北辰实业
BEIJING NORTH STAR

HKEx Stock Code: 0588
SSE Stock Code: 601588

2017
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 14 hot regions including Northern China, Central China, Eastern China and Southwest China, and there are 38 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 and apartment, 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, 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). In recent years, the brand operation and provision of management services for exhibitions and hotels saw significant achievements, and gradually formed a diversified service profit model with entrusted management as the core. At present, North Star Exhibition Group provides entrusted management for up to 17 exhibition and hotel projects, and the total area of the venues of the exhibition under entrusted management is 2.12 million square meters. As a result, it has become the largest exhibition brand enterprise in terms of the total area of venues under management in the PRC and the brand influence of "North Star Exhibition" has been continuously enhanced.

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	**2017** *RMB'000*	2016 *RMB'000*	2015 *RMB'000*	2014 *RMB'000*	2013 *RMB'000*
Revenue	**15,303,224**	9,642,510	7,185,973	6,233,623	5,504,991
Profit before income tax	**2,979,513**	1,448,024	1,345,150	1,569,370	1,355,309
Income tax expenses	**1,402,372**	703,864	561,098	733,013	523,224
Profit for the year	**1,559,959**	730,830	784,052	836,357	832,085
Attributable to:					
Owners of the Company	**1,389,761**	806,811	760,687	779,992	799,535
Non-controlling interests	**170,198**	(75,981)	23,365	56,365	32,550

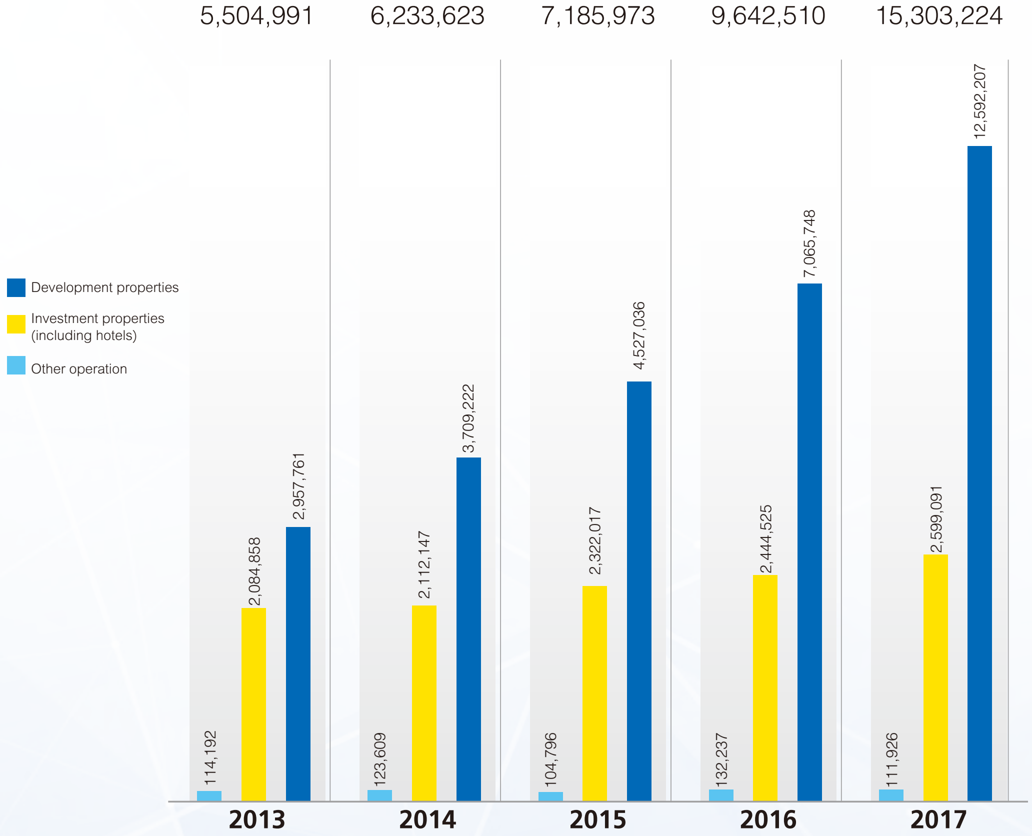
ASSETS AND LIABILITIES

As at 31st December	**2017** *RMB'000*	2016 *RMB'000*	2015 *RMB'000*	2014 *RMB'000*	2013 *RMB'000*
Total assets	**87,701,646**	71,730,452	54,527,322	44,474,442	38,561,963
Total liabilities	**68,548,411**	53,939,155	37,322,788	28,307,778	23,067,596
Total equity	**19,153,235**	17,791,297	17,204,534	16,166,664	15,494,367

Financial Highlights (Continued)

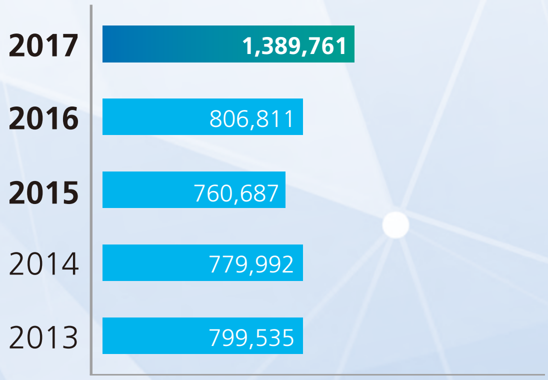
REVENUE BY BUSINESS

RMB'000



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

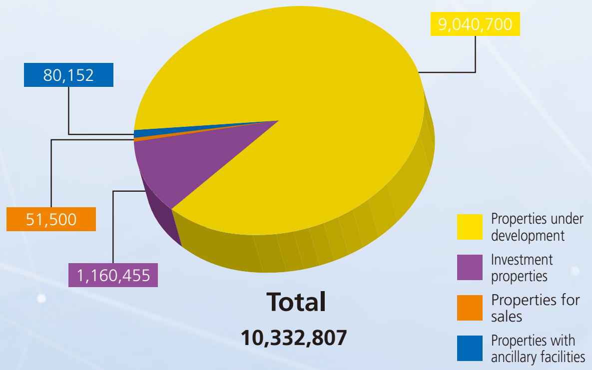
RMB'000



GROSS AREA OF PROPERTY PORTFOLIO

m^2

For the year ended 31 December 2017



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 2017.

As of 31 December 2017, according to the HKFRSs, due to the increase in areas available for settlement, the Company recorded a revenue of RMB15,303,224,000, representing a significant year-on-year increase of 58.71%. Due to the increase in income available for settlement and the change in structure of projects carried forward, as well as the increase in gains arising from the changes in fair value of investment properties, profit before income tax and profit attributable to owners of the Company increased by 105.76% and 72.25% to RMB2,979,513,000 and RMB1,389,761,000, respectively. 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 RMB1,278,766,000. Gains (after tax) arising from the changes in fair value of investment properties were RMB110,995,000 in the period. Earnings per share were RMB0.41.

Looking back to 2017, China was guided by the new development concept, focused on promotion of the supply-side structural reform, and promoted structural optimization, development power conversion and quality improvement. As such, the macroeconomy run stably but positively and even better than expected, and economic vigor, momentum and potential was continuously released, which has increasingly contributed to the world economy. Faced with the new normal of economic development, the Company forged ahead with determination and exploited with innovative spirit in adherence to the three major strategies, being low-cost expansion, brand expansion and capital expansion. As a result, the Company's revenue and profits both hit a record high during the Reporting Period. During the year, North Star Real Estate Group (北辰地產集團) set sail to start the Company's new journey for risk control and scale expansion of property development. In respect of investment properties, we continued to improve our capabilities in professional operations and high-end service. Particularly, we successfully completed a series of important reception service and support tasks in several events such as the Belt and Road Forum for International Cooperation and the BRICS Xiamen Summit, resulting in a continuous enhancement of brand influence of "North Star Exhibition". We actively nurtured new businesses such as elderly care and cultural creativity, so as to inject new vitality into the Company's innovation and development. We continued to explore our financing channels and expand the financing scale, thereby providing a solid guarantee for the sustainable development of the Company.

Chairman's Report (Continued)

Looking ahead to 2018, the global economic recovery will face certain uncertainties, and the foundation for economic rebound is still not yet solid. China's economic development has shifted from a high-speed growth phase to a high-quality development phase. Although financial risks and economic structural problems still exist, benefited from the huge market size, complete supporting industries, accelerated technological progress and strong economic growth resilience in China, the economic development remains promising in the long run. Under such circumstances, faced with both opportunities and challenges, the Company make progress while maintaining stability, tackle various difficulties and proactively seek for new development. On the one hand, the Company will continue to expand and strengthen its property development business, utilise North Star Real Estate Group (北辰地產集團) as a platform to promote the healthy, rapid and continuous growth of the real estate business to realise nationwide layout and large scale development. On the other hand, fully capitalizing on the core advantage of North Star Exhibition, we will integrate both internal and external resources, and accelerate the expansion and upgrade of the whole industrial chain of convention and exhibition business. In addition, we will also speed up the development of innovative businesses and take initiative to practise the integration of innovative businesses and principal business.

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

Management Discussion and Analysis

I. DISCUSSION AND ANALYSIS ON OPERATION

In 2017, the PRC government adhered to the general working guidelines of making progress while maintaining stability, adopted the new development philosophy, focused on the supply-side structural reform, and pushed forward structural optimization, shifting of driving forces and quality improvement. As a result, the national economy had maintained the momentum of stable and sound development and exceeded the expectation with the economic vitality, impetus and potential released, moved from high-speed to high quality growth, and the stability, coordination and sustainability have been strengthened. The economy had achieved stable and healthy development, with the GDP growth rate reached 6.9%.

1. Development Properties

In 2017, based on the central government's principle of "housing properties for accommodation, not speculation", the real estate industry continued to be classification control and city-oriented. With the continuous deepening of regulatory policies and the optimization of supply structure, and accelerated establishment of long-term mechanisms, a real estate market, which emphasizes both housing rental and purchase is gradually taking shape. The regulatory effect has gradually emerged. Speculative demand has been significantly suppressed and the market remained stable. In general, commodity housing sales area increased slightly while the increase of average sales price dropped over the year. The overall sales price stabilized. However, the market showed a trend of differentiation with the demand of first-tier and popular second-tier cities decreased, and demand of third- and fourth-tier cities recovered comprehensively. In addition, in order to ease the pressure of supply and demand, the government actively increased the supply of land and the volume of land transactions picked up. The average price of traded floor of residential land continued to rise, but the premium rate decreased. The growth rate of investment in real estate development in the PRC steadily declined. According to the statistics provided by the National Bureau of Statistics (the same applied hereinafter), commodity housing sales area in the real estate market of the PRC in 2017 was 1,447,887,700 square metres, representing an increase of 5.3% over the corresponding period last year and the corresponding average sales price of commodity housing was RMB7,613.81 per square metre, representing an increase of 5.7% over the corresponding period last year.

Affected by the more stringent regulatory policies, the transaction volume of first-tier cities significantly decreased, thus restrained the increase of sales price, and the market became stabilized. In particular, the new supply of commodity housing in Beijing decreased, and the transaction volume, sales area and total transaction amount fell sharply over the year; however, the average transaction price remained stable with a cooling real estate market. As the government actively increased the land supply, thus making the scale of land supply increased and the supply structure diversified, the total transaction volume and transaction amount of land market in Beijing increased significantly over the year.

Management Discussion and Analysis (Continued)

As for other cities, the second-tier cities still recorded higher housing prices, but with lower growth rate. With the overall decrease of transaction volume, there was an obvious differentiation in cities, resulting in significant difference between upward and downward housing prices. Under the support of real estate de-stocking and the policy of monetary compensation for those affected by rebuilding, the transaction area in third and fourth tier cities witnessed a significant increase and a rise in housing prices.

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)*	Increase compared with the same period last year *(%)*	Sales amount *(RMB100 million)*	Increase compared with the same period last year *(%)*	Average transaction price *(RMB/ square meter)*	Increase compared with the same period last year *(%)*
Beijing	609	-38.0	2,077	-25.7%	34,117	19.8
Changsha	1,824	-21.0	1,329	-6.5%	7,287	18.3
Wuhan	3,086	5.3	3,534	22.8%	11,453	16.6
Hangzhou	1,520	-19.5	3,227	5.4%	21,225	30.9
Suzhou	1,688	-25.3	2,602	-15.3%	15,415	13.4
Ningbo	1,284	14.0	1,816	37.4%	14,145	20.5
Nanjing	1,209	-14.0	1,845	-26.7%	15,259	-14.7
Hefei	960	-43.7	1,099	-30.8%	11,442	22.9
Chengdu	2,976	-9.2	2,558	5.8%	8,595	16.5
Chongqing	5,453	6.8	3,602	36.6%	6,605	27.9
Langfang	199	-58.6	209	-58.7%	10,473	-0.4
Wuxi	1,023	-12.2	1,082	8.4%	10,580	23.4
Haikou	487	23.6	570	63.0%	11,694	31.9

Sources: National Bureau of Statistics, CRIC data, the data of Langfang represents the data from "Langfang Construction Committee".

Management Discussion and Analysis (Continued)

2. Investment Properties (Including Hotels)

The PRC devoted considerable efforts in adjusting economic structure and accelerating the development of modern service industry and determined the strategic positioning of its capital city. Under such background, the investment properties (including hotels) market showed a stable and positive tendency. Meanwhile, as driven by economic transformation of the PRC, the industrial innovation also gave rise to extra demand in investment properties market. In particular, net absorption increased in office building market in Beijing, the rent level also increased slightly and remained at a high level in 2017. As for convention and exhibition market, under the "Thirteenth Five-Year Plan", service trade (including convention and exhibition business) was identified as a development priority, with the strategic objective of "strengthening the country through trading" being put forward. Under such favorable backdrop, emerging enterprises in the convention and exhibition industry grew rapidly with industry scale continually expanding, industry concentration strengthened and professional level significantly improved, and the progress of industry marketization and internationalization was continually accelerating, and was playing a more significant role in driving the related industries. Benefiting from the recovery of business activities, mass tourism and other demand sides as well as higher national consumption level, the high-end hotels and catering industry comprehensively recovered, the occupancy rate and average housing price picked up. As for apartment market, with the support and guidance of the policy, many real estate companies have set foot in the long-term apartment business, which made the market more active.

