000
Convention centers	**3,496,000**	3,464,000
Shopping malls	**1,391,500**	1,389,000
	12,550,400	12,396,300

All of the Group's investment properties are located in Beijing, the PRC and classified as level 3.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year.

(ii) Valuation processes of the Group

The Group's investment properties were valued on 31 December 2016 by the independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the chief financial officer ("CFO"). Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2016 and 2015, the fair values of the properties have been determined by Greater China Appraisal Limited.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Changes in Level 3 fair values are analyzed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES *(CONTINUED)*

(b) Valuation basis *(Continued)*

(iii) Valuation techniques

For office units, apartments and shopping malls, the valuations were based on income capitalisation approach (term and reversionary method) which largely used observable inputs (e.g. market rent, yield, etc.) and taking into account the significant adjustment on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

For convention centers, the valuation was determined using discounted cash flow projections based on significant unobservable inputs. These input include:

Future rental cash inflows	Based on the actual location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties;
Discount rates	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
Estimated vacancy rates	Based on current and expected future market conditions after expiry of any current lease;
Maintenance costs	Including necessary investments to maintain functionality of the property for its expected useful life;
Capitalisation rates	Based on actual location, size and quality of the properties and taking into account market data at the valuation date;
Terminal value	Taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

There were no changes to the valuation techniques during the year.

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES *(CONTINUED)*

(b) Valuation basis *(Continued)*

(iv) Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2016 *(RMB'000)*	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Investment properties – office units, apartments, and shopping malls	**9,054,400**	Income approach (term and reversionary method)	Term yield	1% to 2% downward adjustment on the reversion yield	The higher the term yield, the lower the fair value
			Reversionary yield	From 9% to 19.5%	The higher the reversionary yield, the lower the fair value
Investment properties – convention centers	**3,496,000**	Discounted cash flow	Rental value	For Year 1 to 5 RMB5.4–7.3/sq.m/day	The higher the rental value, the higher the fair value
			Discount rate	13.5%–17.5%	The higher the discount rate, the lower the fair value

Description	Fair value at 31 December 2015 *(RMB'000)*	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Investment properties – office units, apartments, and shopping malls	8,932,300	Income approach (term and reversionary method)	Adjustment on term yield	1% to 2% downward adjustment on the reversion yield	The higher the adjustment on term yield, the lower the fair value
			Reversionary yield	From 9% to 19.5%	The higher the reversionary yield, the lower the fair value
Investment properties – convention centers	3,464,000	Discounted cash flow	Rental value	RMB5.3–7.0/sq.m/day	The higher the rental value, the higher the fair value
			Discount rate	13.5%–17.5%	The higher the discount rate, the lower the fair value

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields.

(c) Non-current assets pledged as security

As at 31 December 2016, certain investment properties with fair value of RMB12,397,500,000 (2015: RMB12,246,000,000) were pledged as securities for bank and other borrowings (Note 23).

Notes to the Consolidated Financial Statement (Continued)

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Hotel properties RMB'000	Plant and machinery RMB'000	Furniture, fixtures, equipment and motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2015						
Cost	918,990	2,303,461	541,085	469,418	12,887	4,245,841
Accumulated depreciation	(238,586)	(510,694)	(295,588)	(313,317)	–	(1,358,185)
Net book amount	680,404	1,792,767	245,497	156,101	12,887	2,887,656
Year ended 31 December 2015						
Opening net book amount	680,404	1,792,767	245,497	156,101	12,887	2,887,656
Additions	–	49,029	9,458	22,726	10,626	91,839
Disposals	–	–	(868)	(348)	–	(1,216)
Transfers	–	2,224	(60,772)	71,608	(13,060)	–
Acquisition of a subsidiary	–	–	7	–	–	7
Transfer to investment properties	(555,373)	–	–	–	–	(555,373)
Depreciation	(18,194)	(51,281)	(38,976)	(42,310)	–	(150,761)
Closing net book amount	106,837	1,792,739	154,346	207,777	10,453	2,272,152
At 31 December 2015						
Cost	363,617	2,354,714	488,910	563,404	10,453	3,781,098
Accumulated depreciation	(256,780)	(561,975)	(334,564)	(355,627)	–	(1,508,946)
Net book amount	106,837	1,792,739	154,346	207,777	10,453	2,272,152
Year ended 31 December 2016						
Opening net book amount	**106,837**	**1,792,739**	**154,346**	**207,777**	**10,453**	**2,272,152**
Additions	**–**	**–**	**11,958**	**32,291**	**8,567**	**52,816**
Disposals	**(1,145)**	**–**	**(1,986)**	**(2,550)**	**–**	**(5,681)**
Transfers	**–**	**–**	**393**	**2,549**	**(2,942)**	**–**
Disposal of a subsidiary	**–**	**–**	**(206)**	**(197)**	**–**	**(403)**
Transfer to investment properties	**–**	**–**	**–**	**–**	**(10,648)**	**(10,648)**
Depreciation *(Note 25)*	**(6,461)**	**(54,362)**	**(31,573)**	**(45,981)**	**–**	**(138,377)**
Closing net book amount	**99,231**	**1,738,377**	**132,932**	**193,889**	**5,430**	**2,169,859**
At 31 December 2016						
Cost	**362,472**	**2,354,714**	**499,068**	**595,498**	**5,430**	**3,817,182**
Accumulated depreciation	**(263,241)**	**(616,337)**	**(366,137)**	**(401,608)**	**–**	**(1,647,323)**
Net book amount	**99,231**	**1,738,377**	**132,931**	**193,890**	**5,430**	**2,169,859**

8. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The Group operates a hotel with a net book value of RMB794,861,000 in Changsha city, the PRC. The hotel has been loss making since its operation from October 2014 and is expected to face fierce competition due to the opening of new hotels in 2016 as well as in the near future. The management performed impairment testing on the hotel as at 31 December 2016.

The recoverable amounts of the hotel was measured based on fair value less costs of disposal. The fair value was determined with reference to the valuation performed by GCAL, which was derived using the discounted cash flow approach and considered a level 3 valuation under HKFRS 13.

The key unobservable inputs to valuation of the hotel include:

Fair value at 31 December 2016 *(RMB'000)*	**Unobservable inputs**	**Range of unobservable inputs (probability-weighted average)**	**Relationship of unobservable inputs to fair value**
1,230,000,000	Room rate	RMB810 to 1,226/room/night	The higher the room rate, the higher the fair value
	Occupancy rate	70% to 74%	The higher the occupancy rate, the higher the fair value
	Cash flow discount rate	10%	The higher the discount rate, the lower the fair value

As at December 2016, no impairment loss was recognised based on the assessment.

Depreciation expense of RMB104,384,000 (2015: RMB100,634,000) has been charged in cost of sales, RMB2,900,000 (2015: RMB6,519,000) in selling and marketing expenses and RMB31,093,000 (2015: RMB43,608,000) in administrative expenses in the consolidated income statement.

As at 31 December 2016, certain hotel properties with net book value of RMB1,734,862,000 (2015: RMB1,786,464,000) are pledged as securities for bank and other borrowings (Note 23).

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2016. All subsidiaries are established and operate in the PRC.

Name	Place of incorporation	Principal activities and place of operation	Registered capital	Group equity interest held directly	Group equity interest held indirectly	Non-controlling interests
Beijing North Star Real Estate Development Co., Limited 北京北辰房地產開發股份有限公司 ("BNSRE") *(Note i)*	Beijing	Property development in Beijing	RMB500,180,000	99.05%	–	0.95%
Beijing North Star Lu Zhou Commercial Trading Co., Limited 北京北辰綠洲商貿有限公司 *(Note iii) (Note xv)*	Beijing	Trading in Beijing	RMB1,000,000	80%	20%	–
Beijing Wuzhou Miller Beer Garden Restaurant Joint Venture Co., Limited 北京五洲美樂啤酒餐廳有限公司 *(Note ii) (Note xv)*	Beijing	Restaurant operation in Beijing	US$1,346,000	59.81%	–	40.19%
Beijing North Star Xin Cheng Property Management Co., Limited 北京北辰信誠物業管理有限責任公司 *(Note iii) (Note xv)*	Beijing	Property management in Beijing	RMB5,000,000	80%	20%	–
Beijing Jiang Zhuang Hu Property Co., Limited 北京姜莊湖園林別墅開發有限公司 ("BJJZH") *(Note ii) (Note xv)*	Beijing	Property development in Beijing	US$16,000,000	–	51%	49%
Beijing Tian Cheng Tian Property Co., Limited 北京天成天房地產開發有限公司 *(Note iii) (Note xv)*	Beijing	Property development in Beijing	RMB11,000,000	5%	95%	–
Beijing North Star Xintong Internet Technology Service Co., Limited 北京北辰信通網絡技術服務有限公司 *(Note iii) (Note xv)*	Beijing	Multimedia information network development, system integration and software development	RMB20,000,000	–	100%	–
Changsha North Star Real Estate Development Co., Limited 長沙北辰房地產開發有限公司 *(Note iii)*	Changsha	Property development	RMB1,200,000,000	100%	–	–
Beijing North Star Supermarket Chain Co., Limited 北京北辰超市連鎖有限公司 *(Note iii) (Note xv)*	Beijing	Retail	RMB10,000,000	100%	–	–
Beijing Shouchang Property Management Co., Limited 北京首倡物業管理有限公司 *(Note iii) (Note xv)*	Beijing	Property management in Beijing	RMB5,140,600	–	100%	–
Beijing North Star Hotel Management Co., Limited 北京北辰酒店管理有限公司 *(Note iii) (Note xv)*	Beijing	Hotel and restaurant management consulting service	RMB20,500,000	–	100%	–