3. Commercial Properties

As for the commercial properties, in response to the impact of homogeneity competition and e-commerce, the Company actively integrated the off-line business with e-commerce, deepened the strategy of diversified operation, cross-sectoral and omni-channel development and proactively conducted innovation and transformation.

II. BUSINESS REVIEW DURING THE REPORTING PERIOD

In 2017, under the guidance of brand expansion, low-cost expansion and capital expansion strategy, the Company seized development opportunities, optimized the organizational structure and enhanced management efficiency based on market demand. The expansion rate of the Company's scale continued to accelerate and the overall profit level not only achieved a substantial increase, but also hit a record high. During the Reporting Period, revenue from continuing operations of the Company increased significantly year on year by 58.71% to RMB15,303,224,000 due to the increase in areas available for settlement. The increase in income available for settlement and the change in structure of revenue-recognised projects as well as 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 owners of the Company were RMB2,979,513,000 and RMB1,389,761,000, respectively, representing an increase of 105.76% and 72.25% over the previous year, respectively. 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 RMB1,278,766,000, representing a year-on-year increase of 72.01%. Gains (after tax) arising from the changes in fair value of investment properties were RMB110,995,000 in the period. Earnings per share were RMB0.41, up 72.25% over the same period last year.

Changsha North Star Delta

Marketing Centre of Wuhan North Star Blue City

Management Discussion and Analysis (Continued)

1. Development Property

Facing with changing real estate policies and market atmosphere, the Company executed a flexible marketing strategy, dedicating to speed up the turnover of projects and the progress of de-stocking. As a result, the sales performance of development properties ranked among top 100 in the PRC. In 2017, due to the increase in areas available for settlement, revenue of development property reached RMB12,592,207,000 (including parking space), representing an increase of 78.21% over the same period last year. Due to the increase in income available for settlement and the change in structure of revenue-recognized projects, the profit before tax was RMB1,793,600,000, representing a significant increase of 282.55% over the same period last year. During the Reporting Period, the new and resumed construction area of development property was 6,480,000 square meters; the completed area was 1,390,000 square meters; the contracted sales amount and the sales area were RMB22.3 billion (including parking space) and 1,240,000 square meters, respectively.

Design Sketch of Lot 7 at Chongqing North Star Yuelai No.1

Aerial View of Chengdu North Star • South Lake Xianglu

Hangzhou North Star Guosongfu

Aerial View of Chengdu North Star • Landsea Southern Gate Green Shire

Changsha North Star Central Park

Aerial View of Chengdu North Star • Xianglu

North Star • Villa 1900

Management Discussion and Analysis (Continued)

Steady growth in operation results. During the Reporting Period, The Company adhered to the concept of "customer-centric", accurately conducted marketing, and actively defused the adverse effect of policies of house buying restrictions, thus effectively promoted de-stocking and achieved annual sales return of RMB20.2 billion with a recovery rate of 91%. During the Reporting Period, sales of each project of the Company were excellent with contracted sales amount of a total of 9 projects exceeded RMB1 billion. As for Changsha North Star Delta project, against the background of implementing local policies for home buying restrictions, by innovating marketing methodology and adopting diversified means of sales during the Reporting Period, the project has recorded contracted sales amounts of RMB4.836 billion, and cash collection of RMB4.620 billion, continuously outperforming regional real estate markets. Units of three projects including Chengdu North Star Xianglu, North Star•South Lake Xianglu and North Star•Landsea Southern Gate Green Shire were sold out on the date of launch, recording contracted sales amounts of RMB448 million, RMB421 million and RMB1.298 billion, respectively during the Report Period.

Rational expansion of land reserve. Against the background of keen competitions in the land market, the Company conducted in-depth study and analysis of the policy environment and customer demand of different target cities, focused on national strategic development regions, actively tried diversified land acquisition modes, deepened the layout of mainstream markets in the first- and second-tier cities and vigorously tapped potentials in cities already with presence and their surrounding areas. During the Reporting Period, the Company obtained an aggregate of 9 land parcels in Wuxi, Haikou, Wuhan, Chengdu and their surrounding areas, with a newly added land reserve of approximately 1,940,000 square meters and an equity land reserve of approximately 1,270,000 square meters. As at the end of the Reporting Period, the Company already established presence in 14 cities, namely Beijing, Changsha, Wuhan, Hangzhou, Chengdu, Nanjing, Suzhou, Hefei, Langfang, Chongqing, Ningbo, Wuxi, Haikou and Meishan, with a total land reserve of approximately 9,350,000 square meters, and possessed a total of 38 projects in the pipeline or under construction, with the planned total floor area of 17,630,000 square meters. Accordingly, the Company established a trans-regional layout covering North China, Central China, East China and the Southwest.

Continuously promote systemic construction. In order to adapt to the strategic needs for national layout and large-scale development, the Company formally established the North Star Real Estate Group through integration of 25 real estate subsidiaries during the Reporting Period. With the real estate group as a platform, the Company will accelerate the development of real estate business based on the three main lines of planned operation, comprehensive budget and customer service.

Founding Meeting of Beijing North Star Real Estate Group Co. Ltd

Management Discussion and Analysis (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 meters)*	Planned Plot Ratio-Based Gross Floor Area *(square meters)*	Whether cooperative development project is involved	Area of cooperative development *(square meters)*	Percentage of interest in cooperative project *(%)*
1	North Star Delta	1,088,900	3,820,000	No	–	100
2	North Star Central Park	141,100	720,000	Yes	367,200	51
3	Suzhou North Star CIFI No. 1 Courtyard	23,900	180,500	Yes	90,300	50
4	North Star • Guangguli	134,800	337,000	Yes	171,900	51
5	North Star • South Lake Xianglu	147,300	210,000	No	–	100
6	Langfang Longhe New District Project	239,100	296,800	No	–	100
7	North Star CIFI Park Mansion • Luzhou	66,000	239,000	Yes	119,500	50
8	Wuhan Linkonggang Project	738,500	716,000	No	–	100
9	Chongqing Yuelai Convention Xincheng Project	983,700	918,000	No	–	100
10	Wuxi Huishan Tianyi New Town Project	138,400	196,000	Yes	96,000	49
11	Wuxi Yangxi River Project	366,000	413,800	Yes	165,500	40
12	Haikou West Coast South Area Project	278,400	206,000	No	–	100
13	Shuangliu Hangyuan Road Plot Project	112,600	79,800	No	–	100
14	Tianfu New District Renshou 105 Mu Parcels Project	112,900	84,000	No	–	100
15	Tianfu New District Renshou 90 Mu Parcels Project	200,400	149,800	No	–	100
16	Wuhan Lot 131 project	178,300	127,200	Yes	64,900	51
17	Beijing Beiqijia project	284,000	170,400	Yes	86,900	51
Total		5,234,300	8,864,300		1,162,200	–

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 9,350,000 square meters, and equity land reserve is 7,890,000 square meters. The land reserve in the above table does not include the projects that are under construction and unsold.

Management Discussion and Analysis (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	Changping, Beijing	North Star Red Oak Villa	Villa	Under Construction	287,500	150,000	213,700	116,800	144,300	24.07	2.08
2	Shunyi, Beijing	Modern Beichen Yue MOMA	Owner occupied commercial housing and housing of two limits	Under Construction	52,800	109,300	132,500	90,000	131,100	23.47	0.50
3	Changsha, Hunan	North Star Delta	Residence, commercial and office building	Under Construction	780,000	3,820,000	5,200,000	1,608,300	3,066,100	330.00	25.00
4	Changsha, Hunan	North Star Central Park	Residence	Under Construction	336,300	720,000	906,300	479,400	285,800	33.12	3.46
5	Wuhan, Hubei	North Star Contemporary Best+	Residence and commercial	Under Construction	104,700	241,100	313,800	205,900	205,900	21.00	1.22
6	Hangzhou, Zhejiang	Shushan Project	Residence and commercial	Under Construction	83,900	235,000	317,500	317,500	174,600	28.30	3.51
7	Hangzhou, Zhejiang	Hangzhou Shunfa CIFI Honor Mansion, Phase I	Residence and commercial	Under Construction	41,900	75,000	108,400	108,400	108,400	14.85	0.83
8	Hangzhou, Zhejiang	Hangzhou Shunfa CIFI Honor Mansion, Phase II	Residence and commercial	Under Construction	13,400	23,000	32,600	32,600	32,600	4.90	0.34
9	Nanjing, Jiangsu	Anjing North Star CIFI Park Mansion • Jin Ling	Residence	Under Construction	25,300	70,700	105,000	105,000	0	27.10	1.48
10	Chengdu, Sichuan	North Star • Landsea Southern Gate Green Shire	Residence and commercial	Under Construction	63,600	158,600	235,100	235,100	0	24.92	1.40
11	Chengdu, Sichuan	North Star • Xianglu	Residence and commercial	Under Construction	40,400	96,900	150,800	150,800	0	15.69	1.14

Management Discussion and Analysis (Continued)

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
12	Suzhou, Jiangsu	Suzhou North Star CIFI No. 1 Courtyard	Residence and commercial	Under Construction	178,700	180,500	296,400	272,500	169,900	25.46	2.40
13	Hefei, Anhui	Hefei North Star CIFI Park Mansion • Luzhou	Residence and commercial	Under Construction	141,700	239,000	348,000	282,000	0	43.00	2.08
14	Chengdu, Sichuan	North Star • South Lake Xianglu	Residence	Under Construction	88,000	210,000	299,000	151,700	0	22.35	1.40
15	Hangzhou, Zhejiang	Shanyin Road Project	Residence	Under Construction	21,900	48,200	69,900	69,900	0	16.00	1.89
16	Langfang, Hebei	Longhe New District Project	Residence and commercial	Commenced	140,700	296,800	419,200	180,100	0	31.28	1.24
17	Wuhan, Hubei	North Star Guangguli	Commercial Service	Commenced	84,200	337,000	492,000	357,200	0	34.00	1.53
18	Hangzhou, Zhejiang	Xianghu Project	Residence and commercial	Commenced	57,400	144,000	209,700	209,700	0	5.50	1.20
19	Ningbo, Zhejiang	Yinfeng District Project	Residence	Commenced	47,300	137,400	189,700	189,700	0	42.00	16.07
20	Yubei, Chongqing	Yuelai Convention Xincheng Project	Residence and commercial	Commenced	429,100	918,000	1,163,700	180,000	0	104.00	14.97
21	Wuxi, Jiangsu	Huishan Tianyi New Town Project	Residence	Commenced	88,000	196,000	264,900	126,500	0	28.60	8.03
22	Wuxi, Jiangsu	Yangxi River Project	Residence	Commenced	137,900	413,800	555,100	189,100	0	46.79	5.95
23	Ningbo, Zhejiang	Chenpodu Project	Residence and commercial	Commenced	133,000	292,500	404,800	404,800	0	59.50	9.14
24	Wuhan, Hubei	Linkonggang Project	Residence and commercial	Commenced	358,100	716,100	976,000	237,500	0	48.43	21.00
25	Suzhou, Jiangsu	Wuzhong District No. 50, 51, 69 Land Lot Project	Residence and commercial	Commenced	170,000	268,800	393,600	172,700	0	58.82	12.36
Total					3,905,800	10,097,700	13,797,700	6,473,200	4,318,700	1,113	140

Note:

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

Management Discussion and Analysis (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	2,670	1,627
2	Changping, Beijing	North Star Red Oak Villa	Villa	30,299	16,956
3	Haidian, Beijing	North Star • Xianglu	Residence	11,548	–
4	Chaoyang, Beijing	North Star • Fudi	Commercial, residence and supporting facilities	14,291	–
5	Shunyi, Beijing	Modern Beichen Yue MOMA	Owner occupied commercial housing and housing of two limits	9,122	3,199
6	Shunyi, Beijing	North Star • Villa 1900	Residence	90,060	38,492
7	Changsha, Hunan	North Star Delta	Residence, commercial and office building	631,963	342,631
8	Changsha, Hunan	North Star Central Park	Residence	130,747	91,029
9	Wuhan, Hubei	North Star Contemporary Best+	Residence and commercial	80,765	73,712
10	Hangzhou, Zhejiang	North Star Shushan Project	Residence and commercial	83,417	67,487
11	Hangzhou, Zhejiang	Hangzhou Shunfa CIFI Honor Mansion, Phase I	Residence and supporting commercial facilities	2,174	2,034
12	Suzhou, Jiangsu	Suzhou North Star CIFI No. 1 Courtyard	Residence and commercial	130,596	98,035
13	Nanjing, Jiangsu	Nanjing NorthStar CIFI Park Mansion Jin Ling	Residence	39,583	37,866
14	Chengdu, Sichuan	North Star Landsea Southern Gate Green Shire	Residence and commercial	79,150	73,137
15	Hangzhou, Zhejiang	Hangzhou Shunfa CIFI Honor Mansion, Phase II	Residence and supporting commercial facilities	4,873	4,873
16	Chengdu, Sichuan	North Star • Xianglu	Residence and commercial	34,273	31,993
17	Hefei, Anhui	Hefei North Star CIFI Park Mansion • Luzhou	Residence and commercial	91,897	84,389
18	Wuhan, Hubei	Guangguli	Commercial service	33,320	33,320
19	Wuhan, Hubei	Linkonggang Project	Residence and commercial	18,062	15,764
20	Hangzhou, Zhejiang	Shanyin Road Project	Residence	14,640	8,058
21	Hangzhou, Zhejiang	Xianghu Project	Residence and commercial	49,791	49,346
22	Chengdu, Sichuan	North Star • South Lake Xianglu	Residence	43,446	40,286
23	Langfang, Hebei	Longhe New District Project	Residence and commercial	8,430	1,212
24	Yubei, Chongqing	Yuelai Convention Xincheng Project	Residence and commercial	66,722	7,043
25	Wuxi, Jiangsu	Huishan Tianyi New Town Project	Residence	34,978	4,361
26	Wuxi, Jiangsu	Yangxi River Project	Residence	70,204	32,841
27	Ningbo, Zhejiang	Yinfeng District Project	Residence	31,358	5,561
28	Ningbo, Zhejiang	Chenpodu Project	Residence and commercial	101,226	78,790
Total				1,939,605	1,244,044

Notes:

1. The pre-sold area is the pre-sold construction area for the pre-sold property of the project;
2. In 2017, the sales area is 1,240,000 square meters, the sales amount is RMB22.3 billion, the settlement area is 940,000 square meters, and the settlement amount is RMB12.6 billion.

Management Discussion and Analysis (Continued)

2. Investment Properties (Including Hotels)

Under the background of implementation of national strategies such as the "One Belt and One Road" initiative and the strategic positioning of "Four Centers", as well as the synergetic development of Beijing-Tianjin-Hebei, investment properties are posed opportunities and challenges. The Company firmly insisted on its direction of market development, fully exerted the advantages of resource integration and expanded its diversified services, with an aim at revitalizing inefficient assets, identifying the potential of efficient growth, which led to the improvement in its overall profitability. In 2017, the Company recorded an operating revenue from investment properties (including hotels) of RMB2,599,091,000, representing a year-on-year increase of 6.32%. Profit before tax amounted to RMB847,546,000, representing a year-on-year increase of 8.21%.The valuation surplus of the segment for this period was RMB147,993,000, representing an increase of 75.12% as compared with the same period last year.

Further enhanced brand influence of North Star Events. By giving full play to its functions of serving the central and serving the"Four Centers" functions of the capital, North Star Events Group completed the important reception and various service assurance tasks for the Belt and Road Forum for International Cooperation, BRICS Xiamen Summit, INTERPOL General Assembly and Beijing Municipal CPPCC meeting (北京市政協會議), etc. through rational personnel deployment and coordination of various resources, which demonstrated the "North Star Standard" and "Beijing Service" to the world and enhanced the corporate image and brand value of the Company on a continuous basis, so as to lay a solid foundation for brand expansion and management output of North Star Events. "North Star Events" won in the eighth "Most Influential Ten Brands of Beijing" awards with its strength.

G20 Hangzhou Summit

BRICS Xiamen Summit Held at Xiamen International Conference Centre

Management Discussion and Analysis (Continued)

Optimizing and consolidating the held-for-sale asset-heavy business. The Company made full use of the geographical correlative advantage of its in-stock properties concentrated in the Asian-Olympic core district, and took the convention and exhibition as a lead to drive synergetic development of office building, hotel and apartment businesses. In particular, National Convention Centre and Beijing International Convention Centre continuously improved the quality and efficiency of asset operation. Accordingly, their revenue hit record high during the Reporting Period, the percentage of new customers was continuously increasing and market share remained stable. As for office building, on one hand, by persisting in the professional operating concept, the Company had increased targeted marketing to improve customer loyalty; on the other hand, the Company had actively explored the asset-heavy output business. As a result, both the occupation rate and the rent increased made great contribution to profits of investment properties (including hotels). In terms of hotel and apartment businesses, based on market demands, the Company thoroughly optimized the customer structure. Consequently, the occupation rate maintained at a high level whereas the average price increased amidst stability during the Reporting Period.

Integrated Property Group in Asian Games Village

Management Discussion and Analysis (Continued)

Innovative development of asset-light service business. By leveraging on strong brand resources, North Star Events Group continuously accelerated the expansion and upgrade of the whole industrial chain of convention and exhibition business through actively following the national strategies such as the "One Belt, One Road Initiative" and the synergistic development of Beijing, Tianjin and Hebei, and Xiong'an New Area, etc. As a result, many new features and highlights were demonstrated in its operation.

The Company accelerated the expansion of convention and exhibition venues as well as the operation and management output of the hotel brand. The Company has gradually formed a diversified service profit model centering on entrusted management and completed its strategic landscape by extending its business to numerous cities across the country. During the Reporting Period, North Star Events Group successfully entered into contracts in respect of the entrusted management for six projects including North Star V-Continent Beijing Yinfeng Hotel Project, North Star V-Continent Datong Executive Apartment Project, Taizhou China Medical City Exhibition Center Project and Qingdao International Exhibition Center Project, and consulting services for six projects including Nantong International Convention & Exhibition Centre, and Xi'an Silk Road International Convention & Exhibition Centre project in Chanba Ecological District. As at the end of the Reporting Period, North Star Events Group covered 25 cities across the country, with nine cumulative contracted hotel projects under entrusted management, and eight cumulative contracted convention and exhibition centers with a total floor area of nearly 2.12 million square metres under entrusted management. Currently, North Star Events Group has become the largest convention and exhibition brand company with largest venue areas under management in China. As to hosting and undertaking business, it aimed at building the first proprietary convention brand, i.e. the "China Animation Comic Game Festival (中國遊戲節)"; as to research and development business, by adhering to the positioning of "government think tank and industry intelligence", it is dedicated to expanding its development; the internet + business represented by Internet + Convention and Exhibition and North Star Intelligent Community were smoothly promoted.


V-Continent Datong Executive Apartment


V-Continent Chifeng Hotel


V-Continent Beijing South Hotel


V-Continent Jiangxi Hotel


V-Continent Zhangjiakou Hotel


V-Continent Nyingchi Hotel


V-Continent Huizhou East Executive Apartment


V-Continent Anshun Hotel

Management Discussion and Analysis (Continued)

Table 5: Leasing of Real Estate during the Reporting Period

Unit: 0'000 Currency: RMB

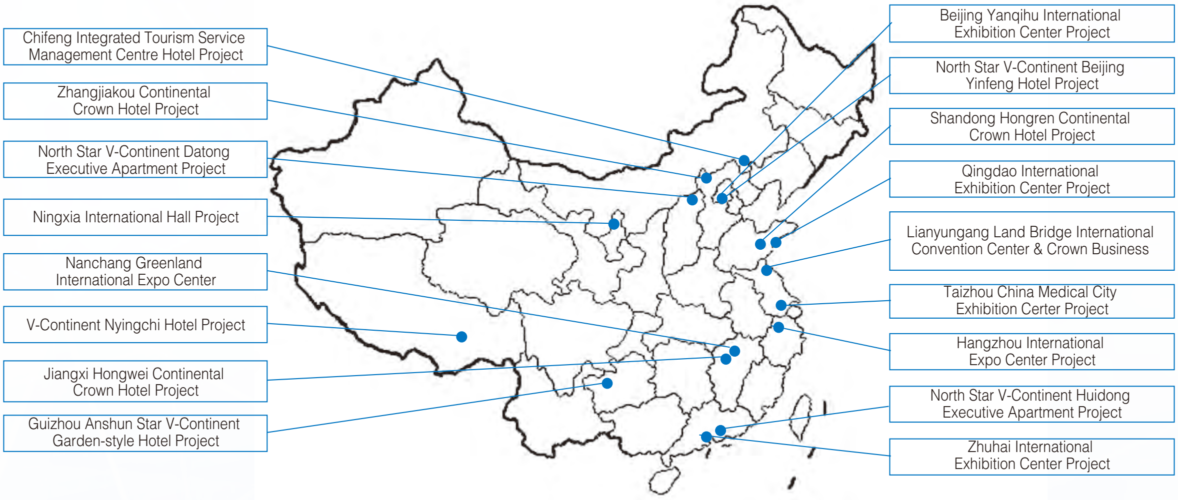
No.	Region	Project	Operation format	Construction area of the real estate leased *(square meter)*	Rental income of the real estate leased
1	Beijing	National Convention Centre	Convention and exhibition	270,000	65,518
2	Beijing	Beijing International Convention Centre	Convention and exhibition	56,400	12,227
3	Beijing	Hui Bin Offices	Office building	37,800	6,623
4	Beijing	Hui Xin Offices	Office building	38,000	5,280
5	Beijing	North Star Times Tower	Office building	139,367	22,657
6	Beijing	North Star Century Center	Office building	149,800	30,540
7	Beijing	Beijing Continental Grand Hotel	Hotel	42,613	14,175
8	Beijing	National Convention Centre Hotel	Hotel	50,200	10,918
9	Beijing	V-Continent Beijing Parkview Wuzhou Hotel	Hotel	60,205	17,085
10	Beijing	Intercontinental Beijing North Star Hotel	Hotel	60,000	18,216
11	Changsha	Intercontinental Changsha	Hotel	79,199	19,546
12	Beijing	Hui Yuan Apartment	Apartment	179,662	25,636
13	Beijing	North Star Shopping Centre (Asian Games Village Branch (亞運村店))	Commercial	30,463	16,986
14	Beijing	B5 Commercial Area of North Star Green Garden	Commercial	49,689	1,852

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.
6. North Star Shopping Centre (Asian Games Village Branch (亞運村店)) was closed on 8 January 2018.

Management Discussion and Analysis (Continued)

Chart 1: Entrusted management projects of the Company in 2017



3. Commercial Properties

Due to the multiple effects of market saturation, the surge of costs and challenge from e-commerce, the traditional retail industry has become increasingly competitive. In order to optimize the capital allocation and further propose to light-mode upgrade of commercial properties, during the Reporting Period, the Company exited from the traditional retailing operation.

4. Nurturing Business

Through tireless efforts and actively nurturing for nearly two years, North Star International Healthcare Town (北辰國際健康城), the first health and elderly care project of the Company, officially launched in Changsha. Through the cooperation with the ORPEA Group, the biggest elderly care and rehabilitation group in Europe, the Company intends to develop a health and elderly care complex in the heart of the city. Meanwhile, the exploration of cultural creativity industry of the Company has been gradually deepened. Through the strategic cooperation with benchmarking enterprises in cultural creativity industry and central cultural troupes, the Company actively adopts the development mode of integration of cultural creativity industry and the principal business of the Company.

Management Discussion and Analysis (Continued)

5. Financing Work

The Company actively pursued and implemented capital expansion strategy. By leveraging on the platform of "headquarters financing", the Company strived to explore innovative financing channels. During the Reporting Period, the Company successfully completed the issuance of 2017 First Tranche of Medium Term Notes of RMB1.32 billion and successfully reduces the interest rate of 2 existing non-banking financing immediately before the rising of interest rate, saving financing cost of approximately RMB32 million for the whole year.

Table 6: Financing of the Company during the Reporting Period

Unit: 0'000 Currency: RMB

Total financing amount at the end of the period	Overall average financing cost (%)	Interest capitalised
3,189,728	5.94	123,051

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, centering on the objective of being China's top-tier complex estate brand and China's top influential exhibition brand, insists on building good brand image, wins the respects and praises from shareholders, customers, business partners and peers in the process of development. During the Reporting Period, the Company has been awarded with "Professional Leading Brand of China Complex Estate (中國複合地產專業領先品牌)" for eleven consecutive years and "Beijing Top 20 Credible Real Estate Companies (北京資信20強)" for three consecutive years, and awarded with "2017 China Top 100 Real Estate Developers (2017年中國房地產百強企業)", "Stars of China Top 100 Real Estate Developers (中國房地產百強之星)", "2017 Top Ten Influential Brands (2017十大影響力品牌)", "2017 Top 10 Shanghai/Shenzhen – Listed Real Estate Companies in terms of Investment Value (2017滬深上市房地產公司投資價值TOP10)" and "2017 Top 10 Shanghai/Shenzhen – Listed Real Estate Companies in terms of Economic Value Added (2017 滬深上市房地產公司財富創造能力Top 10)" by authoritative media.

The basis of these honours and awards is the trust for as well as the responsibility of our Company. The Company will continue to uphold the corporate mission of "create property value, build a century's foundation", improve the service quality, constantly innovate and move forward during the course of development and reform.

Management Discussion and Analysis (Continued)

7. Investor Relations

By means of on-site road show, investors research, teleconference, special column on the website of the Company and telephone hotline, the Company gradually formed a multiple-layer and diversified communication mechanism with its investors with reference to the listing characteristics of the two locations. During the Reporting Period, the Company held two road shows with attendance of the management. During the year, the Company accepted the visits of more than 80 individuals from securities companies, funds, institutional researchers, and attended large-scale investors' meetings organized by investment banks. 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 shareholders' interests.

8. Fulfill social responsibility and promote sustainable development of enterprises

With the "13th Five-Year Plan" as the lead, the Company actively fulfills its social responsibility, combines reform with innovation and development, and promotes the sustainable development of the enterprise. During the Reporting Period, the Company actively carried out public welfare undertakings, donated money and provided support to help those in need, to promote healthy and harmonious social development. The Company worked diligently on various environmental protection tasks. The policy of energy saving and environmental protection has been implemented in all branches and subsidiaries. The Company made outstanding achievements in energy-saving and environmental protection. The Company also achieved a surplus of 4,346 tons of carbon dioxide in terms of carbon emission quota and made a positive contribution to the "Blue Sky Action" in Beijing. With the goal of sustainable development, the Company disclosed the "Social Responsibility Report" (Environmental, Social and Governance Report) for 9 years in a row and has deepened the essence of sustainable development in its daily operation and management.

III. INDUSTRY LANDSCAPE AND TREND

2018 is the first year of putting the guiding principles from the 19th National Congress of the Communist Party of China into action and the critical year for the implementation of the "13th Five-year Plan", the PRC will persist in new development concepts, comprehensively press ahead with the "Five-in-one" general layout, coordinate and advance the "Four Comprehensives" strategic layout according to high quality development needs. The PRC will focus on the promotion of the supply-side structural reform. Meanwhile, it will fully carry out various tasks in relation to steady growth, reform promotion, structural readjustment, improving people's livelihood and risk prevention, as well as strengthen innovation drive so as to promote the sustained and healthy development of the economy and society.

Management Discussion and Analysis (Continued)

As for development properties, under the background of the central government's emphasis on the nature of housing properties, in the short term, the government will maintain the continuity and stability of macro-control policies in the real estate market, and conduct differential control, maintain the tight situation, curb speculative demand and guarantee rigid demand, hence to stabilize market expectations. In the medium and long term, longstanding mechanism will be further deepened. The PRC will vigorously develop housing rental market and conduct the trial of shared ownership, improve multiple-layer supply system for housing, and put in place a housing system that encourages both housing purchase and renting, as well as promote the change of housing concept and strengthen the residential attribute of properties, so as to lay a more solid foundation for stable and healthy development of real estate industry.

As for investment properties (including hotels), as the further implementation of major strategies such as Chinese characteristics, great power diplomacy, strategic position of Beijing as the "Four Centers" and the synergistic development of Beijing, Tianjin and Hebei, more extensive space and new opportunities for the development in the convention and exhibition industry will be provided in the PRC. The Certain Opinions on Accelerating Cultivation and Development of the Housing Rental Market (《關於加快培育和發展住房租賃市場的若干意見》) issued by the State Council and Notice on Accelerating the Development of Housing Rental Market in Large and Medium-sized Cities with Net Inflow of Population (《關於在人口淨流入的大中城市加快發展住房租賃市場的通知》) issued by Ministry of Housing and Urban-Rural Development together with other eight central ministries and commissions, as well as the requirement of moving faster to put in place a housing system that ensures supply through multiple sources, provides housing support through multiple channels, and encourages both housing purchase and renting by central government which support the development of professional and institutional housing rental enterprises, all provide a sound policy environment for the development of apartment market. Moreover, the Asian Infrastructure Investment Bank, the "One Belt, One Road Initiative" and the setup of free trade zones will also further stimulate demands for office buildings. Meanwhile, the PRC 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 convention and exhibition industry and tourism, will directly lead to the enhancement of hotel and catering business.