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation	Principal activities and place of operation	Registered capital	Group equity interest held directly	Group equity interest held indirectly	Non-controlling interests
Beijing North Star Times Exhibition Co., Limited 北京北辰時代會展有限公司 *(Note iii) (Note xv)*	Beijing	Convention and exhibition	RMB10,000,000	–	100%	–
Beijing North Star Exhibition Research Co., Limited 北京北辰會展研究院有限公司 *(Note iii) (Note xv)*	Beijing	Convention and exhibition	RMB10,000,000	–	100%	–
Beijing North Star Exhibition Information Service Co., Limited 北京北辰會展信息服務有限公司 *(Note iii) (Note xv)*	Beijing	Convention and exhibition	RMB20,000,000	–	100%	–
Beijing North Star Convention Group Co., Limited ("BNSCG") 北京北辰會展集團有限公司 *(Note iii) (Note xv)*	Beijing	Convention and exhibition	RMB63,196,100	100%	–	–
Beijing North Star Linghang Business Exhibition Research Co., Limited ("BNSLBE") 北京北辰領航商務有限公司 *(Note iii) (Note xiv) (Note xv)*	Beijing	Convention and exhibition	RMB10,000,000	–	100%	–
Changsha Central Garden Real Estate Co., Limited 長沙世紀御景房地產有限公司 *(Note iii)*	Changsha	Property development in Changsha	RMB20,410,000	51%	–	49%
Hangzhou North Star Real Estate Co., Limited ("HZNSRE") 杭州北辰置業有限公司 *(Note iii) (Note xiii)*	Hangzhou	Property development in Hangzhou	RMB50,000,000	80%	–	20%
Beijing North Star MOMA Real Estate Co., Limited 北京北辰當代置業有限公司 *(Note iii)*	Beijing	Property development in Beijing	RMB50,000,000	50%	–	50%
Wuhan Guanggu Creative Culture Science & Technology Park Co., Limited 武漢光谷創意文化科技園有限公司 *(Note iii)*	Wuhan	Property development in Wuhan	RMB40,816,000	51%	–	49%
Chengdu Chenshi Real Estate Co., Limited 成都辰詩置業有限公司 *(Note iii)*	Chengdu	Property development in Chengdu	RMB70,000,000	40%	–	60%
Nanjing Xunchen Real Estate Co., Limited 南京旭辰置業有限公司 *(Note iii)*	Nanjing	Property development in Nanjing	RMB50,000,000	51%	–	49%
Langfang North Star Real Estate Co., Limited 廊坊市北辰房地產開發有限公司 *(Note iii)*	Langfang	Property development in Langfang	RMB31,000,000	100%	–	–

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation	Principal activities and place of operation	Registered capital	Group equity interest held directly	Group equity interest held indirectly	Non-controlling interests
Suzhou North Star Xuzhao Real Estate Co., Limited 蘇州北辰旭昭置業有限公司 ("SZNSXZ") *(Note ii)*	Suzhou	Property development in Suzhou	RMB700,000,000	50%	–	50%
Chengdu North Star Real Estate Co., Limited 成都北辰置業有限公司 *(Note iii)*	Chengdu	Property development in Chengdu	RMB50,000,000	100%	–	–
Chengdu North Star Tianfu Investment Co., Limited ("CDNSTI") 成都北辰天府置業有限公司 *(Note iii) (Note iv)*	Chengdu	Property development in Chengdu	RMB50,000,000	100%	–	–
Hangzhou North Star Jinghua Investment Co., Limited ("HZNSJH") 杭州北辰京華置業有限公司 *(Note iii) (Note v)*	Hangzhou	Property development in Hangzhou	RMB50,000,000	100%	–	–
Hefei Chenxu Real Estate Development Co., Limited ("HFCX") 合肥辰旭房地產開發有限公司 *(Note iii) (Note vi)*	Hefei	Property development in Hefei	RMB50,000,000	50%	–	50%
Ningbo North Star Jinghua Investment Co., Limited ("NBNSJH") 寧波北辰京華置業有限公司 *(Note iii) (Note vii)*	Ningbo	Property development in Ningbo	RMB20,000,000	100%	–	–
Chongqing North Star Liangjiang Investment Co., Limited ("CQNSLJ") 重慶北辰兩江置業有限公司 *(Note iii) (Note viii)*	Chongqing	Property development in Chongqing	RMB10,000,000	100%	–	–
Suzhou North Star Investment Co., Limited ("SZNS") 蘇州北辰置業有限公司 *(Note iii) (Note ix)*	Suzhou	Property development in Suzhou	RMB30,000,000	100%	–	–
Hangzhou Weijie Investment Consultancy Co., Limited ("HZWJ") 杭州威傑投資諮詢有限公司 *(Note iii) (Note x)*	Hangzhou	Investment consulting in Hangzhou	RMB100,000	–	100%	–
Chongqing Fuwang Investment Co., Limited ("CQFW") 重慶涪望投資有限責任公司 *(Note iii) (Note xi)*	Chongqing	Property investment in Hangzhou	RMB10,000,000		100%	–
Ningbo Chenxin Investment Co., Limited ("NBCX") 寧波辰新置業有限公司 *(Note iii) (Note xii)*	Ningbo	Property investment in Ningbo	RMB50,000,000		51%	49%

The English translation of above companies' name is for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES *(CONTINUED)*

(i) BNSRE is a joint stock limited Company. A joint stock limited Company is a Company having a registered share capital divided into shares of equal par value.

(ii) These companies are equity joint ventures. Equity joint ventures are sino-foreign joint ventures of which the partners' capital contribution ratios are defined in the joint venture contracts and the partners' profit-sharing ratios are in proportion to the capital contribution ratios.

(iii) These companies are limited liability companies.

(iv) In May 2016, the Company established a wholly owned subsidiary CDNSTI by investing RMB50,000,000. CDNSTI is a limited liability company incorporated in the PRC and engaged mainly in property development in Chengdu, the PRC.

(v) In May 2016, the Company established a wholly owned subsidiary HZNSJH by investing RMB50,000,000. HZNSJH is a limited liability company incorporated in the PRC and engaged mainly in property development in Hangzhou, the PRC.

(vi) In February 2016, the Company established a subsidiary, HFCX by investing RMB25,000,000 or 50% of the total paid in capital of HFCX. HFCX is a limited liability company incorporated in the PRC and engaged mainly in property development in Hefei, the PRC.

(vii) In September 2016, the Company established a wholly owned subsidiary NBNSJH by investing RMB20,000,000. NBNSJH is a limited liability company incorporated in the PRC and engaged mainly in property development in Ningbo, the PRC.

(viii) In September 2016, the Company established a wholly owned subsidiary CQNSLJ by investing RMB10,000,000. CQNSLJ is a limited liability company incorporated in the PRC and engaged mainly in property development in Chongqing, the PRC.

(ix) In October 2016, the Company established a wholly owned subsidiary SZNS by investing RMB30,000,000. SZNS is a limited liability company incorporated in the PRC and engaged mainly in property development in Suzhou, the PRC.

(x) In June 2016, HZNSJH established a wholly owned subsidiary HZWJ by investing RMB100,000. HZWJ is a limited liability company incorporated in the PRC and engaged mainly in investment consulting.

(xi) In December 2016, CQNSLJ acquired 100% of equity interest in CQFW. After the transaction, CQFW became a subsidiary of the Group. CQFW is a limited liability company incorporated in the PRC and engaged mainly in property investment in Chongqing, the PRC.

(xii) In November 2016, CQFW established a subsidiary, NBCX by investing RMB25,500,000 or 51% of the total paid in capital of NBCX. NBCX is a limited liability company incorporated in the PRC and engaged mainly in property development in Ningbo, the PRC.

(xiii) In August 2016, the Company acquired an additional 10% interest of HZNSRE from the non-controlling interest. After the acquisition, the Company's ownership in HZNSRE has been increased from 70% to 80% (Note 36).

(xiv) In April 2016, BNSCG established a wholly owned subsidiary BNSLBE by investing RMB10,000,000. BNSLBE is a limited liability company incorporated in the PRC and engaged mainly in convention and exhibition in Beijing, the PRC.

(xv) Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 3.15% of the Group's total net assets.

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES *(CONTINUED)*

(a) Material non-controlling interests

The loss attributable to non-controlling interest for the year is RMB75,981,000, of which RMB44,962,000 is for BJJZH, 10,357,000 is for SZNSXZ. The total non-controlling interest in respect of other subsidiaries is not material.

Cash and short-term deposits of RMB628,640,000 (2015: 457,383,000) are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised balance sheet

(i) BJJZH

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current		
Assets	**611,612**	698,357
Liabilities	**385,710**	350,120
Total current net assets	**225,902**	348,237
Non-current		
Assets	**57,815**	27,239
Liabilities	**–**	–
Total non-current net assets	**57,815**	27,239
Net assets	**283,717**	375,476

(ii) SZNSXZ

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current		
Assets	**3,110,773**	1,025,056
Liabilities	**1,879,786**	325,246
Total current net assets	**1,230,987**	699,810
Non-current		
Assets	**7,158**	48
Liabilities	**559,000**	–
Total non-current net assets	**(551,842)**	48
Net assets	**679,145**	699,858

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES *(CONTINUED)*

(a) Material non-controlling interests *(Continued)*

Summarised statement of comprehensive income

(i) BJJZH

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Revenue	**154,786**	418,201
Profit before income tax	**70,019**	252,862
Income tax expense	**161,778**	151,801
Post-tax (loss)/profit	**(91,759)**	101,061
Other comprehensive income	**–**	–
Total comprehensive income	**(91,759)**	101,061
Total comprehensive income allocated to non- controlling interests	**(44,962)**	49,520
Dividends paid to non-controlling interests	**–**	–

(ii) SZNSXZ

	Year ended 31 December 2016 RMB'000	Period from 26 October 2015 (Establishment date) to 31 December 2015 RMB'000
Revenue	**–**	–
Loss before income tax	**(27,562)**	(190)
Income tax expense	**6,849**	48
Post-tax loss	**(20,713)**	(142)
Other comprehensive income	**–**	–
Total comprehensive income	**(20,713)**	(142)
Total comprehensive income allocated to non- controlling interests	**(10,357)**	(71)
Dividends paid to non-controlling interests	**–**	–

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES *(CONTINUED)*

(a) Material non-controlling interests *(Continued)*

Summarised cash flows

(i) BJJZH

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cash flows from operating activities		
Cash generated from operations	**194,258**	45,721
Income tax paid	**(43,961)**	(211,988)
Net cash generated from/(used in) operating activities	**150,297**	(166,267)
Net cash used in investing activities	**–**	(2)
Net cash used in financing activities	**–**	–
Net increase/(decrease) in cash and cash equivalents	**150,297**	(166,269)
Cash and cash equivalents at beginning of the year	**372,185**	538,454
Exchange gains on cash and cash equivalents	**–**	–
Cash and cash equivalents at end of the year	**522,482**	372,185

(ii) SZNSXZ

	Year ended 31 December 2016 RMB'000	Period from 26 October 2015 (Establishment date) to 31 December 2015 RMB'000
Cash flows from operating activities		
Cash used in operations	**(251,419)**	(960,118)
Income tax paid	**(13,743)**	–
Net cash used in operating activities	**(265,162)**	(960,118)
Net cash used in investing activities	**(277)**	–
Net cash generated from financing activities	**371,342**	960,373
Net increase in cash and cash equivalents	**105,903**	255
Cash and cash equivalents at beginning of the year	**255**	–
Exchange gains on cash and cash equivalents	**–**	–
Cash and cash equivalents at end of the year	**106,158**	255

Notes to the Consolidated Financial Statement (Continued)

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	2016 RMB'000	2015 RMB'000
Associates	**13,705**	6,550
Joint ventures	**241,255**	8,155
At 31 December	**254,960**	14,705

The amounts recognised in the income statement are as follows:

	2016 RMB'000	2015 RMB'000
Associates	**(2,125)**	(121)
Joint ventures	**3,812**	(6,710)
For the year ended 31 December	**1,687**	(6,831)

(a) Investments in associates

	2016 RMB'000	2015 RMB'000
At 1 January	**6,550**	6,484
Additions	**15,000**	2,500
Share of loss accounted for using the equity method	**(7,845)**	(2,434)
At 31 December	**13,705**	6,550

Set out below is the associate of the Group as at 31 December 2016, which in the opinion of the directors, is material to the Group. The associate as listed below has registered capital which is held directly by the Group, the country of incorporation or registration is also its principal place of business.

Nature of investment in associate as at 31 December 2016

Name of entity	Place of business	% of ownership interest	Nature of the relationship	Measurement method
Hangzhou Xufa Real Estate Co., Limited ("HZXF") 杭州旭發置業有限公司	Hangzhou, the PRC	35%	*Note (i)*	Equity

(i) HZXF is engaged mainly in property development in Hangzhou, the PRC. HZXF is strategic for the Group's growth in the second or third tier cities.

There are no contingent liabilities relating to the Group's interest in the associates.

Notes to the Consolidated Financial Statement (Continued)

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

(a) Investments in associates *(Continued)*

Summarised financial information for associate

Set out below are the summarised financial information for HZXF which is accounted for using the equity method.

Summarised balance sheet

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current		
Cash	**264,792**	4,997
Other current assets (excluding cash)	**472,518**	272,268
Total current assets	**737,310**	277,265
Financial liabilities (excluding trade payables)	**696,930**	272,395
Other current liabilities (including trade payables)	**230**	–
Total current liabilities	**697,160**	272,395
Non-current		
Assets	**3,834**	–
Net assets	**43,984**	4,870

Notes to the Consolidated Financial Statement (Continued)

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

(a) Investments in associates *(Continued)*

Summarised statement of comprehensive income

	Year ended 31 December 2016 RMB'000	Period from 15 May 2015 (Establishment date) to 31 December 2015 RMB'000
Revenue	–	–
Depreciation and amortization	–	–
Other expenses	(9,558)	(138)
Interest income	210	8
Interest expense	–	–
Loss before income tax expense	(9,348)	(130)
Income tax expense	3,462	–
Post-tax loss	(5,886)	(130)
Other comprehensive income	–	–
Total comprehensive loss	(5,886)	(130)
Dividends received from joint venture	–	–

The information above reflects the amounts presented in the financial statements of the associate (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in HZXF.

Notes to the Consolidated Financial Statement (Continued)

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

(a) Investments in associates *(Continued)*

Summarised financial information

	2016 *RMB'000*	2015 *RMB'000*
Opening net assets	4,870	5,000
Capital injection	45,000	–
Loss for the year	(5,886)	(130)
Closing net assets	43,984	4,870
Interest in joint venture *(i)*	15,371	2,435
Adjusted for eliminations resulting from upstream transactions	(8,032)	(2,314)
Carrying value	7,339	121

(i) In September 2016, the Company along with other investors injected additional capital amounting to RMB45,000,000 into HZXF. After the capital injection, the Company's interest in HZXF changed from 50% to 35%.

(b) Investment in joint ventures

	2016 *RMB'000*	2015 *RMB'000*
At 1 January	8,155	21,914
Additions	125,000	–
Share of loss accounted for using the equity method	(3,534)	(13,759)
Other	111,634	–
At 31 December	241,255	8,155

Set out below are the joint ventures of the Group as at 31 December 2016, which, in the opinion of the directors, are material to the Group. The joint ventures as listed below have registered capital which are held directly or indirectly by the Group; the place of incorporation or registration is also their principal place of business.

Notes to the Consolidated Financial Statement (Continued)

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

(b) Investment in joint ventures *(Continued)*

Nature of investment in joint venture as at 31 December 2016 and 31 December 2015

Name of entity	Place of business	% of ownership interest	Nature of the relationship	Measurement method
Wuhan Modern Land North Star Real Estate Co., Limited ("WHML") 武漢當代北辰置業有限公司	Wuhan, the PRC	45%	*Note (i)*	Equity
Hangzhou Chenxu Investment Co., Limited ("HZCX") 杭州辰旭置業有限公司	Hangzhou, the PRC	35%	*Note (ii)*	Equity
Hangzhou Jinhu Real Estate Development Co., Limited ("HZJH") 杭州金湖房地產開發有限公司	Hangzhou, the PRC	25%	*Note (iii)*	Equity

(i) WHML is engaged mainly in property development in Wuhan, the PRC. WHML is strategic for the Group's growth in the second or third tier cities.

(ii) In December 2016, a third party injected additional capital amounting to RMB15,000,000 into the Group's subsidiary, HZCX, which results in a decrease of the Company's interests from 50% to 35%, and the Company lost its control over HZCX and accordingly, HZCX is accounted for as a joint venture of the Group after the capital injection.

(iii) In May 2016, the Group established a joint venture, HZJH by investing RMB125,000,000, or 25% of the total paid-in capital of HZJH. HZJH is a limited liability company incorporated in the PRC and engaged mainly in property development in Hangzhou, the PRC.

HZCX and HZJH are strategic for the Group's growth in the second- or third-tier cities.

There are no contingent liabilities relating to the Group's interest in the joint ventures.

Notes to the Consolidated Financial Statement (Continued)

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

(b) Investment in joint ventures *(Continued)*

Summarised financial information for joint venture

Set out below is the summarised financial information for WHML, HZCX and HZJH, which are accounted for using the equity method.

Summarised balance sheet

(i) WHML

	As at 31 December 2016 RMB'000	2015 RMB'000
Current		
Cash	131,214	90,162
Other current assets (excluding cash)	732,514	870,664
Total current assets	863,728	960,826
Financial liabilities (excluding trade payables)	772,978	922,702
Other current liabilities (including trade payables)	15,258	5,422
Total current liabilities	788,236	928,124
Non-current		
Assets	1,008	1,084
Liabilities	34,000	–
Net assets	42,500	33,786

(ii) HZCX

	As at 31 December 2016 RMB'000
Current	
Cash	168,430
Other current assets (excluding cash)	2,206,765
Total current assets	2,375,195
Financial liabilities (excluding trade payables)	1,900,138
Other current liabilities (including trade payables)	41,259
Total current liabilities	1,941,397
Non-current	
Assets	403
Liabilities	100,000
Net assets	334,201

Notes to the Consolidated Financial Statement (Continued)

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

(b) Investment in joint ventures *(Continued)*

Summarised financial information for joint venture (Continued)

Summarised balance sheet *(Continued)*

(iii) HZJH

	As at 31 December 2016 RMB'000
Current	
Cash	142,502
Other current assets (excluding cash)	491,222
Total current assets	633,724
Financial liabilities (excluding trade payables)	–
Other current liabilities (including trade payables)	134,419
Total current liabilities	134,419
Non-current	
Assets	260
Net assets	499,565

Summarised statement of comprehensive income

(i) WHML

	Year ended 31 December 2016 RMB'000	Year ended 31 December 2015 RMB'000
Revenue	550,255	–
Cost of sales	(506,053)	–
Depreciation and amortization	(150)	(90)
Other expenses	(24,804)	(14,953)
Interest income	744	131
Interest expense	(120)	–
Profit/(loss) before income tax expense	19,872	(14,912)
Income tax expense	(11,158)	–
Post-tax profit/(loss)	8,714	(14,912)
Other comprehensive income	–	–
Total comprehensive income	8,714	(14,912)
Dividends received from joint venture	–	–

Notes to the Consolidated Financial Statement (Continued)

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

(b) Investment in joint ventures *(Continued)*

Summarised financial information for joint venture (Continued)

Summarised statement of comprehensive income *(Continued)*

(ii) HZJH

	Period from 9 May 2016 (Establishment date) to 31 December 2016 *RMB'000*
Revenue	–
Depreciation and amortization	–
Other expenses	(623)
Interest income	43
Interest expense	–
Loss before income tax expense	(580)
Income tax expense	145
Post-tax loss	(435)
Other comprehensive income	–
Total comprehensive loss	(435)
Dividends received from joint venture	–

The information above reflects the amounts presented in the financial statements of the joint ventures (and not Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint ventures.

Notes to the Consolidated Financial Statement (Continued)

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

(b) Investment in joint ventures *(Continued)*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint ventures.