As for commercial properties, the traditional businesses have been declining because of not satisfying the improving demands of consumers, and emerging style of business and new business mode have been growing rapidly, all of which indicate that the trend of transformation and upgrade of commercial properties are significant.

IV. DEVELOPMENT STRATEGY OF THE COMPANY

In spite of the complicated market and policy environment, the Company will focus on improving our ability to predict the market trend under new situation. Under the strategic objective of building a first-class composite real estate brand enterprise and the most influential exhibition brand enterprise in the PRC, the Company will adhere to the strategic development direction towards "operation with light asset, support by new economy, expansion at low cost and development of high-end service industry" according to the theme of development. The Company will further increase the operation revenue and development scale of its principle business and actively press forward with the research and development of nurturing business and the implementation thereof by thorough implementation of three strategies, i.e. low cost expansion, brand expansion and capital expansion, so as to continuously strengthen our ability of sustainable development.

Management Discussion and Analysis (Continued)

1. Development Properties

Facing with the deep reform of the real estate market, the Group will fully exert the functions of city centers on "strong support for expansion, strictly control of risks, prudent guide for business, quality service for teams and good coordination for difficulties ("拓展強支持、風險強管控、業務強指導、團隊強服務、困難強協調"), to coordinately promote the scaled business and diversified development, speeding up the establishment of a first-class composite real estate brand enterprise in the PRC.

In respect of development strategies, the Company will focus on strategic research, and set up a scientific, effective investment and expansion mechanism. Centering on our expansion strategy of "consolidation in tier 1 cities, intensification in tier 2 cities and pay attention to tier 3 cities", the Company will constantly pay attention to the key areas including Beijing-Tianjin-Hebei, Guanzhong, Zhongyuan, Shandong Peninsula, the Pearl River Delta while deepening the development in those cities which we have already had access into. Through a variety of ways such as open bidding, cooperative development, and mergers and acquisitions, the Company will expand the project reserves in a reasonable manner. In addition, the Company will also actively explore and attempt to conduct leasing, first-class development, and shantytown reconstruction projects, to identify development opportunities. In terms of project operations, with the target of fast-turnover, the Company will accurately grasp the focus, rhythm and strength of operations, vigorously promoting the development and construction of large-scale projects, such as Chongqing Yuelai No.1 (重慶悅來壹號), so as to have comprehensive strengths of linking up of production and sales, realizing fast turnover of large scale projects. In terms of innovation in the development model, the Company will take advantage of comprehensive operations of real estate and strengthen the integration of new businesses such as real estate and conventions, health and pensions, and culture and innovation, to innovate business models and expand new industrial real estate development opportunities.

2. Investment Properties (Including Hotels)

The Company will capitalize the development opportunities resulting from the new era and new economy, and insist on implementing branded, market-oriented, professional and standardized development strategies, so as to facilitate resources sharing and business coordination of different exhibition enterprises. As a result, economies of scale of assets and synergies from management will be achieved. In addition, the Company will proactively insist on innovation drive, promote the brand management output and industrial chain extension of North Star Events. Through developing convention hosting business to a greater effort, the Company will promote the implementation of internet plus business for creating a high-end intelligent service brand on convention and researches, together with conducting convention projects in the manner of PPP, to constantly explore high value-added business in convention industrial chain, consolidating the "soft strength" of North Star Events, as well as boosting full integration and innovative development of its exhibition economy and new economy, new business and new technologies. The Company will strive to achieve the paralleled development of asset-heavy investment business and asset-light service business.

Management Discussion and Analysis (Continued)

3. Commercial Properties

By applying business management mode of big data, the Company will proactively explore development mode for commercial properties that is in line with the new normal of economy and the Company's overall strategy.

4. Nurturing Business

By virtue of its principal business resources and comparative advantages, the Company will speed up its pace to promote breakthrough in business nurturing through exploration, research and demonstration. As for health and elderly care, the Company shall accelerate the research and exploration of replicable business operation mode for elderly care with North Star features, so as to continuously facilitate the materialization of projects. As for cultural creativity, the Company shall carry out preliminary research on business positioning and business mode, speeding up the implementation of the projects on hand, seeking for an all-round development business mode covering the upstream contents, midstream channels and downstream products.

5. Financing and Capital Expenditure

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

In 2018, the Company's investment in fixed assets is expected to be approximately RMB330.0 million, which will be paid according to project progress and funded by internal resources.

V. SCHEME OF OPERATIONS

In 2018, it is estimated that new construction area of the Company's development properties will be 2,200,000 square meters, area for new and resumed construction will be 7,150,000 square meters and the completed area will be 1,680,000 square meters. Overcoming the impact of the regulation policy on real estate industry, the Company will strive to achieve sales of 1,540,000 square meters with contracts signed (including parking spaces) amounting to RMB24.0 billion in 2018.

As for investment properties, the Company 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.

VI. POTENTIAL RISKS FACED BY THE COMPANY

1. Policy Risks in Development Properties

The development of real estate industry is closely related to national policy directions, and such policies are cyclical in nature. 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, project development and construction, and sales and fundraising.

Management Discussion and Analysis (Continued)

In response to the aforesaid risks, the Company will conduct further analysis of macro policies, pay close attention to market changes and improve the responsiveness to the policies and market changes while placing equal importance on risk management and control during the fast development of real estate business, so as to minimize the risk of project development and sales resulting from policy uncertainty. Meanwhile, it will promote its comprehensive competitiveness by continuously optimizing the direction of business development based on policy directions, with an aim to enhance the potential of sustainable development of property development 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 persistent high transaction price and the increase of development cost of enterprises, which will further affect the housing prices. Subsequent excessively high housing prices are susceptible to induce regulatory policies. Due to the combined effect of relatively high proportion of land cost and the fact that selling price could not be effectively increased, profit margin of enterprises will be narrowed, 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 select relatively developed cities and regions in which market is mature with favorable investment atmosphere, a net inflow of population and a relatively rational housing-price-to-income ratio. The Company will insist on its low cost expansion strategy, explore new channels for land acquisition to mitigate capital pressure and minimize operation risks. At the same time, the Company is dedicated to strengthen professional management and deepen systemic construction, so as to shorten the development cycle and speed up the turnover of its projects, improve the cash recovery rate and avoid market risks.

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

As the Company has continuously strengthened its national business layout for real estate development and its exhibition brand expansion in recent years, rapid increase was witnessed in trans-regional real estate projects and entrusted hotel or exhibition management projects, which has led to soaring demands for professional talents and senior management personnel, hence the Company may be exposed to the risk of talent shortage in the near future.

To tackle the aforementioned risks, the Company organized a range of courses, including training classes for general managers of real estate projects, training classes for senior managers of exhibition projects and training classes for general managers of finance, to actively cultivate talents, and speed up the expansion of talent reserve. Meanwhile, the Company successively introduced relevant regulations such as basic qualifications for different levels of positions to specify employment standards, standardized recruitment procedures, constantly optimized personnel structure and stimulated internal organizational vitality, so as to guarantee strong talent for its stable and long-term development.

VII. CORE COMPETITIVENESS ANALYSIS

With more than two decades of development, the PRC'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.

Management Discussion and Analysis (Continued)

As for the future development of the PRC's real estate industry, under the PRC'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 into the silver age of relatively stable development at medium and high speed, and differentiated development of cities has become a new normal. 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 a policy period that gives rise to new development opportunities featuring the integration of various industries and capital sources driven by innovation, transformation and evolution.

Under such sectoral background, the Company's comprehensive operating capacity in the real estate market and its brand influence have 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 composite real estate and brand advantage. Property types developed by the Company include luxury homes, 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 TOP10 Real Estate Research Group for eleven 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 14 cities, namely Beijing, Changsha, Wuhan, Hangzhou, Chengdu, Nanjing, Suzhou, Hefei, Langfang, Chongqing, Ningbo, Wuxi, Haikou and Meishan, representing the Company's foundations and professional capability for nationwide development.

On the other hand, as one of the PRC'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 the 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 the Olympic Games, APEC summit, Beijing Fair, G20 Hangzhou Summit and Belt and Road Forum for International Cooperation, 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 Events 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 research and development and education on 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 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 the PRC's most influential exhibition-brand enterprise.

LI Wei-Dong
General Manager

Beijing, the PRC, 21 March 2018

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 2017, 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 director 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 2017, 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 47 times in total during 2017.

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

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	47/47	0/47
Mr. LI Wei-Dong	47/47	0/47
Mr. LI Chang-Li	45/47	2/47
Ms. ZHAO Hui-Zhi	45/47	2/47
Mr. LIU Jian-Ping	45/47	2/47
Mr. LIU Huan-Bo	47/47	0/47
Independent non-executive directors		
Mr. FU Yiu-Man	47/47	0/47
Mr. DONG An-Sheng	46/47	1/47
Mr. WU Ge	47/47	0/47

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 2017, none of the directors and supervisors of the Company had dealt in securities of the Company.

THE CHAIRMAN AND 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 64 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 2017, 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 2017.

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 2016 of the Company, and the review results of the external auditors on the interim report for the year of 2017 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	4/4

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 the total remuneration budget proposal for 2017 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 2017, 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	8

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	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 change of senior management 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	2/2
Mr. FU Yiu-Man	2/2
Mr. DONG An-Sheng	2/2
Mr. WU Ge	2/2

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 organizational structure reform proposal 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	2/2
Mr. FU Yiu-Man	2/2
Mr. DONG An-Sheng	2/2
Mr. WU Ge	2/2

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.

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 2017, 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 2017.

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	4/4
Ms. SONG Yi-Ning	4/4
Mr. YAN Jing-Hui	4/4
Mr. ZHANG Wei-Yan	4/4

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 2017 was RMB7,240,000, 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 2017, 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 2017, 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 2017 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 2017, the Company held 2 general meetings, including the 2016 annual general meeting and the first extraordinary general meeting for 2017.

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

Directors	**Annual general meeting**	**Extraordinary general meeting**	**Attendance rate**
Executive directors			
Mr. HE Jiang-Chuan	1/1	0/1	50%
Mr. LI Wei-Dong	1/1	1/1	100%
Mr. LI Chang-Li	0/1	0/1	0
Ms. ZHAO Hui-Zhi	0/1	0/1	0
Mr. LIU Jian-Ping	0/1	0/1	0
Mr. LIU Huan-Bo	1/1	1/1	100%
Independent non-executive directors			
Mr. FU Yiu-Man	0/1	1/1	50%
Mr. DONG An-Sheng	0/1	1/1	50%
Mr. WU Ge	1/1	1/1	100%

CONSTITUTION

There is no change in the Articles of Association of the Company in 2017.

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 174 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 2018, 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, 21 March 2018

Profile of Directors, Supervisors and Senior Management

CHAIRMAN

HE Jiang-Chuan, aged 53, is the chairman of the Board of the Company and a representative of the fifteenth 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 29 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

LI Wei-Dong, aged 49, 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責任公司), 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 joined the Company in 2016 and was appointed as a director of the Company. Mr. LI possesses extensive experience in real estate development and property management.

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 and management and real estate development industries in the PRC.

ZHAO Hui-Zhi, aged 64, 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)

LIU Jian-Ping, aged 63, 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.

LIU Huan-Bo, aged 60, 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 in 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 was 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 operation and management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

FU Yiu-Man, aged 62, is an independent non-executive director of the Company. Mr. FU graduated from the University of Pennsylvania in the U.S. Mr. FU had successively served in ABN AMRO HG Asia, Peregrine Group, Vickers Ballas, UBS New York, Barings Securities and CCB International Securities in Hong Kong. Mr. FU is concurrently an executive director and chairman of Value Convergence Holdings Limited. Mr. FU was elected as an independent non-executive director of the Company in 2015. Mr. FU has accumulatively more than 30 years of experience in terms of financial management, securities business.

DONG An-Sheng, aged 66, is an independent non-executive director of the Company. Mr. DONG graduated from the Northwest University of Political Science and the Renmin University of China, and holds a doctoral degree in law. He currently serves as a professor instructor for doctoral candidates at the School of Laws of the Renmin University of China, the deputy director of Research Center of Civil and Commercial Law of the Renmin University of China, a researcher at the 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), and a council member of the Society of China Comparative Law (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 also serves as an independent director of Shanghai New Huangpu Real Estate Co., Ltd. (上海新黃浦置業股份公司), Wangfujing Group Co., Ltd. (王府井集團股份公司) and Wasu Media Holding Co., Ltd. (華數傳媒控股股份公司). Mr. DONG was elected as an independent non-executive director of the Company in 2016. Mr. DONG has extensive experience in the fields including company law, securities law as well as financial law.

WU Ge, aged 50, 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 the 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 the University of International Business and Economics, and an instructor for doctoral candidates. 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 also serves as an independent director of Yunnan Bowin Technology Industry Co. Ltd. (雲南博聞科技實業股份有限公司), Tianhe Oil Group HSBC Petroleum Equipment Co., Ltd. (天合石油集團滙豐石油裝備股份有限公司) and Beijing Mass Data Technology Co., Ltd. (北京海量資料技術股份有限公司). Mr. WU was elected as an independent non-executive director of the Company in 2015. 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

ZHAO Chong-Jie, aged 62, 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 has served 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

ZHANG Jin-Li, aged 54, is a supervisor representing the shareholders of the Company. Mr. ZHANG graduated from Beijing Normal University and Beihang University 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 Town of Huairou District in Beijing, the assistant to the district major of the Huairou District government, director of the District Housing and Urban-Rural Development Committee, head of the Liaison Office of the Key Construction under the Housing and Urban-Rural Development Committee, 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.

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 has served 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.

YAN Jing-Hui, aged 57, 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 Village 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.

ZHANG Wei-Yan, aged 58, 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

DU Jing-Ming, aged 53, 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.

ZHANG Wen-Lei, aged 50, 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.

LIU Tie-Lin, aged 55, 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.