Summarised financial information

(i) WHML

	2016 RMB'000	2015 RMB'000
Opening net assets	**33,786**	48,698
Profit/(loss) for the year	**8,714**	(14,912)
Closing net assets	**42,500**	33,786
Interest in joint venture (45%)	**19,125**	15,204
Adjusted for eliminations resulting from upstream transactions	**(13,060)**	(7,049)
Carrying value	**6,065**	8,155

(ii) HZCX

	2016 RMB'000
Opening net assets	**315,664**
Capital injection	**45,000**
Loss for the year	**(26,461)**
Closing net assets	**334,203**
Interest in joint venture (35%)	**116,971**
Adjusted for eliminations resulting from upstream transactions	**(5,337)**
Carrying value	**111,634**

Notes to the Consolidated Financial Statement (Continued)

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

(b) Investment in joint ventures *(Continued)*

Reconciliation of summarised financial information (Continued)

Summarised financial information (Continued)

(iii) HZJH

	Period from 9 May 2016 (Establishment date) to 31 December 2016 *RMB'000*
Opening net assets	–
Capital injection	500,000
Loss for the year	(435)
Closing net assets	499,565
Interest in joint venture (25%)	124,891
Adjusted for eliminations resulting from upstream transactions	(1,335)
Carrying value	123,556

Notes to the Consolidated Financial Statement (Continued)

11. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	
	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Assets as per balance sheet		
Trade and other receivables excluding prepaid tax and other prepayments *(Note 16)*	**1,895,327**	642,954
Restricted bank deposits *(Note 17)*	**555,505**	471,236
Cash and cash equivalents *(Note 18)*	**7,520,362**	6,104,157
	9,971,194	7,218,347

	Other financial liabilities at amortised cost	
	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Liabilities as per balance sheet		
Trade and other payables *(a)*	**7,471,848**	5,623,682
Borrowings *(Note 23)*	**24,505,687**	21,735,778
	31,977,535	27,359,460

(a) The above trade and other payables comprise trade payables, dividends payable to non-controlling interests of a subsidiary, accrued construction costs, amounts due to non-controlling interests and related parties, accrued interest and other payables excluding statutory liabilities.

12. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

Trade receivables

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables that are neither past due nor impaired		
Counterparties without external credit rating		
– Group 1	**25,945**	8,598
– Group 2	**10,968**	11,783
	36,913	20,381

Notes to the Consolidated Financial Statement (Continued)

12. CREDIT QUALITY OF FINANCIAL ASSETS *(CONTINUED)*

Group 1 – new third party customers (less than 12 months).

Group 2 – existing third party customers (more than 12 months) with no defaults in the past.

Credit qualities of other receivables, cash and cash equivalents and restricted cash deposits of the Group are discussed in Note 3.1(b).

None of the financial assets that are fully performing has been renegotiated in 2016 (2015: Nil).

13. PROPERTIES UNDER DEVELOPMENT

	2016	2015
	RMB'000	*RMB'000*
As at 1 January	**22,966,299**	16,100,770
Addition	**15,794,383**	10,029,592
Transfer to completed properties held for sale *(Note 14)*	**(6,167,146)**	(3,164,063)
As at 31 December	**32,593,536**	22,966,299

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Land use rights	**22,651,772**	15,287,217
Development costs and capitalised expenditure	**6,871,542**	5,323,392
Finance costs capitalised	**3,070,222**	2,355,690
	32,593,536	22,966,299

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Land use rights:		
In PRC, held on leases of:		
Between 40–50 years	**1,163,925**	1,196,538
Over 50 years	**21,487,847**	14,090,679
	22,651,772	15,287,217

As at 31 December 2016, certain properties under development with net book value of RMB13,842,113,000 (2015: RMB12,506,205,000) are pledged as securities for bank and other borrowings (Note 23).

The carrying amount of the properties under development that is expected to be completed and available for sales more than twelve months after the balance sheet date is RMB27,124,890,000. The remaining balance is expected to be completed and available for sales within one year.

Notes to the Consolidated Financial Statement (Continued)

14. COMPLETED PROPERTIES HELD FOR SALE

	2016 RMB'000	2015 RMB'000
As at 1 January	**8,053,187**	7,774,754
Transfer from properties under development *(Note 13)*	**6,167,146**	3,164,063
Transfer to investment properties	**–**	(17,208)
Others *(a)*	**(24,574)**	77,463
Properties sold	**(5,466,492)**	(2,945,885)
As at 31 December	**8,729,267**	8,053,187

(a) Others represent the amounts adjusted arising from the difference between the final settled costs and the estimated costs originally recognised according to the budget.

	As at 31 December 2016 RMB'000	 2015 RMB'000
Land use rights	**2,834,914**	2,602,241
Development costs and capitalised expenditure	**4,988,543**	4,708,336
Finance costs capitalised	**905,810**	742,610
	8,729,267	8,053,187

	As at 31 December 2016 RMB'000	 2015 RMB'000
Land use rights:		
In PRC, held on leases of:		
Between 40–50 years	**351,234**	542,313
Over 50 years	**2,483,680**	2,059,928
	2,834,914	2,602,241

As at 31 December 2016, completed properties held for sale of RMB1,506,471,000 (2015: RMB1,229,098,000) are pledged as securities for bank borrowings (Note 23).

Notes to the Consolidated Financial Statement (Continued)

15. OTHER INVENTORIES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Goods for resale	**46,386**	46,509
Consumables	**15,885**	21,002
Less: provision for inventories	**(244)**	(244)
	62,027	67,267

The cost of inventories recognised as expense and included in cost of sales amounted to RMB317,232,000 (2015: RMB296,889,000).

16. 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 *(Note 38(viii))*	**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.

Notes to the Consolidated Financial Statement (Continued)

16. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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.

Trade receivables that are less than three months past due are not considered impaired. As at 31 December 2016 and 2015, the following trade receivables were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables past due but not impaired		
0–90 days	**2,288**	1,729
Over 90 days	**32,268**	36,887
	34,556	38,616

Notes to the Consolidated Financial Statement (Continued)

16. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Other receivables *(Continued)*

As at 31 December 2016 and 2015, the following trade receivables were impaired. The individually impaired receivables mainly relate to independent customers, which are in unexpected difficult economic situations. It was assessed the following receivables is not expected to be recovered and full proportion of impairment had been made. The ageing of these receivables is as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables impaired		
0–90 days	**6**	5
Over 90 days	**224**	73
Less: provision of impairment of receivables	**(230)**	(78)
	–	–

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

Notes to the Consolidated Financial Statement (Continued)

16. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

As at 31 December 2016 and 2015, the following other receivables were past due but not impaired. These relate to a number of independent counterparties for whom there is no recent history of default. The ageing analysis of these other receivables is as follows:

Other receivables *(Continued)*

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Other receivables past due but not impaired		
12–24 months	**59,478**	13,902
Over 24 months	**16,361**	9,313
	75,839	23,215

As at 31 December 2016 and 2015, the following other receivables were impaired. The individually impaired receivables mainly relate to independent customers, which are in unexpected difficult economic situations. It was assessed the following receivables is not expected to be recovered and full proportion of impairment had been made. The ageing of these receivables is as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Other receivables impaired		
0–12 months	**41**	113
Over 24 months	**14,547**	14,723
Less: provision of impairment of receivables	**(14,588)**	(14,836)
	–	–

There are no other receivables impaired with ageing 12 to 24 months.

The carrying amounts of the Group's trade and other receivables are denominated in Renminbi.

Notes to the Consolidated Financial Statement (Continued)

16. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Other receivables *(Continued)*

Movements on the provision for impairment of trade receivables are as follows:

	2016 *RMB'000*	2015 *RMB'000*
At 1 January	**78**	1,156
Provision for impairment of receivables	**152**	5
Receivables written off during the year as uncollectible	**–**	(1,083)
At 31 December	**230**	78

Movements on the provision for impairment of other receivables are as follows:

	2016 *RMB'000*	2015 *RMB'000*
At 1 January	**14,836**	14,723
Provision for impairment of receivables	**41**	113
Reversal	**(183)**	–
Disposal of a subsidiary	**(106)**	–
At 31 December	**14,588**	14,836

The creation and release of provision for impaired receivables net amounting to RMB10,000 created (2015: RMB118,000 created) have been included in administrative expenses in the consolidated income statement (Note 25). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

17. RESTRICTED BANK DEPOSITS

Restricted bank deposits include the guarantee deposits for construction of certain properties pursuant to the relevant government requirements, and the guarantee deposits as securities for certain mortgage loans to the Group's customers.

Notes to the Consolidated Financial Statement (Continued)

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	As at 31 December 2016 RMB'000	2015 RMB'000
Cash at bank and on hand	**4,320,362**	4,802,438
Short-term bank deposits *(a)*	**3,200,000**	1,301,719
	7,520,362	6,104,157
Maximum exposure to credit risk	**7,519,388**	6,103,122

(a) The deposits are repayable with seven days' notice, without loss of interest earned. The effective interest rate on short-term bank deposits was 1.35% (2015: 1.35%) per annum.

The carrying amounts of cash and bank balances are denominated in the following currencies:

	As at 31 December 2016 RMB'000	2015 RMB'000
Renminbi	**7,504,687**	6,097,793
US dollar	**14,059**	4,839
HK dollar	**1,616**	1,525
	7,520,362	6,104,157

The Group's cash and cash equivalents denominated in Renminbi, HK dollar and US dollar are deposited with banks in the PRC. The conversion of these Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

19. SHARE CAPITAL

	As at 31 December 2016 RMB'000	As at 31 December 2015 RMB'000
Registered, issued and fully paid *(a)*	**3,367,020**	3,367,020

(a) Pursuant to the document titled "Implementation Measure for Transfer of Part of the State-owned Shares in Domestic Securities Market to the National Social Security Fund (Cai Qi [2010] No. 94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企(2010)94號)) and announcement No. 63 of 2010 jointly issued by the Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund ("NCSSF"), a total of 150,000,000 shares in the Company held by BNSIGC should be transferred to NCSSF. On 30 October 2015, BNSIGC issued a letter of commitment to NCSSF, claimed to pay an equivalent proceed of RMB360,000,000 to NCSSF in order to keep the relevant shares. As at 31 December 2016, BNSIGC has paid RMB160,000,000, the relevant shares are still subjected to sales restriction. Except for this, the lock-up period for remaining shares held by BNSIGC expired, and these shares were available for trading.