CHEN De-Qi, aged 54, is a deputy general manager of the Company. Mr. CHEN graduated from Chinese Academy of Sciences with a master's degree in science. He is qualified as a senior economist. Mr. CHEN joined BNSIGC in 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 the Company. Mr. CHEN has become the deputy general manager of the Company since 2015. Mr. CHEN possesses profound experience in real property development and management.

GUO Chuan, aged 49, graduated from the Capital University of Economics and Business and the 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.

SUN Dong-Fan, aged 55, 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

CUI Wei, aged 44, 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

GUO Chuan, aged 49, is a deputy general manager, a secretary to the Board and the chief legal advisor of the Company. Mr. GUO graduated from the Capital University of Economics and Business and the 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.

LEE Ka Sze, Carmelo, aged 57, 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 2017.

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 within the territory of 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 2017 are discussed in the section "Chairman's Report" on pages 6 to 7 and the section "Management Discussion and Analysis" on pages 8 to 28 of this annual report.

2. Significant subsequent events

As considered and approved at the 144th meeting of the seventh session of the Board of Directors of the Company, the proposed amendments to the existing Articles of Association of Beijing North Star Company Limited (the "Articles of Association") and proposed amendments to the existing Rules and Procedures of Board of Directors of Beijing North Star Company Limited (the "Rules and Procedures of Board") were passed. The proposals regarding the amendments to the Articles of Association and the Rules and Procedures of Board are subject to the approval by the shareholders at the annual general meeting, and obtaining the approval, permits from competent authorities or to be registered with competent authorities (where applicable).

3. Environmental policies and performance

The environmental policy and its performance of the Group for the year ended 31 December 2017 is set out in the sub-section "Fulfill social responsibility and promote sustainable development of enterprises" paged 23 of the section "Management Discussion and Analysis" of this annual report and the separately published "2017 Environmental, Social and Governance Report" of the Company.

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, which promoted the Company to operate in a regulated way and was helpful to protect the interests of our shareholders and other stakeholders.

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.

6. Financial key performance indicators

The financial performance of the Group for the year ended 31 December 2017 analysed based on the financial key performance indicators is set out in the section "Financial Summary" on pages 4 to 5, the section "Chairman's Report" on pages 6 to 7 and the section "Management Discussion and Analysis" on pages 8 to 28 of this annual report.

Report of the Directors (Continued)

RESULTS AND PROFIT DISTRIBUTION

The results of the Group for the year ended 31 December 2017 and the financial positions of the Group and the Company as at 31 December 2017 prepared in accordance with HKFRS are set out on pages 65 to 68 of this annual report.

DIVIDEND

The Board recommends the payment of a final dividend of RMB0.11 per share for the year ended 31 December 2017, totalling RMB370,372,000.

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 169 to 172 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.

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 2017 amounted to RMB2,161,429,071 (2016: RMB1,749,774,469).

Report of the Directors (Continued)

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	*Director*
Li Chang-Li	*Director*
ZHAO Hui-Zhi	*Director*
LIU Jian-Ping	*Director*
LIU Huan-Bo	*Director*

Independent Non-Executive Directors

WU Ge	*Director*
FU Yiu-Man	*Director*
DONG An-Sheng	*Director*

Supervisors

ZHAO Chong-Jie	*Chairman of Supervisory committee*
ZHANG Jin-Li	*Supervisor*
SONG Yi-Ning	*Supervisor*
YAN Jing-Hui	*Supervisor*
ZHANG Wei-Yan	*Supervisor*

Senior Management

LI Wei-Dong	*General Manager*
DU Jing-Ming	*Deputy General Manager*
ZHANG Wen-Lei	*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*
LI Yun (resigned on 7 March 2017)	*Deputy General Manager*
LIU Huan-Bo (resigned on 22 November 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*

Report of the Directors (Continued)

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

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.

On 22 November 2017, due to age concern, Mr. LIU Huan-Bo, deputy general manager of the Company, tendered his 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 Mr. LIU Huan-Bo to resign as the deputy general manager of the Company.

ELECTION OF DIRECTORS AND SUPERVISORS

In accordance with the Articles of Association, the current term of office of each of the directors and supervisors shall expire on the date of the annual general meeting for 2017 (the "2017 AGM"), and they are eligible for re-election and re-appointment.

Four retiring directors, namely, Mr. LI Chang-Li, Ms. ZHAO Hui-Zhi, Mr. LIU Jian-Ping and Mr. LIU Huan-Bo, have informed the Company that, due to work rearrangement or age concern, they will retire as executive directors on the date of the 2017 AGM and will not seek for re-election. They have confirmed that they have no disagreement with the Board, and there are no other matters in relation to their retirement that need to be brought to the attention of shareholders. Except for the aforesaid executive directors, namely, Mr. LI Chang-Li, Ms. ZHAO Hui-Zhi, Mr. LIU Jian-Ping and Mr. LIU Huan-Bo, all other retiring executive directors and independent non-executive directors are eligible and have sought for re-election.

The Board has nominated the retiring directors, including Mr. HE Jiang-Chuan, Mr. LI Wei-Dong, Mr. FU Yiu-Man, Mr. DONG An-Sheng and Mr. WU Ge, as the candidates for election as executive directors and independent non-executive directors for the next term of office commencing from the date of the 2017 AGM until the date of the annual general meeting of the Company for 2020 (the "Next Term"). As mentioned above, Mr. LI Chang-Li, Ms. ZHAO Hui-Zhi, Mr. LIU Jian-Ping and Mr. LIU Huan-Bo will retire as directors on the date of the 2017 AGM and will not seek for re-election. Therefore, the Board has nominated Ms. LI Yun, Mr. CHEN De-Qi, Ms. ZHANG Wen-Lei and Mr. GUO Chuan as candidates for election as new executive directors for the Next Term.

In addition, Mr. ZHAO Chong-Jie and Ms. SONG Yi-Ning have informed the Company that, due to work rearrangement, they will retire as supervisors representing the shareholders on the date of the 2017 AGM and will not seek for re-election. They have confirmed that they have no disagreement with the Board, and there are no other matters in relation to their retirement that need to be brought to the attention of shareholders. Except for Mr. ZHAO Chong-Jie and Ms. SONG Yi-Ning, Mr. ZHANG Jin-Li, a retiring supervisor representing the shareholders is eligible and has sought for re-election.

Report of the Directors (Continued)

The Supervisory Committee has nominated Mr. ZHANG Jin-Li, a retiring supervisor representing the shareholders, and nominated Mr. Wang Jian-Xin and Mr. Liu Hui as the candidates for election as new supervisors representing the shareholders for the Next Term.

The meeting of the representatives of the staff and workers was convened on 20 March 2018. The current supervisors representing the staff and workers, Mr. YAN Jing-Hui and Mr. ZHANG Wei-Yan, were re-elected as supervisors representing the staff and workers for the Next Term through a democratic election by the staff and workers of the Company. The term of office of the re-elected supervisors representing the staff and workers shall be three years, commencing from the date of such meeting of the representatives of the staff and workers and expiring on the date of the annual general meeting of the Company for 2020.

Resolutions in relation to electing directors for the Next Term and electing supervisors representing the shareholders for the Next Term will be proposed at the 2017 AGM. The term of office of the newly-elected directors and supervisors shall be three years, commencing from the date of 2017 AGM and expiring on the date of the annual general meeting of the Company for 2020 as proposed.

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

The Company did not enter into any equity-linked agreements as at the end of the year or at any time of the year.

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 28 and 40 to the consolidated financial statements.

INDIVIDUALS WITH THE HIGHEST PAY

During the year, two of the five individuals with the highest emolument in the Group were 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.

Report of the Directors (Continued)

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2017, 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.

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

Report of the Directors (Continued)

SHARE CAPITAL

The Company's total number of issued shares as at 31 December 2017 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.

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 2017, 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 2017.

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, BNSIGC froze the 150,000,000 shares it held 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 fully paid the said RMB360,000,000 by three installments on 20 November 2015, 18 November 2016 and 17 November 2017, respectively, and unfroze the 150,000,000 shares it held in the Company on 25 January 2018.

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 2017, 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:	160,079 holders

Shareholdings of top ten shareholders of the Company as at 31 December 2017

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	686,318,499	20.384
Wangfujing Group Co.,Ltd. (王府井集團股份有限公司)	A share	125,300,000	3.721
Foresea Life Insurance Co., Ltd. – Ju Fu Product (前海人壽保險股份有限公司－聚富產品)	A share	80,820,215	2.400
Zhong Hang Xin Gang Guarantee Co., Ltd. (中航鑫港擔保有限公司)	A share	73,573,353	2.185
Chang'an International Trust Co., Ltd. – Chang'an Trust – Chang'an Investment No. 966 Securities Investment Single Fund Trust Scheme (長安國際信託股份有限公司－長安信託－長安投資966號證券投資單一資金信託計劃)	A share	72,509,417	2.154
Yunnan International Trust Co., Ltd. – Yunxin Interest Increment No. 24 Securities Investment Single Fund Trust (雲南國際信託有限公司－雲信增利24號證券投資單一資金信託)	A share	56,913,412	1.690
Shaanxi International Trust Co., Ltd. – SITI • Treasure Bowl No. 91 Securities Investment Collective Fund Trust Scheme (陝西省國際信託股份有限公司－陝國投 • 聚寶盆91號證券投資集合資金信託計劃)	A share	40,200,119	1.194
Yunnan International Trust Co., Ltd. – Yunxin – Ruiyang 2017 – No. 3 Collective Fund Trust Scheme (雲南國際信託有限公司－雲信－瑞陽2017－3號集合資金信託計劃)	A share	39,163,817	1.163
Chang'an International Trust Co., Ltd. – Chang'an Trust – Chang'an Investment No. 879 Securities Investment Single Fund Trust Scheme (長安國際信託股份有限公司－長安信託－長安投資879號證券投資單一資金信託計劃)	A share	29,130,905	0.865

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 OVERDUE FIXED DEPOSITS

As at 31 December 2017, 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.

Report of the Directors (Continued)

STAFF RETIREMENT SCHEME

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

EMPLOYEES

As at 31 December 2017, the Company had 5,309 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 did 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 trainings are 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) Interest Expense for Shareholder Loans

During the reporting period, the interest on shareholder loans payable by the Company to BNSIGC amounting to RMB33,804,167 was repaid in full.

(2) 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.

(3) 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 RMB15,835,256, representing 40.73% 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.

(4) Renting Properties from Others

In 2017, 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 2017 and ended at 31 December 2017. The rental for the reporting period was RMB900,000, representing 2.31% of the leases of the Company. Such transaction was settled by cash.

Report of the Directors (Continued)

(5) Establishment of a Joint Venture Company for Joint Acquisition and Development of Target Land Parcels

On 12 April 2017, Suzhou North Star Property Company Limited ("Suzhou North Star"), a wholly-owned subsidiary of the Company, Suzhou Huixie Business Consulting Co., Ltd. ("Suzhou Huixie") and Chongqing Huayu Yexi Property Co., Ltd. ("Chongqing Huayu") entered into a cooperative development agreement (the "Cooperation Agreement"), pursuant to which the parties agreed to establish a project company to hold and operate two land parcels with a gross floor area of approximately 137,934.4 m^2 situated in Huishan District, Wuxi, the PRC (the "Target Land Parcels").

The project company will be held as to 40%, 30% and 30% by Suzhou North Star, Suzhou Huixie and Chongqing Huayu, respectively. The registered capital of the project company is RMB20 million, to which Suzhou North Star shall contribute RMB8 million. The total land premium for the Target Land Parcels amounts to RMB1,659 million, 50% of which shall be funded with a shareholders' loan of RMB829.5 million in aggregate granted by the parties in proportion to the their respective shareholdings to the project company. Namely the portion of the shareholders' loan to be contributed by Suzhou North Star based on its 40% equity interests in the project company amounts to RMB331.8 million. The remaining 50% of the land premium for the Target Land Parcels shall be funded with external financing to be obtained by the project company.

As CIFI Holding (Group) Co. Ltd. ("CIFI Group") is a substantial shareholder of several subsidiaries of the Company, and Suzhou Huixie is a wholly-owned subsidiary of CIFI Group, Suzhou Huixie is a connected person at subsidiary level of the Company under the Listing Rules. Therefore, the transaction contemplated under the Cooperation Agreement also constitutes a connected transaction of the Company.

The independent non-executive directors of the Company have reviewed the transactions set out in the above paragraphs (1) to (5), 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 (2), (3) and (4), which have constituted the continuing connected transactions for the year ended 31 December 2017, 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 (2), (3) and (4).

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2017, 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.

Report of the Directors (Continued)

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 2017, the equity attributable to owners of the Company increased by 6.90% compared to 31 December 2016. The increase was mainly due to profit attributable to owners of the Company of RMB1,389,761,000 during the Reporting Period.

The Group's bank and other borrowings as at 31 December 2017 amounted to RMB26,608,594,000. As at the end of the year, net values of the Group's 5-year corporate bonds, 7-year corporate bonds and 5-year medium-term notes were RMB2,487,513,000, RMB1,490,575,000 and RMB1,310,594,000, 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 RMB69,909,909,000, whereas the current liabilities amounted to RMB39,009,596,000. As at 31 December 2017, balances of cash at bank and on hand amounted to RMB9,846,708,000 (excluding restricted bank deposits) and none of the bonds in issue were exposed to redemption and payment risks. During the year, the Company did not engage in any transaction on financial products or derivative instruments.

As at 31 December 2017, the Group had secured borrowings from banks and other financial institutions of RMB24,848,594,000 with certain investment properties, hotels, properties under development and completed properties held for sale as the collaterals. The asset-liability ratio calculated by total liabilities divided by total assets for the Group was 78% as at the end of the Reporting Period (31 December 2016: 75%).

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.

Report of the Directors (Continued)

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 2017 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 2017 annual general meeting.

By Order of the Board

HE Jiang-Chuan
Chairman

Beijing, the PRC, 21 March 2018

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 2017, the Supervisory Committee met four times in total and the supervisors attended the Board meetings, 2016 annual general meeting as well as the extraordinary general meetings of 2017 held during the reporting period. During the course of preparation of 2017 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 2017 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 2017 and has great confidence to the future of the Company.

In 2018, 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, 21 March 2018

Independent Auditor's Report

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS 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 65 to 167, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- 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 2017, 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.

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Independent Auditor's Report (Continued)

羅兵咸永道

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

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.