Notes to the Consolidated Financial Statement (Continued)

20. RESERVES AND RETAINED EARNINGS

	Other reserves					
	Capital reserve RMB'000	Statutory reserve fund *(a)* RMB'000	Discretionary reserve fund *(b)* RMB'000	Other comprehensive income RMB'000	Subtotal RMB'000	Retained earnings RMB'000
At 1 January 2016	**3,375,480**	**715,916**	**161,468**	**93,787**	**4,346,651**	**8,887,245**
Acquisition of additional interests in a subsidiary from non-controlling interests	(3,251)	–	–	–	(3,251)	–
Profit for the year	–	–	–	–	–	806,811
2015 final dividends	–	–	–	–	–	(202,021)
Transfer from retained earnings	–	21,077	–	–	21,077	(21,077)
At 31 December 2016	**3,372,229**	**736,993**	**161,468**	**93,787**	**4,364,477**	**9,470,958**

	Other reserves					
	Capital reserve RMB'000	Statutory reserve fund *(a)* RMB'000	Discretionary reserve fund *(b)* RMB'000	Other comprehensive income RMB'000	Subtotal RMB'000	Retained earnings RMB'000
At 1 January 2015	3,421,115	679,385	161,468	–	4,261,968	8,365,110
Reclassification of revaluation of properties newly transferred to investment properties	–	–	–	93,787	93,787	–
Profit for the year	–	–	–	–	–	760,687
2014 final dividends	–	–	–	–	–	(202,021)
Transfer from retained earnings	–	36,531	–	–	36,531	(36,531)
Fair value forward contract over non-controlling interest	(45,635)	–	–	–	(45,635)	–
At 31 December 2015	3,375,480	715,916	161,468	93,787	4,346,651	8,887,245

(a) According to the respective Articles of Association, the Company and its subsidiaries established in the PRC are required to transfer 10% of their profit after taxation, as shown in the financial statements prepared under China Accounting Standards for Business Enterprises ("CAS"), which was issued by the Ministry of Finance of PRC in February 2006, to their statutory reserve fund. The statutory reserve fund can be used to offset accumulated losses or convert as share capital of the Company and the respective subsidiaries.

(b) The proposed transfer to the discretionary reserve fund is subject to approval by the shareholders in general meeting. Its usage is similar to that of the statutory reserve fund. No transfer to the discretionary reserve fund has been proposed for the years ended 31 December 2016 and 2015.

Notes to the Consolidated Financial Statement (Continued)

21. TRADE AND OTHER PAYABLES

	As at 31 December 2016 RMB'000	2015 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 BNSIGC *(Note 38(viii))*	**700,000**	–
Amounts due to other related parties *(b) (Note 38(viii))*	**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 RMB'000	2015 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

The carrying amounts of the Group's trade and other payables are denominated in Renminbi.

22. CURRENT INCOME TAX LIABILITIES

	As at 31 December 2016 RMB'000	2015 RMB'000
Income tax payable	**347,942**	223,547
Land appreciation tax payable	**997,926**	601,206
	1,345,868	824,753

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS

	As at 31 December 2016 RMB'000	2015 RMB'000
Non-current		
Long term borrowings		
– Secured bank borrowings *(a)*	**11,367,192**	8,639,057
– Other borrowings *(i)*	**8,386,700**	8,627,300
– 5 year bonds of 2015 *(c)*	**993,549**	991,641
– 7 year bonds of 2015 *(c)*	**1,488,543**	1,486,616
– 5 year bonds of 2016 *(d)*	**1,489,703**	–
– 10 year bonds of 2006	**–**	1,498,950
	23,725,687	21,243,564
Less: current portion of long term borrowings	**(2,902,150)**	(4,158,300)
	20,823,537	17,085,264
Current		
Short term borrowings		
– Secured short term borrowings *(b)*	**380,000**	200,000
– Unsecured short term borrowings	**400,000**	292,214
– Current portion of long term borrowings	**2,902,150**	4,158,300
	3,682,150	4,650,514
Total borrowings	**24,505,687**	21,735,778

(i) Other borrowings

	As at 31 December 2016 RMB'000	2015 RMB'000
Loans from BNSIGC *(Note 38)*	**–**	700,000
Loans from other financial institutions *(e)*	**8,386,700**	7,927,300
	8,386,700	8,627,300

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS *(CONTINUED)*

(i) Other borrowings *(Continued)*

(a) As at 31 December 2016, long term bank borrowings of RMB11,367,192,000 (2015: RMB8,639,057,000) were obtained by the Group and secured by certain land use right (Note 6), investment properties (Note 7), hotel properties (Note 8), properties under development (Note 13) and completed properties held for sale (Note 14), included in which RMB1,280,000,000 (2015: RMB1,340,000,000) are guaranteed by BNSIGC (Note 38), and RMB2,099,000,000 (2015: RMB150,000,000) was additionally guaranteed by the non-controlling interests.

(b) As at 31 December 2016, short term bank borrowings of RMB380,000,000 (2015: RMB200,000,000) were secured by certain land use right (Note 6), investment properties (Note 7) and hotel properties (Note 8). Included in which, RMB100,000,000 (2015:RMB200,000,000) were guaranteed by BNSIGC (Note 38).

(c) On 20 January 2015, the Company issued corporate bonds with an aggregate principal amount of RMB2,500,000,000. Among which, RMB1,000,000,000 has a maturity period of 5 years, carries a fixed annual coupon rate of 4.8% and is embedded a put option at the end of the third year. The net proceeds of 5 year bonds were RMB989,926,000 (net of issuance costs of RMB10,074,000). The remaining bonds of RMB1,500,000,000 has a maturity period of 7 years, carries a fixed interest rate of 5.2% and is embedded a put option at the end of the fifth year. The interest of bonds would be paid annually and the principal is fully repayable on 20 January 2020 and 20 January 2022, respectively.

(d) On 21 April 2016, the Company issued corporate bonds with an aggregate principal amount of RMB1,500,000,000, which has a maturity period of 5 years, carries a fixed annual coupon rate of 4.48% and is embedded with a put option at the end of the third year. The net proceeds of this bond were RMB1,488,000,000 (net of issuance costs of RMB12,000,000). The interest of bonds would be paid annually and the principal is fully repayable on 21 April 2021.

(e) As at 31 December 2016, other borrowings of RMB5,798,400,000 (2015: RMB6,749,000,000) were secured by certain investment properties (Note 7), hotel properties (Note 8), properties under development (Note 13) and RMB1,150,000,000 was additionally guaranteed by the non-controlling interests; RMB1,050,000,000 were secured by the Company's certain interests in a subsidiary(2015: nil). Included in which RMB2,000,000,000 (2015: RMB2,400,000,000) are guaranteed by BNSIGC (Note 38).

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS *(CONTINUED)*

(i) Other borrowings *(Continued)*

(f) The Group's borrowings mature until 2029 and bonds mature until 2022. At 31 December 2016, the Group's borrowings were repayable as follows:

	Bank borrowings As at 31 December		Other borrowings As at 31 December		Long term bonds As at 31 December	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**1,553,750**	1,200,964	**2,128,400**	1,950,600	**–**	1,498,950
Between 1 and 2 years	**2,455,772**	1,493,750	**5,438,300**	1,998,400	**–**	–
Between 2 and 5 years	**4,434,920**	3,523,557	**1,100,000**	4,678,300	**2,483,252**	991,641
Over 5 years	**3,422,750**	2,913,000	**–**	–	**1,488,543**	1,486,616
	11,867,192	9,131,271	**8,666,700**	8,627,300	**3,971,795**	3,977,207

(g) The effective interest rates at the balance sheet date are as follows:

	As at 31 December **2016**	2015
Bank and other borrowings	**6.37%**	7.00%
5 year bonds of 2015	**5.03%**	5.03%
7 year bonds of 2015	**5.38%**	5.38%
5 year bonds of 2016	**4.66%**	–
10 year bonds of 2006	**–**	4.28%

(h) The Group has the following undrawn borrowing facilities:

	As at 31 December **2016**	2015
	RMB'000	*RMB'000*
– expiring within one year	**1,000,000**	300,000
– expiring between one and five years	**3,690,580**	3,550,692
– expiring over five years	**1,222,998**	437,500
	5,913,578	4,288,192

Notes to the Consolidated Financial Statement *(Continued)*

23. BORROWINGS *(CONTINUED)*

(i) Other borrowings *(Continued)*

(i) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity whichever is the earliest date is as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
6 months or less	**2,543,572**	4,388,442
between 6 and 12 months	**10,102,120**	7,641,780
between 1 and 5 years	**11,859,995**	9,705,556
	24,505,687	21,735,778

(j) The carrying amounts and fair values of the long term borrowings are as follows:

	Carrying amount As at 31 December		Fair value As at 31 December	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-current borrowings	**16,851,742**	14,607,007	**16,885,190**	14,770,559
5 year bonds of 2015	**993,549**	991,641	**1,040,000**	1,019,200
7 year bonds of 2015	**1,488,543**	1,486,616	**1,546,500**	1,575,000
5 year bonds of 2016	**1,489,703**	–	**1,530,577**	–
	20,823,537	17,085,264	**21,002,267**	17,364,759

The fair values of 5 year bonds and 7 year bonds of year 2015 are based on market prices, the fair value of 5 year bonds of year 2016 are based on cash flows discounted using rates based on the borrowing rate of 4.66% as at 31 December 2016.

The non-current bank borrowings bear interest at the prevailing market rates. Their fair values are not materially different from their carrying amounts.

The carrying amounts of current bank borrowings approximate their fair values, as the impact of discounting is not significant.

(k) All borrowings are denominated in Renminbi.

Notes to the Consolidated Financial Statement (Continued)

24. DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Deferred tax assets:		
– To be recovered after more than 12 months	**215,988**	148,150
– To be recovered within 12 months	**99,025**	62,156
	315,013	210,306
Deferred tax liabilities:		
– To be settled after more than 12 months	**(1,847,290)**	(1,778,548)
Deferred tax liabilities-net	**(1,532,277)**	(1,568,242)

The gross movements on the deferred income tax account are as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**(1,568,242)**	(1,524,782)
Recognised/(credited) in the income statement *(Note 30)*	**35,965**	(12,198)
Credited to other comprehensive income	**–**	(31,262)
At 31 December	**(1,532,277)**	(1,568,242)

Notes to the Consolidated Financial Statement (Continued)

24. DEFERRED INCOME TAX *(CONTINUED)*

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities:

	Investment properties revaluation *RMB'000*	**Tax depreciation allowances** *RMB'000*	**Total** *RMB'000*
At 1 January 2015	(1,213,620)	(484,094)	(1,697,714)
Credited in the income statement	(6,501)	(43,071)	(49,572)
Credited to other comprehensive income	(31,262)	–	(31,262)
At 31 December 2015	(1,251,383)	(527,165)	(1,778,548)
Credited in the income statement	(22,253)	(46,489)	(68,742)
At 31 December 2016	**(1,273,636)**	**(573,654)**	**(1,847,290)**

Deferred tax assets:

	Provisions *RMB'000*	**Deductible loss** *RMB'000*	**Accrued expense and others** *RMB'000*	**Total** *RMB'000*
At 1 January 2015	4,034	8,677	160,221	172,932
(Credited)/recognised in the income statement	(241)	26,635	10,980	37,374
At 31 December 2015	3,793	35,312	171,201	210,306
(Credited)/recognised in the income statement	(24)	17,992	86,739	104,707
At 31 December 2016	**3,769**	**53,304**	**257,940**	**315,013**

(a) Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognised deferred tax assets of RMB18,115,000 (2015: RMB8,811,000) in respect of losses amounting to RMB72,460,000 (2015: RMB35,243,000) that can be carried forward against future taxable income, these tax losses will expire in the period from 2017 to 2021 as follows:

		Year ended 31 December			
2017 *RMB'000*	**2018** *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*	**2021** *RMB'000*	**Total** *RMB'000*
152	3,355	14,860	16,255	37,838	72,460

Notes to the Consolidated Financial Statement (Continued)

25. 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 *(Note 8)*	**138,377**	150,761
Amortisation *(Note 6)*	**8,652**	8,652
Provision of impairment for receivables *(Note 16)*	**10**	118
Employee benefit expense *(Note 28)*	**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

26. OTHER INCOME

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Dividend income on available-for-sale financial assets	**6,146**	–

Notes to the Consolidated Financial Statement (Continued)

27. OTHER GAINS/(LOSSES) – NET

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Loss on disposal of property, plant and equipment and investment properties	**(988)**	(905)
Donation	**(1,017)**	(950)
Government Grants	**12,167**	1,000
Overdue Payment	**–**	(1,404)
Penalty and compensation income	**12,631**	5,228
Penalty and compensation expense	**(3)**	(253)
Gain on disposal of a subsidiary *(i) (Note 10(b)(ii))*	**115,992**	–
Others	**(362)**	(1,030)
	138,420	1,686

(i) The gain on disposal calculated as follows:

	RMB'000
Sale proceeds	**–**
Fair value of 35% interests retained	**116,971**
	116,971
Less:	
Net assets disposed	**(979)**
Gain on disposal	**115,992**

Notes to the Consolidated Financial Statement (Continued)

28. EMPLOYEE BENEFIT EXPENSE

The employee benefit expense of the Group, including its directors' emoluments is as follows:

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Wages and salaries	**674,304**	545,055
Social security costs	**158,138**	132,251
Retirement benefit costs – defined contribution plans *(a)*	**92,257**	84,764
	924,699	762,070
Less: capitalised in properties under development	**(107,089)**	(59,936)
	817,610	702,134

(a) Retirement benefit costs – defined contribution plans

The employees of the subsidiaries of the Group participate in various retirement benefit plans established by different Municipal Labor and Social Insurance Bureaus within the PRC. Under which the Group was required to make monthly defined contributions to these plans at 20% of the employees' basic salary for the year ended 31 December 2016 and 2015.

Besides the above retirement benefits, the Group provides an additional defined contribution plan to its employees. Each year, participants make contributions to the plan equaling 4% of his/her compensation and the Group matches the contribution.

There were nil forfeited contributions during the year or available at 31 December 2016 (2015: Nil) to reduce future contributions.

Contribution totaling RMB9,657,000 (2015: RMB11,613,000) were payable to the funds at the year end.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2015: one) directors whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining four (2015: four) highest paid individuals during the year are as follows:

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Basic salaries and other allowances	**3,732**	2,733
Employer's contribution to retirement benefit scheme	**253**	235
	3,985	2,968

Notes to the Consolidated Financial Statement *(Continued)*

28. EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

(b) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December 2016	2015
Emolument bands		
RMB nil–RMB894,500		
(equivalent to HK$ Nil–HK$1,000,000)	**2**	4
Over RMB894,500–RMB1,341,750		
(equivalent to HK$1,000,000–HK$1,500,000)	**1**	–
Over RMB 1,341,750 (equivalent to over HK$ 1,500,000)	**1**	–

(c) During the year, no emolument was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

29. FINANCE INCOME AND EXPENSES

	Year ended 31 December 2016 RMB'000	2015 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)

Notes to the Consolidated Financial Statement (Continued)

30. 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 *(Note 24)*	**(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

Notes to the Consolidated Financial Statement (Continued)

31. 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

32. 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

Notes to the Consolidated Financial Statement (Continued)

33. CASH GENERATED FROM/(USED IN) OPERATIONS

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit before income tax	**1,430,237**	1,345,150
Adjustments for:		
– Gain on acquisition of a subsidiary	**(3)**	–
– Provision of impairment for receivables *(Note 16)*	**10**	118
– Depreciation *(Note 8)*	**138,377**	150,761
– Amortisation *(Note 6)*	**8,652**	8,652
– Fair value gain on investment properties	**(84,510)**	(22,420)
– loss on disposal of property, plant and equipment *(a)*	**988**	905
– Gain on disposal of a subsidiary	**(115,992)**	–
– Interest income of available-for-sale financial assets	**(6,146)**	–
– Interest income *(Note 29)*	**(90,708)**	(71,684)
– Interest expense *(Note 29)*	**503,998**	438,763
– Share of (gains)/losses from investments accounted for using the equity method	**(1,687)**	6,831
Operating profit before working capital changes	**1,783,216**	1,857,076
Changes in working capital:		
– Increase in restricted bank deposits	**(84,269)**	(214,079)
– Decrease in other inventories	**5,240**	11,260
– Increase in properties under development and completed properties held for sale, net	**(10,183,386)**	(5,827,644)
– Increase in trade and other receivables	**(3,274,424)**	(138,301)
– Increase in trade and other payables	**14,865,790**	1,727,445
Cash generated from/(used in) operations	**3,112,167**	(2,584,243)

(a) In the cash flow statement, proceeds from sale of property, plant and equipment and investment properties comprise:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Net book amount *(Note 8)*	**5,681**	1,225
Loss on disposal of property, plant and equipment and investment properties *(Note 27)*	**(988)**	(905)
Proceeds from disposal of property, plant and equipment and investment properties	**4,693**	320

Notes to the Consolidated Financial Statement (Continued)

34. FINANCIAL GUARANTEES

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The outstanding guarantees amounted to RMB8,750,340,000 as at 31 December 2016 (2015: RMB3,424,501,000).

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

35. COMMITMENTS

(a) Commitments in respect of development costs attributable to properties under development:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Properties under development		
– Contracted but not provided for	**7,232,936**	2,378,970
– Authorised but not contracted for	**8,678,438**	12,273,801
	15,911,374	14,652,771

(b) At 31 December 2016 and 31 December 2015, the Group had future aggregate minimum lease rental receivables and payables under non-cancellable operating leases as leasor and lease respectively as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
As leasor:		
Rental receivables in respect of investment properties		
Not later than one year	**756,291**	437,903
Later than one year and not later than five years	**881,676**	574,658
Later than five years	**1,394,071**	374,090
	3,032,038	1,386,651
As leasee:		
Rental payables in respect of land use rights and buildings		
Not later than one year	**18,201**	18,474
Later than one year and not later than five years	**63,843**	66,111
Later than five years	**226,880**	242,405
	308,924	326,990

Notes to the Consolidated Financial Statement (Continued)

36. TRANSACTION WITH NON-CONTROLLING INTERESTS

Acquisition of additional interest in HZNSRE

In August 2016, the Company acquired an additional 10% interest of HZNSRE from the non-controlling interest, with a purchase consideration of RMB5,567,000. The carrying amount of the non-controlling interests acquired in HZNSRE on the date of acquisition was RMB2,316,000. The Group recognised a decrease in non-controlling interests of RMB2,316,000 and a decrease in equity attributable to owners of the Company of RMB3,251,000. The effect of changes in the ownership interest of HZNSRE on the equity attributable to owners of the Company during the period is summarised as follows:

	As at 1 August 2016 ***RMB'000***
Carrying amount of non-controlling interests acquired	**2,316**
Consideration paid to non-controlling interests	**(5,567)**
Excess of consideration paid charged within equity	**(3,251)**

37 BUSINESS COMBINATIONS

On 1 December 2016, the Group acquired 100% equity interests of CQFW at a price of RMB9,970,000, and obtained the control of CQFW, a real-estate developer in Chongqing, the PRC.

The following table summarises the consideration paid for CQFW, the fair value of assets acquired and liabilities assumed at the acquisition date.

	Year ended 31 December 2016 ***RMB'000***
Consideration:	
– Cash	**9,970**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash	**9,973**
Total identifiable net assets	**9,973**
Other gain	**(3)**

For the year ended 31 December 2016, the revenue included in the consolidated income statement since the acquisition date contributed by CQFW was nil.

Notes to the Consolidated Financial Statement (Continued)

38. RELATED PARTY TRANSACTIONS

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

BNSIGC itself is a state-owned enterprise controlled by the PRC government. For the year 2016 and 2015, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government mainly include most of its bank borrowings and part of purchases of goods and services. The price and other terms of such transactions are settled in the fair value.