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
- Assessment of net realisable value of properties under development and completed properties held for sale

Independent Auditor's Report (Continued)

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS 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	
Refer to note 7 to the consolidated financial statements As at 31 December 2017, the Group's investment properties were measured at fair value and carried at 12,753 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, apartment units, shopping malls and convention centres. • Office units, apartment units and shopping malls: the valuation 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 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 focus on this area due to the significant quantum to the consolidated financial statements, and key assumptions in valuation involved significant judgements and estimates.	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 2017 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 Valuer and compared the valuations of investment properties to our independently formed market expectations. In light of the above, we found the significant judgements and estimates applied by management were supportable in light of available evidence.

Independent Auditor's Report (Continued)

羅兵咸永道

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of net realisable value of properties under development and completed properties held for sale	
Refer to note 13 "properties under development" and 14 "completed properties held for sale" to the consolidated financial statements The properties under development ("PUD") and completed properties held for sale ("PHS") totally RMB52,502,819,000 as at 31 December 2017 which represented 60% of the Group's total assets. The continuous control in real estate industry by the government had negative impact on the industry in year 2017. The management assessed the net realisable value ("NRV") of PUD and PHS as at 31 December 2017, and the carrying amounts of PUD and PHS were stated at the lower of cost and NRV. Management determined the NRV based on estimated selling price less the estimated costs to completion, selling expenses and related taxes. Such determination of NRV of PUD and PHS involved significant judgements and estimates on selling prices, selling expenses and, for PUD, the costs to completion which were influenced by prevailing market conditions and adjusted in consideration of the characteristics of the properties. We focus on this area due to the significant quantum to the consolidated financial statements, and significant management's judgements and estimates were involved in the assessment.	We understood and evaluated the design of and tested the key controls on the assessment of NRV. We obtained management's NRV assessment on PUD and PHS, and on a sample basis, performed audit procedures as follows: • compared the estimated selling prices to those of the recent market transactions, including the same project's pre-sale units of the Group or comparable properties with similar size, usage and location. • compared the estimated percentage of selling expenses to selling price to the actual ratio of average selling expenses to revenue of the Group in recent years. • assessed the reasonableness of the transaction taxes through recalculation in line with relevant tax rules. • compared the estimated costs to completion to budgets approved by management and compared estimated total costs to the actual costs of similar type of completed properties of the Group. Based on the procedures performed above, we found the significant judgements and estimates applied by management were supportable in light of available evidence.

Independent Auditor's Report (Continued)

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS 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.

Independent Auditor's Report (Continued)

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS 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

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.

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.

Independent Auditor's Report (Continued)

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS 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)

- 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.

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, 21 March 2018

(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 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Land use rights	6	**303,166**	311,818
Investment properties	7	**12,753,600**	12,550,400
Property, plant and equipment	8	**2,305,110**	2,169,859
Investments accounted for using the equity method	10	**301,699**	254,960
Deferred income tax assets	24	**621,436**	315,013
Trade and other receivables	16	**1,506,726**	–
		17,791,737	15,602,050
Current assets			
Properties under development	13	**44,604,365**	32,593,536
Completed properties held for sale	14	**7,898,454**	8,729,267
Other inventories	15	**48,095**	62,027
Trade and other receivables	16	**6,464,581**	6,667,705
Restricted bank deposits	17	**1,047,706**	555,505
Cash and cash equivalents	18	**9,846,708**	7,520,362
		69,909,909	56,128,402
Total assets		**87,701,646**	71,730,452
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	19	**3,367,020**	3,367,020
Other reserves	20	**4,432,663**	4,364,477
Retained earnings	20	**10,590,512**	9,470,958
		18,390,195	17,202,455
Non-controlling interests		**763,040**	588,842
Total equity		**19,153,235**	17,791,297

Consolidated Balance Sheet (Continued)

		As at 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Long term borrowings	23	**25,889,695**	20,823,537
Trade and other payables	21	**1,579,476**	1,462,855
Long term payables	36	**139,237**	8,750
Deferred income tax liabilities	24	**1,930,407**	1,847,290
		29,538,815	24,142,432
Current liabilities			
Trade and other payables	21	**31,258,635**	24,768,705
Current income tax liabilities	22	**1,743,380**	1,345,868
Current portion of long term borrowings	23	**5,307,581**	2,902,150
Short term borrowings	23	**700,000**	780,000
		39,009,596	29,796,723
Total liabilities		**68,548,411**	53,939,155
Total equity and liabilities		**87,701,646**	71,730,452

The notes on pages 72 to 167 are an integral part of these consolidated financial statements.

The financial statements on pages 65 to 71 were approved by the Board of Directors on 21 March 2018 and were signed on its behalf.

He Jiang Chuan
Director

Li Wei Dong
Director

Consolidated Income Statement

	Note	Year ended 31 December 2017 RMB'000	2016 (Restated) RMB'000
Continuing operations			
Revenue	5	15,303,224	9,642,510
Cost of sales	25	(10,669,859)	(6,836,418)
Gross profit		4,633,365	2,806,092
Selling and marketing expenses	25	(461,806)	(493,147)
Administrative expenses	25	(868,994)	(671,054)
Fair value gains on investment properties		147,993	84,510
Other income	26	17,176	6,146
Other (losses)/gains – net	27	(43,133)	138,368
Operating profit		3,424,601	1,870,915
Finance income	29	103,729	90,708
Finance expenses	29	(594,904)	(515,286)
Finance expenses – net	29	(491,175)	(424,578)
Share of net profit of investments accounted for using the equity method	10	46,087	1,687
Profit before income tax	5	2,979,513	1,448,024
Income tax expense	30	(1,402,372)	(703,864)
Profit from continuing operations		1,577,141	744,160
Loss from discontinued operation (attributable to owners of the company)	37	(17,182)	(13,330)
Profit for the year		1,559,959	730,830
Attributable to:			
Owners of the Company	31	1,389,761	806,811
Non-controlling interests		170,198	(75,981)
		1,559,959	730,830
Earnings per share attributable to owners of the Company during the year (basic and diluted) *(expressed in RMB cents per share)*			
From continuing operations	6	41.79	24.36
From discontinued operations	6	(0.51)	(0.40)
		41.28	23.96

The notes on pages 72 to 167 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 31 December 2017 RMB'000	2016 (Restated) RMB'000
Profit for the year	**1,559,959**	730,830
Other comprehensive income	**–**	–
Total comprehensive income for the year	**1,559,959**	730,830
Attributable to:		
Owners of the Company	**1,389,761**	806,811
Non-controlling interests	**170,198**	(75,981)
	1,559,959	730,830
Total comprehensive income for the year attributable to owners of the Company arises from:		
Continuing operations	**1,577,141**	744,160
Discontinued operations	**(17,182)**	(13,330)
	1,559,959	730,830

The notes on pages 72 to 167 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

		Attributable to owners of the Company					
	Note	Share capital *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2017		3,367,020	4,364,477	9,470,958	17,202,455	588,842	17,791,297
Comprehensive income							
Profit for the year		–	–	1,389,761	1,389,761	170,198	1,559,959
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	1,389,761	1,389,761	170,198	1,559,959
Transactions with owners in their capacity as owners							
2016 final dividends		–	–	(202,021)	(202,021)	–	(202,021)
Transfer from retained earnings	20	–	68,186	(68,186)	–	–	–
Proceeds from capital injection from non-controlling interests		–	–	–	–	4,000	4,000
Total transactions with owners in their capacity as owners		–	68,186	(270,207)	(202,021)	4,000	(198,021)
Balance at 31 December 2017		3,367,020	4,432,663	10,590,512	18,390,195	763,040	19,153,235

The notes on pages 72 to 167 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (Continued)

		Attributable to owners of the Company				Non-controlling interests	Total equity
	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total 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		–	(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 72 to 167 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	33	(76,805)	3,112,167
Interest received		104,141	83,359
Interest paid		(1,783,299)	(1,836,225)
PRC income tax paid		(1,655,610)	(1,135,346)
Net cash (used in)/generated from operating activities		(3,411,573)	223,955
Cash flows from investing activities			
Purchase of property, plant and equipment		(47,093)	(37,665)
Increase of investment properties		(61,954)	(69,590)
Loans granted to associates and joint ventures		(1,557,356)	(55,500)
Loan repayments received from associates and joint ventures		213,721	342,043
Interest received for loans granted		77,440	44,875
Acquisition of additional interests in a subsidiary from non-controlling interests		–	(5,567)
Proceeds from sale of property, plant and equipment	33 (a)	9,273	4,693
Acquisition of a subsidiary, net of cash acquired		–	3
Investment in a joint venture and an associate		(22,700)	(140,000)
Purchases of available-for-sale financial assets		(3,400,000)	(1,600,000)
Proceeds from disposal of available-for-sale financial assets		3,417,176	1,606,146
Disposal of a subsidiary		–	(168,430)
Net cash used in investing activities		(1,371,493)	(78,992)
Cash flows from financing activities			
Proceeds from borrowings and insurance of bonds		16,918,784	10,421,764
Repayments of borrowings		(8,832,683)	(7,558,444)
Proceeds from borrowings from non-controlling interests		2,208,501	2,452,668
Proceeds from borrowings from owners of the company		–	700,000
Repayments from and funds to non-controlling interests		(2,946,286)	(4,622,225)
Proceeds from capital injection from non-controlling interests		4,000	79,500
Dividends paid to company's shareholders	32	(202,021)	(202,021)
Security deposit		(40,883)	–
Net cash generated from financing activities		7,109,412	1,271,242
Net increase in cash and cash equivalents		2,326,346	1,416,205
Cash and cash equivalents at beginning of year		7,520,362	6,104,157
Cash and cash equivalents at end of year	18	9,846,708	7,520,362

The notes on pages 72 to 167 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 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 21 March 2018.

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 operation of retail business in supermarkets and shopping centers has been eventually ceased on 8 January 2018. The retail business has been presented as discontinued operations in the financial statements. The comparative figures for 2017 has also been restated.

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 standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017 and which have no material impact on the Group:

- Recognition of Deferred Tax Assets for Unrealized Losses – Amendments to HKAS 12, and
- Disclosure initiative –amendments to HKAS 7.

The Group also elected to adopt the following amendments early.

- Annual Improvements to HKFRS Standards 2014–2016 Cycle, and
- Transfers of Investment Property – Amendments to HKAS 40.

The adoption of these amendments did not have any impact on the amounts recognized in prior periods. Most of the amendments will also not affect the current or future periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see Note 33(b).

(b) Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 9, 'Financial instruments'

Nature of change

HKFRS 9 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.

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) (Continued)

HKFRS 9, 'Financial instruments' (Continued)

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group has undertook 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 amortized costs and hence there will be no change to the accounting for these assets. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortized 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.

Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated

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) (Continued)

HKFRS 15, 'Revenue from contracts with customers'

Nature of change

The HKICPA has issued a new standard, HKFRS 15, for the recognition of revenue. This will replace HKAS 18, which covers contracts for goods and services and HKAS 11, which covers construction contracts and the related literature. 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.

Impact

Management has reassessed its business model and contract terms to assess the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Revenue from some pre-sales properties under development may be recognized over time in accordance with input method for measuring method instead of a point of time, if the Group has an enforceable right to payment from the customers for the performance completed to date.

- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financial component exists in that contract.

- The costs relate directly to obtain contracts with customer that it would not have incurred if the contract had not been obtained, such as commission and stamp tax, will be eligible for capitalization under HKFRS 15 and will be amortized on a systematic basis consistent with the pattern of the transfer of the properties to which the assets related.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognized in retained earnings as of 1 January 2018 and that comparative figure of the financial information of year 2018 will not be restated.

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) (Continued)

HKFRS 16, 'Leases'

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized 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 recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of 297,525,000. The Group estimates that approximately 5.10% of these relate to payments for short-term and low value leases which will be recognized on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Mandatory application date/Date of adoption by Group

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. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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 recognizes 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 recognized 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 recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized 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 recognized 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.

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 (Continued)

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 recognized 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 recognized directly in the income statement.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized 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.

(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 recognized 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 recognized 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 recognized 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.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements (Continued)

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 recognized at cost, and the carrying amount is increased or decreased to recognize 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.

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

The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized 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 recognize 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 recognizes 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 recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized 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 recognized in the income statement.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognized at cost and adjusted thereafter to recognize 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 recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized 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.

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 recognized 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'.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognized 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 derecognized. 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.

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 recognized 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 amortized over the use terms of 40 to 70 years using the straight-line method.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Properties (Continued)

(a) Land use rights (Continued)

Land use rights which is held for development for sales are inventories (Note 2.12) and measured at lower of cost and net realizable 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 amortized 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.

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 recognized 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 recognized in the consolidated income statement.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

2.11 Financial assets

The Group's financial assets comprise "trade and other receivables" (Note 2.13), "cash and cash equivalents" (Notes 2.14) 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 recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Loans and receivables are subsequently carried at amortized 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.

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 reorganization, 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.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

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 recognized in the consolidated income statement.

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

2.12 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 realizable 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 realizable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to the purchases. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2.13 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 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.

2.15 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.

2.16 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Borrowings

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

Fees paid on the establishment of loan facilities are recognized 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 capitalized as a pre-payment for liquidity services and amortized 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.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 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 capitalization.

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

2.19 Current and deferred income tax

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax (Continued)

(b) *Deferred income tax (Continued)*

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 recognized.

Deferred income tax assets are recognized 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 utilized.

(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.

2.20 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 recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits (Continued)

(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 recognizes 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 recognizes 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.

(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 recognized 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 recognized 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.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Provisions

Provisions are recognized 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 recognized 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 recognized 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 recognized as interest expense.

2.22 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 recognizes 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 recognized 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 recognized on a straight-line basis over the term of the lease.

(c) Sales of goods – retail

Sales of goods are recognized 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.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition (Continued)

(d) Sales of services

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

2.23 Interest income

Interest income is recognized 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 recognized using the original effective interest rate.

2.24 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.

2.25 Government Grants

Grants from the government are recognized 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 recognized 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 deducts the grant in calculating the carrying amount of the assets. The grant is recognized in profit or loss over the life of a depreciable assets as a reduced depreciation expense.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognized 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.

2.27 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.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Financial guarantee contracts (Continued)

Financial guarantees are initially recognized 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 recognized. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of fees recognized 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 recognized 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.

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 minimize 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 summarized 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.

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(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 2017, 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 capitalization, would have decreased/increased by approximately RMB16,290,000 (2016:RMB16,334,000).

(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 related 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 realization 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.

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.