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

In addition to the above-mentioned transactions with the government related entities and the related party information shown elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year and balances arising from related party transactions at the end of the year indicated below:

(i) Purchases of services

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
BNSIGC (operating lease payment in respect of land)	**15,525**	15,310
BNSIGC (office lease acceptance)	**900**	900
BNSIGC (brand royalty fee)	**10**	10
	16,435	16,220

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

Notes to the Consolidated Financial Statement (Continued)

38. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(ii) Entrusted loans from BNSIGC

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**701,144**	1,102,067
Proceeds from loans	**300,000**	–
Repayments of loans	**(1,000,000)**	(400,000)
Interest accrued	**21,150**	49,956
Interest paid	**22,294**	(50,879)
At 31 December	**–**	701,144

(iii) Shareholder loan from BNSIGC

	2016
	RMB'000
At 1 January	**–**
Proceeds from loans	**700,000**
Repayments of loans	**–**
At 31 December	**700,000**

The loan from BNSIGC is unsecured, with an interest rate equaling to national benchmark interest rate, and is repayable after 24 months from the inception date.

(iv) Project cooperation funds to WHML

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**303,876**	289,739
Project cooperation funds granted	**–**	192,750
Repayments of project cooperation funds	**(203,346)**	(192,750)
Interest income accrued	**13,360**	15,663
Interest income received	**(34,530)**	(1,526)
At 31 December	**79,360**	303,876

The funds to WHML is unsecured, carrying a fixed annual interest rate of 6.15% with the quarterly repayment. The principal is repayable within one year.

Notes to the Consolidated Financial Statement (Continued)

38. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(v) Project cooperation funds to HZXF

	2016 RMB'000	2015 RMB'000
At 1 January	**140,824**	–
Project cooperation funds granted	**–**	136,197
Repayments of project cooperation funds	**(136,197)**	–
Interest income accrued	**5,718**	4,627
Interest income received	**(10,345)**	–
At 31 December	**–**	140,824

(vi) Project cooperation funds to HZJH

	2016 RMB'000
At 9 May 2016 (Establishment date)	**–**
Project cooperation funds granted	**53,000**
Interest income accrued	**1,335**
At 31 December	**54,335**

The funds to HZJH is unsecured, carrying a fixed annual interest rate of 4.9% with the quarterly repayment. The principal is repayable within one year.

(vii) Funds from related parties

	2016 RMB'000
HZXF	**17,958**
HZJH	**62,500**
HZCX	**268,388**
	348,846

Notes to the Consolidated Financial Statement (Continued)

38. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(viii) Balances arising from sales/purchases of services, investment and entrust loans

	As at 31 December 2016 RMB'000	2015 RMB'000
Trade and other receivables from related parties		
WHML	**74,154**	277,500
HZXF	**–**	136,197
HZJH	**53,000**	
	127,154	413,697
Trade and other payables to related parties		
HZXF	**17,958**	–
HZJH	**62,500**	–
HZCX	**268,388**	–
BNSIGC	**700,000**	–
	1,048,846	–
Entrusted loans from a related party		
BNSIGC	**–**	700,000
Interest payables of entrusted loans from a related party BNSIGC	**–**	1,144
Interest receivables of project cooperation funds to related parties		
WHML	**5,206**	26,376
HZXF	**–**	4,627
HZJH	**1,335**	–
	6,541	31,003

At 31 December 2016, there were no provisions for impairment of receivables from related parties (2015: Nil) and there were no provisions for impairment of receivables from related parties charged to income statement for the year ended 31 December 2016 (2015: Nil).

Notes to the Consolidated Financial Statement (Continued)

38. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(ix) Key management compensation

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Salaries and other short-term employee benefits	**14,982**	12,397
Post-employment benefit	**1,330**	1,186
	16,312	13,583

(x) Accept financial guarantee

Pursuant to an agreement signed by BNSIGC, as at 31 December 2016, BNSIGC provides joint liability guarantee for the loans from Beijing Rural Commercial Bank amounting to RMB1,380,000,000.

Pursuant to an agreement signed by BNSIGC, as at 31 December 2016, BNSIGC provides joint liability guarantee for the loans from Kunlun Trust Limited Liability Company amounting to RMB300,000,000.

Pursuant to an agreement signed by BNSIGC, as at 31 December 2016, BNSIGC provides joint liability guarantee for the loans form Taikang Life Insurance Asset Management Limited Liability Company amounting to RMB1,700,000,000.

39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Investment properties		**12,467,000**	12,332,400
Property, plant and equipment		**1,270,790**	1,348,470
Investments in subsidiaries		**2,910,650**	2,551,582
Investments accounted for using the equity method		**20,368**	14,705
Deferred income tax assets		**156,911**	113,191
Trade and other receivables		**8,541,435**	815,426
		25,367,154	17,175,774

Notes to the Consolidated Financial Statement (Continued)

39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(CONTINUED)*

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
Current assets			
Loans to subsidiaries		**9,174,389**	14,377,302
Properties under development		**–**	1,185,170
Completed properties held for sale		**2,590,159**	2,077,131
Other inventories		**43,733**	48,318
Trade and other receivables		**3,101,159**	781,821
Restricted bank deposits		**9,996**	9,975
Cash and cash equivalents		**4,622,076**	4,037,782
		19,541,512	22,517,499
Total assets		**44,908,666**	39,693,273
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**3,367,020**	3,367,020
Other reserves	Note (a)	**4,424,128**	4,403,051
Retained earnings	Note (a)	**7,344,959**	7,171,655
Total equity		**15,136,107**	14,941,726
LIABILITIES			
Non-current liabilities			
Long term borrowings		**17,064,637**	15,785,264
Trade and other payables		**700,000**	–
Long term payables		**8,750**	5,282
Deferred income tax liabilities		**1,781,282**	1,718,636
		19,554,669	17,509,182

Notes to the Consolidated Financial Statement (Continued)

39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(CONTINUED)*

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Current liabilities			
Trade and other payables		**7,393,691**	3,594,444
Current income tax liabilities		**612,049**	439,621
Current portion of long term borrowings		**1,712,150**	2,908,300
Short term borrowings		**500,000**	300,000
		10,217,890	7,242,365
Total liabilities		**29,772,559**	24,751,547
Total equity and liabilities		**44,908,666**	39,693,273

The balance sheet of the Company was approved by the Board of Directors on 22 March 2017 and was signed on its behalf.

He Jiang Chuan
Director

Li Wei Dong
Director

Notes to the Consolidated Financial Statement (Continued)

39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(CONTINUED)*

Note (a) Reserve movement of the Company

	Retained earnings RMB'000	Other reserves RMB'000
At 1 January 2015	6,895,630	4,272,733
Profit for the year	514,577	–
Dividends relating to 2014	(202,021)	–
Other comprehensive income	–	93,787
Transfer from retained earnings	(36,531)	36,531
At 31 December 2015	7,171,655	4,403,051
At 1 January 2016	**7,171,655**	**4,403,051**
Profit for the year	**398,705**	**–**
Dividends relating to 2015	**(202,021)**	**–**
Transfer from retained earnings	**(21,077)**	**21,077**
Partial disposal of a subsidiary with lost of control	**(2,303)**	**–**
At 31 December 2016	**7,344,959**	**4,424,128**

40. BENEFITS AND INTERESTS OF DIRECTORS

(a) The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2016

Name of Director	Fees RMB'000	Salary RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Housing allowance RMB'000	Total RMB'000
Mr. He Jiang Chuan	**–**	**812**	**63**	**29**	**904**
Ms. Zhao Hui Zhi	**–**	**595**	**–**	**–**	**595**
Mr. Li Chang Li	**–**	**490**	**–**	**–**	**490**
Mr. Zeng Jin *(i)*	**–**	**491**	**35**	**17**	**543**
Mr. Liu Jian Ping	**–**	**365**	**–**	**–**	**365**
Mr. Liu Huan Bo	**–**	**548**	**63**	**29**	**640**
Mr. Li Wei Dong *(ii)*	**–**	**161**	**27**	**13**	**201**
Mr. Fu Yiu Man	**86**	**–**	**–**	**–**	**86**
Mr. Guo Li *(iii)*	**36**	**–**	**–**	**–**	**36**
Mr. Wu Ge	**86**	**–**	**–**	**–**	**86**
Mr. Dong An Sheng *(iv)*	**50**	**–**	**–**	**–**	**50**
	258	**3,462**	**188**	**88**	**3,996**

Notes to the Consolidated Financial Statement (Continued)

40. BENEFITS AND INTERESTS OF DIRECTORS *(CONTINUED)*

(a) The remuneration of every director and the chief executive is set out below: *(Continued)*

(i) Resigned from director on 5 August 2016.

(ii) Appointed as director on 11 October 2016.

(iii) Resigned from director on 25 May 2016.

(iv) Appointed as director on 25 May 2016.

For the year ended 31 December 2015

Name of Director	Fees	Salary	Employer's contribution to retirement benefit scheme	Housing allowance	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. He Jiang Chuan	–	654	59	26	739
Ms. Zhao Hui Zhi	–	367	19	26	412
Mr. Li Chang Li	–	309	5	26	340
Mr. Zeng Jing	–	268	57	26	351
Mr. Liu Jian Ping	–	371	9	26	406
Mr. Liu Huan Bo	–	424	58	26	508
Mr. Fu Yiu Man	50	–	–	–	50
Mr. Guo Li	50	–	–	–	50
Mr. Wu Ge	50	–	–	–	50
Mr. Long Tao	36	–	–	–	36
Mr. Wong Yik Chung	36	–	–	–	36
Mr. Gan Pei Zhong	36	–	–	–	36
	258	2,393	207	156	3,014

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsistenced at the end of the year or at any time during the year.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2016.

(c) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2016, the Group did not pay consideration to any third parties for making available directors' services.