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(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 2017					
Borrowings (including interest)	**6,942,648**	**7,531,695**	**15,907,434**	**7,399,725**	**37,781,502**
Trade and other payables (including interest) *(Note11)*	**8,471,433**	**1,637,943**	**–**	**–**	**10,109,376**
Financial guarantee *(Note 34)*	**11,461,988**	**–**	**–**	**–**	**11,461,988**
Total	**26,876,069**	**9,169,638**	**15,907,434**	**7,399,725**	**59,352,866**
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 (including interest) *(Note11)*	6,008,993	1,462,855	–	–	7,471,848
Financial guarantee *(Note34)*	8,750,340	–	–	–	8,750,340
Total	19,720,589	10,350,053	9,119,154	5,659,555	44,849,351

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.

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

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 2017 and 2016 were as follows:

	As at 31 December 2017	2016
Asset-liability ratio	**78%**	75%

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

3.3 Fair value estimation

Other than investment properties, the Group has no other assets that carried at fair value as at 31 December 2017 and 2016. 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.

Notes to the Consolidated Financial Statement (Continued)

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 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.

(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 recognized 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 finalized 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 recognized 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 finalized 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 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 detail 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 recognized.

4.2 Critical judgements in applying the entity's accounting policies

(a) Revenue recognition

The Group has recognized 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.

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 and investment properties and hotels. 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.

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

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 operation of retail business in supermarkets and shopping centers has been eventually ceased on 8 January 2018. Information about this discontinued segment is provided in Note 37.

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. This measurement basis excludes discontinued operations. This measurement basis also 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 assets of discontinued segment, deferred tax assets, corporate cash and loans granted, which are managed on a centralized basis; the investment properties are measured at cost. These are part of the reconciliation to total balance sheet assets.

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

Revenue consists of sales from development properties and investment properties and hotels. Revenues recognized during the years ended 31 December 2017 and 31 December 2016 are as follows:

	Year ended 31 December	
	2017	2016 (Restated)
	RMB'000	*RMB'000*
Revenue		
Development properties	**12,592,207**	7,065,748
Investment properties and hotels	**2,599,091**	2,444,525
	15,191,298	9,510,273
All other segments	**111,926**	132,237
	15,303,224	9,642,510

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 2017 is as follows:

Business segment	Development properties *RMB'000*	Investment properties and hotels *RMB'000*	All other segments *RMB'000*	Total *RMB'000*
Total revenues	**12,592,207**	**2,617,565**	**143,778**	**15,353,550**
Inter-segment revenues	**–**	**(18,474)**	**(31,852)**	**(50,326)**
Revenues (from external customers)	**12,592,207**	**2,599,091**	**111,926**	**15,303,224**
Profit before income tax	**1,793,600**	**847,546**	**608**	**2,641,754**
Depreciation and amortization	**5,854**	**275,411**	**5,615**	**286,880**
Finance income	**51,974**	**5,094**	**258**	**57,326**
Finance expenses	**–**	**–**	**–**	**–**
Share of net profit from investments accounted for using the equity method	**46,087**	**–**	**–**	**46,087**
Adjusted income tax expenses	**1,304,062**	**214,995**	**152**	**1,519,209**

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

Business segment	Development properties *RMB'000*	Investment properties and hotels *RMB'000*	All other segments *RMB'000*	Total *RMB'000*
Total revenues	7,065,748	2,467,587	159,051	9,692,386
Inter-segment revenues	–	(23,062)	(26,814)	(49,876)
Revenues (from external customers)	7,065,748	2,444,525	132,237	9,642,510
Profit/(loss) before income tax	468,848	783,275	(16,539)	1,235,584
Depreciation and amortization	4,134	283,398	6,119	293,651
Finance income	31,731	4,778	1,605	38,114
Finance expenses	26,987	–	–	26,987
Share of net profit from investments accounted for using the equity method	1,749	–	–	1,749
Adjusted income tax expenses	573,383	197,099	(4,160)	766,322

Sales between segments are mutually agreed. 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 2017 and 31 December 2016 (restated) is as follows:

Business segment	Development properties *RMB'000*	Investment properties and hotels *RMB'000*	All other segments *RMB'000*	Total *RMB'000*
As at 31 December 2017				
Total segments' assets	**65,663,848**	**7,266,981**	**126,113**	**73,056,942**
Total assets include:				
Investments accounted for using the equity method	**301,699**	**–**	**–**	**301,699**
Additions to non-current assets (other than deferred tax assets)	**6,836**	**75,997**	**11,941**	**94,774**
Total segments' liabilities	**58,917,268**	**980,598**	**95,466**	**59,993,332**
As at 31 December 2016 (Restated)				
Total segments' assets	51,654,965	7,275,388	101,749	59,032,102
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	7,104	102,491
Total segments' liabilities	42,247,880	2,804,368	167,687	45,219,935

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 2017 RMB'000	2016 (Restated) RMB'000
Profit before income tax for reportable segments	**2,641,754**	1,235,584
Corporate overheads	**(286,755)**	(107,757)
Corporate finance costs	**(590,307)**	(477,011)
Corporate finance income	**46,403**	52,050
Share of loss from investments accounted for using the equity method	**–**	(62)
Other income	**17,176**	–
Other losses	**(1,208)**	–
Fair value gains on investment properties	**147,993**	84,510
Reversal of depreciation of investment properties	**184,475**	185,955
Land appreciation tax	**819,982**	470,252
Others	**–**	4,503
Profit before income tax	**2,979,513**	1,448,024

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

	As at 31 December 2017 RMB'000	2016 (Restated) RMB'000
Total segments' assets	**73,056,942**	59,032,102
Deferred income tax assets	**415,724**	315,013
Corporate cash	**6,301,086**	4,528,183
Interest in investments accounted for using the equity method	**–**	6,366
Loans granted	**–**	74,154
Aggregated fair value gains on investment properties	**5,681,618**	5,533,625
Reversal of accumulated depreciation of investment properties	**2,040,013**	1,855,538
Assets of discontinued segment	**206,263**	385,471
Total assets per balance sheet	**87,701,646**	71,730,452
Total segments' liabilities	**59,993,332**	45,219,935
Deferred income tax liabilities *(Note 24)*	**1,930,407**	1,847,290
Corporate borrowings	**5,601,806**	6,133,564
Other corporate liabilities	**869,033**	597,272
Liabilities of discontinued segment	**153,833**	141,094
Total liabilities per balance sheet	**68,548,411**	53,939,155

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

The reconciliation between the Group's depreciation and amortization 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 RMB152,056,000 (2016: RMB185,955,000).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 2017 and 2016.

The reconciliation between reportable segments' income tax expenses and total income tax expenses is amounting to RMB121,230,000 (2016: RMB62,458,000), impacted by aforementioned reconciliation items including corporate overheads, corporate financial costs, corporate financial income, fair value gains on investment properties and reversal of depreciation of investment properties.

At 31 December 2017 and 31 December 2016, 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 2017 and 2016.

6. LAND USE RIGHTS

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

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**311,818**	320,470
Amortization	**(8,652)**	(8,652)
At 31 December	**303,166**	311,818

As at 31 December 2017, certain land use rights with net book value of RMB302,282,000 (2016: 310,903,000) are pledged as securities for bank and other borrowings (Note 23).

7. INVESTMENT PROPERTIES

	2017	2016
	RMB'000	*RMB'000*
At fair value		
At 1 January	**12,550,400**	12,396,300
Additions	**61,951**	58,942
Transfer from owner-occupied property	**–**	10,648
Disposal	**(6,744)**	–
Fair value gains charged into income statement	**147,993**	84,510
At 31 December	**12,753,600**	12,550,400

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(a) Amounts recognized in income statement for investment properties

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Rental income	**1,727,269**	1,527,984
Direct operating expenses arising from investment properties that generate rental income	**(513,682)**	(314,152)
Direct operating expenses that did not generate rental income	**(284,365)**	(266,312)
	929,222	947,520

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).

As at 31 December 2017, the Group had no unprovided contractual obligations for future repairs and maintenance (2016: nil).

(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 2017 and 2016. The following table analyses the investment properties carried at fair value, by valuation method.

(i) Fair value hierarchy

	Fair value measurements at 31 December using significant unobservable inputs (Level 3) 2017 RMB'000	2016 RMB'000
Recurring fair value measurements		
Investment properties:		
Office units	**5,952,100**	5,838,900
Apartments	**1,867,000**	1,824,000
Convention centers	**3,543,000**	3,496,000
Shopping malls	**1,391,500**	1,391,500
	12,753,600	12,550,400

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

(i) Fair value hierarchy (Continued)

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

The Group's policy is to recognize 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 2017 by the independent professionally qualified valuer who holds a recognized 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 2017 and 2016, 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.

(iii) Valuation techniques

For office units, apartments and shopping malls, the valuations were based on income capitalization 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.

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

(iii) Valuation techniques (Continued)

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 investment s to maintain functionality of the property for its expected useful life;
Capitalization 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.

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

Description	Fair value at 31 December 2017 *(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	9,210,600	Income approach (term and reversionary method)	Adjustment on term yield	1% to 3% downward adjustment on the reversion yield	The higher the term yield, the lower the fair value
			Reversionary yield	From 5% to 13%	The higher the reversionary yield, the lower the fair value

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) (Continued)

Description	Fair value at 31 December 2017 *(RMB'000)*	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Investment properties-convention centers	**3,543,000**	Discounted cash flow	Rental value	For Year 1 to 5 RMB5.60–6.95/sq.m/day	The higher the rental value, the higher the fair value
			Discount rate	13% –17%	The higher the discount rate, the lower the fair value

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)	Adjustment on 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

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

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(c) Non-current assets pledged as security

As at 31 December 2017, certain investment properties with fair value of RMB12,587,500,000 (2016: RMB12,397,500,000) were pledged as securities for bank and other borrowings (Note 23).

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 2016						
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	499,069	595,497	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	132,932	193,889	5,430	2,169,859
Year ended 31 December 2017						
Opening net book amount	**99,231**	**1,738,377**	**132,932**	**193,890**	**5,430**	**2,169,859**
Additions	**163**	**–**	**17,531**	**24,137**	**226,797**	**268,628**
Disposals	**(1,063)**	**–**	**(714)**	**(1,122)**	**–**	**(2,899)**
Transfers	**–**	**–**	**–**	**344**	**(344)**	**–**
Government grant	**–**	**–**	**(4,306)**	**–**	**–**	**(4,306)**
Depreciation *(Note 25)*	**(1,837)**	**(45,204)**	**(34,546)**	**(44,585)**	**–**	**(126,172)**
Closing net book amount	**96,494**	**1,693,173**	**110,897**	**172,663**	**231,883**	**2,305,110**
At 31 December 2017						
Cost	**361,572**	**2,354,714**	**511,580**	**618,856**	**231,883**	**4,078,605**
Accumulated depreciation	**(265,078)**	**(661,541)**	**(400,683)**	**(446,193)**	**–**	**(1,773,495)**
Net book amount	**96,494**	**1,693,173**	**110,897**	**172,663**	**231,883**	**2,305,110**

Notes to the Consolidated Financial Statement (Continued)

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expense of RMB93,470,000 (2016: RMB104,384,000) has been charged in cost of sales, RMB3,818,000 (2016: RMB2,900,000) in selling and marketing expenses and RMB28,884,000 (2016: RMB31,093,000) in administrative expenses in the consolidated income statement.

As at 31 December 2017, certain hotel properties with net book value of RMB1,689,821,000 (2016: RMB1,734,862,000) are pledged as securities for bank and other borrowings (Note 23).

9. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2017. All subsidiaries are established and operate in the PRC.

Name	Place of incorporation	Principal activities and place of operation	Registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
				2017	2016	2017	2016
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%	99.05%	0.95%	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 xi)*	Beijing	Trading in Beijing	RMB1,000,000	100%	100%	–	–
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 xi)*	Beijing	Property management in Beijing	RMB5,000,000	100%	100%	–	–
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 xi)*	Beijing	Property development in Beijing	US$16,000,000	51%	51%	49%	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 xi)*	Beijing	Property development in Beijing	RMB11,000,000	100%	100%	–	–
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 xi)*	Beijing	Multimedia information network development, system integration and software development	RMB20,000,000	100%	100%	–	–
Changsha North Star Real Estate Development Co., Limited ("CSNS") 長沙北辰房地產開發有限公司 *(Note iii)*	Changsha	Property development	RMB1,200,000,000	100%	100%	–	–
Beijing North Star Supermarket Chain Co., Limited 北京北辰超市連鎖有限公司 *(Note iii) (Note xi)*	Beijing	Retail	RMB10,000,000	100%	100%	–	–
Beijing Shouchang Property Management Co., Limited 北京首倡物業管理有限公司 *(Note iii) (Note xi)*	Beijing	Property management in Beijing	RMB5,140,600	100%	100%	–	–
Beijing North Star Hotel Management Co., Limited 北京北辰酒店管理有限公司 *(Note iii) (Note xi)*	Beijing	Hotel and restaurant management consulting service	RMB20,500,000	100%	100%	–	–

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation	Principal activities and place of operation	Registered capital	Ownership interest held by the Group 2017	Ownership interest held by the Group 2016	Ownership interest held by non-controlling interest 2017	Ownership interest held by non-controlling interest 2016
Beijing North Star Times Exhibition Co., Limited 北京北辰時代會展有限公司 *(Note iii) (Note xi)*	Beijing	Convention and exhibition	RMB10,000,000	**100%**	100%	**–**	–
Beijing North Star Exhibition Research Co., Limited 北京北辰會展研究院有限公司 *(Note iii) (Note xi)*	Beijing	Convention and exhibition	RMB10,000,000	**100%**	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 xi)*	Beijing	Convention and exhibition	RMB20,000,000	**100%**	100%	**–**	–
Beijing North Star Convention Group Co., Limited 北京北辰會展集團有限公司 *(Note iii) (Note xi)*	Beijing	Convention and exhibition	RMB63,196,100	**100%**	100%	**–**	–
Beijing North Star Linghang Business Exhibition Research Co., Limited 北京北辰領航商務會展有限公司 ("BJBE") *(Note iii) (Note xi)*	Beijing	Convention and exhibition	RMB10,000,000	**100%**	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	RMB10,410,000	**51%**	51%	**49%**	49%
Hangzhou North Star Real Estate Co., Limited 杭州北辰置業有限公司 *(Note iii)*	Hangzhou	Property development in Hangzhou	RMB50,000,000	**80%**	80%	**20%**	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%	**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%**	51%	**49%**	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%**	40%	**60%**	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%**	51%	**49%**	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%**	100%	**–**	–
Suzhou North Star Xuzhao Real Estate Co., Limited ("SZNSXZ") 蘇州北辰旭昭置業有限公司 *(Note ii)*	Suzhou	Property development in Suzhou	RMB700,000,000	**50%**	50%	**50%**	50%
Chengdu North Star Real Estate Co., Limited ("CDNS") 成都北辰置業有限公司 *(Note iii)*	Chengdu	Property development in Chengdu	RMB50,000,000	**100%**	100%	**–**	–
Chengdu North Star Tianfu Investment Co., Limited ("CDNSTI") 成都北辰天府置業有限公司 *(Note iii)*	Chengdu	Property development in Chengdu	RMB50,000,000	**100%**	100%	**–**	–