Notes to the Consolidated Financial Statement (Continued)

40. BENEFITS AND INTERESTS OF DIRECTORS *(CONTINUED)*

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

For the year ended 31 December 2016, the Group did not provide loans, quasi-loans and other dealings in favour of directors.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

41. EVENTS AFTER THE BALANCE SHEET DATE

On 22 March 2017, the Board has resolved to recommend the payment of a dividend of RMB0.06 per share for the year ended 31 December 2016 (2015: RMB0.06 per share).

Supplementary Information

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 Standards 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		Capital and reserves attributable to the equity holders 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

Properties Profile

DEVELOPMENT PROPERTIES

Properties for sales

	Name	Location	Gross floor area of unsold portion *(sq. m.)*	Type of property	Progress	Interest attributable to the Group
1	North Star Green Garden	Chaoyang, Beijing	17,900	Residence and supporting facilities	Completed	100
2	Bihai Fangzhou Garden	Chaoyang, Beijing	900	Residential	Completed	50.5
3	North Star • Xianglu	Haidian, Beijing	16,600	Residential	Completed	100
4	North Star • Fudi	Chaoyang, Beijing	16,100	Commercial, affordable residence and supporting facilities	Completed	100

Properties under development

	Name	Location	Gross floor area of unsold portion *(sq. m.)*	Type of property	Progress	Interest attributable to the Group
1	Hangzhou Shunfa CIFI Honor Mansion, Phase II	Hangzhou, Zhejiang Province	7,100	Residential, commercial	Under progress	35
2	North Star • Landsea Sourthern Gate Green shire	Chengdu, Sichuan Province	129,900	Residential, commercial	Under progress	40
3	Suzhou North Star CIFI No. 1 Courtyard	Suzhou, Jiangsu Province	156,500	Residential, commercial	Under progress	50
4	Nanjing North Star CIFI Park Mansion • Jin Ling	Nanjing, Jiangsu Province	60,900	Residential	Under progress	51
5	Dayuan, Chengdu Project	Chengdu, Sichuan Province	87,200	Residential, commercial	Under progress	100
6	Langfang Longhe New District Project	Langfang, Hebei Province	419,200	Residential, commercial	Newly acquired land reserve in 2015, yet to commence construction	100
7	Hefei Luyang District project	Hefei, Anhui Province	216,400	Residential, commercial	Under progress	50
8	Wuhan Guanggu Creative Sky Project	Wuhan, Hubei Province	491,500	Commercial, office	Newly acquired land reserve in 2015, yet to commence construction	51
9	North Star Red Oak Villa	Changping, Beijing	87,300	Residential	Under progress	99.1
10	North Star • Villa 1900	Shunyi, Beijing	145,900	Residential	Under progress	100

Properties Profile (Continued)

Name	Location	Gross floor area of unsold portion *(sq. m.)*	Type of property	Progress	Interest attributable to the Group
11 Modern Beichen Yue MOMA	Shunyi, Beijing	10,400	Self-occupied commercial residential housing, housing properties with restrictions on size and selling prices,	Under progress	50
12 North Star Delta Project	Changsha, Hunan Province	2,685,700	Residential, commercial and office	Under progress	100
13 North Star Central Park Project	Changsha, Hunan Province	614,200	Residential	Under progress	51
14 North Star Modern Best+	Wuhan, Hubei Province	112,800	Residential, commercial	Under progress	45
15 North Star Olympic Garden	Hangzhou, Zhejiang Province	114,600	Residential, commercial	Under progress	80
16 Hangzhou Shunfa CIFI Honor Mansion, Phase I	Hangzhou, Zhejiang Province	3,800	Residential, commercial	Under progress	35
17 Hangzhou Shanyin Road Project	Hangzhou, Zhejiang	69,900	Residential	Under progress	100
18 Hangzhou Xianghu Project	Hangzhou, Zhejiang	208,300	Residential, commercial	Newly acquired land reserve in 2016, yet to commence construction	25
19 Wuhan Linkonggang Project	Hubei, Wuhan	976,000	Residential, commercial	Newly acquired land reserve in 2016, yet to commence construction	100
20 Chengdu South Lake Project	Chengdu, Sichuan	299,000	Residential	Under progress	100
21 Suzhou Wuzhong District No. 50, 51 Land Lot Project	Suzhou, Jiangsu	173,700	Residential, commercial	Newly acquired land reserve in 2016, yet to commence construction	100
22 Suzhou Wuzhong District No. 69 Land Lot Project	Suzhou, Jiangsu	214,600	Residential, commercial	Newly acquired land reserve in 2016, yet to commence construction	100
23 Ningbo Yinfeng District Project	Ningbo, Zhejiang	186,400	Residential	Newly acquired land reserve in 2016, yet to commence construction	100
24 Ningbo Chenpodu Project	Ningbo, Zhejiang	405,700	Residential, commercial	Newly acquired land reserve in 2016, yet to commence construction	51
25 Chongqing Yuelai Convention Xincheng Project	Yubei, Chongqing	1,163,700	Residential, commercial	Newly acquired land reserve in 2016, yet to commence construction	100

Properties Profile (Continued)

INVESTMENT PROPERTIES AND HOTELS *(NOTE 1)*

	Name	Location	Gross floor area *(sq. m.)*	Type of property	Interest attributable to the Group
1	Beijing Continental Grand Hotel	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	42,613	Hotel	100%
2	V-Continent Beijing Parkview Wuzhou	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	56,953	Hotel	100%
3	InterContinental Changsha	Kaifu District, Changsha, Hunan Province	73,698	Hotel	100%
4	Beijing International Convention Centre	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	61,867	Convention, exhibition	100%
5	Hui Yuan Apartment	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	184,811	Apartment	100%
6	Hui Bin Offices	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	31,568	Office	100%
7	Hui Zhen Building Property	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	6,299	Office	100%
8	Hui Xin Offices	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	37,426	Office	100%
9	North Star Times Tower	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	131,229	Office, commercial premise for lease	100%
10	Beijing Olympic Park National Convention Centre and ancillary Area B No. 19, 20, 21, 22 Project	Bei Chen Zhong Road, Chao Yang District, Beijing	533,991	Convention, exhibition, hotel and office	100%

PROPERTIES WITH ANCILLARY FACILITIES *(NOTE 1)*

	Name	Location	Gross floor area *(sq. m.)*	Type of property	Interest attributable to the Group
1	Beichen Shopping Centre	No. 8 An Wai An Li Road, Beijing	30,463	Shopping centre	100%
2	B5 Commercial Area of North Star Green Garden	A13 Beiyuan Road, Beijing	49,689	Shopping centre	100%

Note:

1. The above-mentioned investment properties and hotels items 1–2 and 4–7 and properties with ancillary facilities of the Group are all located within the Asian Games Village at Andingmen (安定門), Chao Yang District, Beijing. The properties are erected on land leased from BNSIGC for a rental of RMB15,524,761 for 2016 (rentals for future years subject to adjustment). Terms of the leases range from 40 years to 70 years, depending on uses of different parts of the land.

Directors' Proposal on the Appropriation of Profit for the Year of 2016

In accordance with the pertinent regulations and based on the actual situation of the Company, the Board of Beijing North Star Company Limited, at a meeting held on 22 March 2017, proposed that the appropriation of profit of the Company for the year of 2016 be as follows:

I. The appropriation of profits after taxation shall be: 10% for Statutory Reserve Fund, 0% for Discretionary Reserve Fund and 90% for profit available for distribution.

II. A final dividend of RMB0.06 per share in cash (Note) is proposed to be paid to the shareholders whose names appear on the register of shareholders on Monday, 12 June 2017. If the proposal is approved by the shareholders at the 2016 annual general meeting, the final dividend is expected to be paid on or before Friday, 28 July 2017. Further announcement will be made as to the exact form of payment.

III. This proposal is subject to the approval by the shareholders at the 2016 annual general meeting.

Beijing North Star Company Limited

Note:

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 obliged 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 the non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other organizations and groups will be treated as being held by non-resident enterprise shareholders and therefore their dividends entitled will be subject to the withholding of the corporate income tax.

Corporate Information

Legal name of the Company:	北京北辰實業股份有限公司
English name of the Company:	Beijing North Star Company Limited
Registered address of the Company:	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing, the PRC
Place of business of the Company:	12th Floor, Tower A, Hui Xin Building, No. 8 Bei Chen Dong Road, Chao Yang District, Beijing, the PRC
Legal representative of the Company:	HE Jiang-Chuan
Company secretaries:	GUO Chuan LEE Ka Sze, Carmelo
Person-in-charge on information disclosure:	GUO Chuan
Enquiry unit for Company information disclosure:	Secretariat of the Board

COMPANY INFORMATION ENQUIRY

Address:	12th Floor, Tower A, Hui Xin Building, No. 8 Bei Chen Dong Road, Chao Yang District, Beijing, the PRC
Postal code:	100101
Telephone:	(8610) 6499 1277
Fax:	(8610) 6499 1352
Website:	www.beijingns.com.cn

Corporate Information (Continued)

REGISTRATION

Date and place of first registration:	2 April 1997, Beijing, the PRC
Creditability code	91110000633791930G

AUDITORS

PRC auditor:	PricewaterhouseCoopers Zhong Tian LLP
Address:	11th Floor, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, the PRC
Postal code:	200021
Telephone:	(8621) 2323 8888
Fax:	(8621) 2323 8800
International auditor:	PricewaterhouseCoopers
Address:	22/F, Prince's Building, Central, Hong Kong
Telephone:	(852) 2289 8888
Fax:	(852) 2810 9888

Corporate Information (Continued)

LEGAL ADVISERS

PRC lawyer:	Beijing Da Cheng Solicitors Office
Address:	7th Floor, Building D Parkview Green FangCaoDi No. 9 Dongdaqiao Road Chaoyang District, Beijing the PRC
Postal code:	100020
Telephone:	(8610) 5813 7799
Fax:	(8610) 5813 7788
Hong Kong lawyer:	Woo Kwan Lee & Lo
Address:	26/F, Jardine House, 1 Connaught Place, Central, Hong Kong
Telephone:	(852) 2847 7999
Fax:	(852) 2845 9225