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation	Principal activities and place of operation	Registered capital	Ownership interest held by the Group 2017	Ownership interest held by the Group 2016	Ownership interest held by non-controlling interest 2017	Ownership interest held by non-controlling interest 2016
Hangzhou North Star Jinghua Investment Co., Limited 杭州北辰京華置業有限公司 *(Note iii)*	Hangzhou	Property development in Hangzhou	RMB50,000,000	**100%**	100%	**–**	–
Hefei Chenxu Real Estate Development Co., Limited 合肥辰旭房地產開發有限公司 *(Note iii)*	Hefei	Property development in Hefei	RMB50,000,000	**50%**	50%	**50%**	50%
Ningbo North Star Jinghua Investment Co., Limited 寧波北辰京華置業有限公司 *(Note iii)*	Ningbo	Property development in Ningbo	RMB20,000,000	**100%**	100%	**–**	–
Chongqing North Star Liangjiang Investment Co., Limited 重慶北辰兩江置業有限公司 *(Note iii)*	Chongqing	Property development in Chongqing	RMB10,000,000	**100%**	100%	**–**	–
Suzhou North Star Investment Co., Limited 蘇州北辰置業有限公司 *(Note iii)*	Suzhou	Property development in Suzhou	RMB30,000,000	**100%**	100%	**–**	–
Hangzhou Weijie Investment Consultancy Co., Limited 杭州威傑投資諮詢有限公司 *(Note iii) (Note xi)*	Hangzhou	Investment consulting in Hangzhou	RMB100,000	**100%**	100%	**–**	–
Chongqing Fuwang Investment Co., Limited 重慶涪望投資有限責任公司 *(Note iii)*	Chongqing	Property investment in Chongqing	RMB10,000,000	**100%**	100%	**–**	–
Ningbo Chenxin Investment Co., Limited 寧波辰新置業有限公司 *(Note iii)*	Ningbo	Property development in Ningbo	RMB50,000,000	**51%**	51%	**49%**	49%
Beijing North Star Real Estate Group Co. Ltd ("NSREG") 北京北辰地產集團有限公司 *(Note iii) (Note iv)*	Beijing	Investment management	RMB2,683,003,600	**100%**	–	**–**	–
Wuhan North Star Chenzhi Real Estate Development Company Limited ("CZRE") 武漢北辰辰智房地產開發有限公司 *(Note iii) (Note v)*	Wuhan	Property development in Wuhan	RMB30,000,000	**100%**	–	**–**	–
Wuhan North Star Chenhui Real Estate Development Company Limited ("CHRE") 武漢北辰辰慧房地產開發有限公司 *(Note iii) (Note vi)*	Wuhan	Property development in Wuhan	RMB30,000,000	**100%**	–	**–**	–
Haikou Chenzhi Real Estate Company Limited ("HKCZ") 海口辰智置業有限公司 *(Note iii) (Note vii)*	Haikou	Property development in Haikou	RMB50,000,000	**100%**	–	**–**	–
Chengdu North Star Huafu Real Estate Co. Ltd ("CDHF") 成都北辰華府置業有限公司 *(Note iii) (Note viii)*	Chengdu	Property development in Chengdu	RMB50,000,000	**100%**	–	**–**	–
Sichuan North Star Tianren Real Estate Co. Ltd ("SCTR") 四川北辰天仁置業有限公司 *(Note iii) (Note ix)*	Chengdu	Property development in Chengdu	RMB100,000,000	**100%**	–	**–**	–
Wuhan North Star Pilot Business Exhibition Co. Ltd ("WHBE") 武漢北辰領航商務會展有限公司 *(Note iii) (Note x) (Note xi)*	Wuhan	Convention and exhibition	RMB6,000,000	**60%**	–	**40%**	–

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation	Principal activities and place of operation	Registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
				2017	2016	2017	2016
Changsha Fengrun Management Consultancy Co., Limited 長沙峰潤企業管理諮詢有限公司 *(Note iii) (Note xi)*	Changsha	Management consulting in Changsha	RMB100,000	100%	100%	–	–
Changsha Fengrun Management Consultancy Co., Limited 長沙峰瑞企業管理諮詢有限公司 *(Note iii) (Note xi)*	Changsha	Management consulting in Changsha	RMB100,000	100%	100%	–	–

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.

(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 April 2017, the Company established a wholly owned subsidiary NSREG with the equity held. NSREG is a limited liability company incorporated in the PRC and engaged mainly in investment management in Beijing, the PRC.

(v) In January 2017, the Company established a wholly owned subsidiary CZRE by investing RMB30,000,000. CZRE is a limited liability company incorporated in the PRC and engaged mainly in property development in Wuhan, the PRC.

(vi) In January 2017, the Company established a wholly owned subsidiary CHRE by investing RMB30,000,000. CHRE is a limited liability company incorporated in the PRC and engaged mainly in property development in Wuhan, the PRC.

(vii) In July 2017, CSNS established a wholly owned subsidiary HKCZ by investing RMB50,000,000. HKCZ is a limited liability company incorporated in the PRC and engaged mainly in property development in Haikou, the PRC.

(viii) In August 2017, CDNR established a wholly owned subsidiary CDHF by investing RMB50,000,000. CDHF is a limited liability company incorporated in the PRC and engaged mainly in property development in Chengdu, the PRC.

(ix) In September 2017, CDNRSTI established a wholly owned subsidiary SCTR by investing RMB100,000,000. SCTR is a limited liability company incorporated in the PRC and engaged mainly in property development in Chengdu, the PRC.

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(x) In August 2017, BJBE established a subsidiary, WHBE by investing RMB6,000,000 or 60% of the total paid in capital of WHBE. WHBE is a limited liability company incorporated in the PRC and engaged mainly in Convention and exhibition in Wuhan, the PRC.

(xi) Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 0.50% of the Group's total net assets.

(a) Material non-controlling interests

The profit attributable to non-controlling interest for the year is RMB170,198,000, which are mainly from BJJZH and SZNSXZ. The total non-controlling interest in respect of other subsidiaries is not material.

Cash and short-term deposits of RMB600,861,000 (2016RMB:628,640,000) are held in China and are subject to local exchange control regulations.

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

Summarized balance sheet

(i) BJJZH

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current		
Assets	**509,331**	611,612
Liabilities	**358,907**	385,710
Total current net assets	**150,424**	225,902
Non-current		
Assets	**96,846**	57,815
Liabilities	**–**	–
Total non-current net assets	**96,846**	57,815
Net assets	**247,270**	283,717

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarized balance sheet (Continued)

(ii) SZNSXZ

	As at 31 December 2017 RMB'000	2016 RMB'000
Current		
Assets	**3,783,068**	3,110,773
Liabilities	**2,118,872**	1,879,786
Total current net assets	**1,664,196**	1,230,987
Non-current		
Assets	**19,448**	7,158
Liabilities	**627,000**	559,000
Total non-current net assets	**(607,552)**	(551,842)
Net assets	**1,056,644**	679,145

Summarized statement of comprehensive income

(i) BJJZH

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenue	**–**	154,786
(Loss)/profit before income tax	**(37,386)**	70,019
Income tax expense	**939**	161,778
Post-tax loss	**(36,447)**	(91,759)
Other comprehensive income	**–**	–
Total comprehensive income	**(36,447)**	(91,759)
Total comprehensive income allocated to non- controlling interests	**(17,859)**	(44,962)
Dividends paid to non-controlling interests	**–**	–

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarized statement of comprehensive income (Continued)

(ii) SZNSXZ

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenue	1,830,571	–
Profit/(loss) before income tax	629,779	(27,562)
Income tax expense	(252,280)	6,849
Post-tax profit/(loss)	377,499	(20,713)
Other comprehensive income	–	–
Total comprehensive income	377,499	(20,713)
Total comprehensive income allocated to non- controlling interests	188,750	(10,357)
Dividends paid to non-controlling interests	–	–

Summarized cash flows

(i) BJJZH

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities		
Cash (used in)/generated from operations	(58,094)	194,258
Income tax paid	(45,933)	(43,961)
Net cash (used in)/generated from operating activities	(104,027)	150,297
Net cash generated from investing activities	1,783	–
Net cash used in financing activities	–	–
Net (decrease)/increase in cash and cash equivalents	(102,244)	150,297
Cash and cash equivalents at beginning of the year	522,482	372,185
Exchange gains on cash and cash equivalents	–	–
Cash and cash equivalents at end of the year	420,238	522,482

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarized cash flows (Continued)

(ii) SZNSXZ

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities		
Cash generated from/(used in) operations	**1,087,186**	(251,419)
Income tax paid	**(49,542)**	(13,743)
Net cash generated from/(used in) operating activities	**1,037,644**	(265,162)
Net cash used in investing activities	**(274)**	(277)
Net cash (used in)/generated from financing activities	**(962,905)**	371,342
Net increase in cash and cash equivalents	**74,465**	105,903
Cash and cash equivalents at beginning of the year	**106,158**	255
Exchange gains on cash and cash equivalents	**–**	–
Cash and cash equivalents at end of the year	**180,623**	106,158

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognized in the balance sheet are as follows:

	2017 RMB'000	2016 RMB'000
Associates	**9,072**	13,705
Joint ventures	**292,627**	241,255
At 31 December	**301,699**	254,960

Notes to the Consolidated Financial Statement (Continued)

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

The amounts recognized in the income statement are as follows:

	2017 RMB'000	2016 RMB'000
Associates	(5,335)	(2,125)
Joint ventures	51,422	3,812
For the year ended 31 December	46,087	1,687

(a) Investments in associates

	2017 RMB'000	2016 RMB'000
At 1 January	13,705	6,550
Additions	14,700	15,000
Share of loss accounted for using the equity method	(19,333)	(7,845)
At 31 December	9,072	13,705

Set out below are the associates of the Group as at 31 December 2017, which in the opinion of the directors, are material to the Group. The associates as listed below has registered capital which are 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 2017

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
Wuxi ChenWan Real Estate Co., Limited ("WXCW") 無錫市辰萬房地產有限公司	Wuxi, the PRC	49%	*Note(ii)*	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.

(ii) WXCW is engaged mainly in property development in Wuxi, the PRC. WXCW 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)

Summarized financial information for associates

Set out below are the summarized financial information for HZXF and WXCW, which are accounted for using the equity method.

Summarized balance sheet

(i) HZXF

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current		
Cash	**243,359**	264,792
Other current assets (excluding cash)	**640,801**	472,518
Total current assets	**884,160**	737,310
Financial liabilities (excluding trade payables)	**14,879**	696,930
Other current liabilities (including trade payables)	**867,809**	230
Total current liabilities	**882,688**	697,160
Non-current		
Assets	**29,326**	3,834
Net assets	**30,798**	43,984

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Summarized financial information for associates (Continued)

Summarized balance sheet (Continued)

(ii) *WXCW*

	As at 31 December 2017 *RMB'000*
Current	
Cash	113,849
Other current assets (excluding cash)	1,673,372
Total current assets	1,787,221
Financial liabilities (excluding trade payables)	1,520,212
Other current liabilities (including trade payables)	238,954
Total current liabilities	1,759,166
Non-current	
Assets	513
Net assets	28,568

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Summarized financial information for associates (Continued)

Summarized statement of comprehensive income

(i) HZXF

	2017 RMB'000	2016 RMB'000
Revenue	–	–
Depreciation and amortization	(18)	–
Other expenses	(18,211)	(9.558)
Interest income	1,344	210
Interest expense	(12)	–
Loss before income tax expense	(16,897)	(9,348)
Income tax expense	3,711	3,462
Post-tax loss	(13,186)	(5,886)
Other comprehensive income	–	–
Total comprehensive loss	(13,186)	(5,886)
Dividends received from associate	–	–

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Summarized financial information for associates (Continued)

Summarized statement of comprehensive income (Continued)

(ii) WXCW

	Period from 3 March 2017 (Establishment date) to 31 December 2017 *RMB'000*
Revenue	–
Depreciation and amortization	(1)
Other expenses	(1,923)
Interest income	33
Interest expense	(5)
Loss before income tax expense	(1,896)
Income tax expense	464
Post-tax loss	(1,432)
Other comprehensive income	–
Total comprehensive loss	(1,432)
Dividends received from associate	–

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

Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of the interest in HZXF and WXCW.

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Reconciliation of summarized financial information (Continued)

Summarized financial information

(i) HZXF

	2017 RMB'000	2016 RMB'000
Opening net assets	**43,984**	4,870
Capital injection	**–**	45,000
Loss for the year	**(13,186)**	(5,886)
Closing net assets	**30,798**	43,984
Interest in associate	**10,756**	15,371
Adjusted for eliminations resulting from upstream transactions	**(8,032)**	(8,032)
Carrying value	**2,724**	7,339

(ii) WXCW

	Period from 3 March 2017 (Establishment date) to 31 December 2017 RMB'000
Opening net assets	**–**
Capital injection	**30,000**
Loss for the period	**(1,432)**
Closing net assets	**28,568**
Interest in associate	**13,998**
Adjusted for eliminations resulting from upstream transactions	**(13,998)**
Carrying value	**–**

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Individually immaterial associate

In addition to the interests in associates disclosed above, the Group also has interests in a individually immaterial associate that is accounted for using the equity method.

	2017 *RMB'000*	2016 *RMB'000*
Aggregate carrying amount of the individually immaterial associate	**6,348**	6,366
Aggregate amounts of the Group's share of:		
Post-tax loss	**(18)**	(62)
Other comprehensive income	**–**	–
Total comprehensive income	**(18)**	(62)

(b) Investment in joint ventures

	2017 *RMB'000*	2016 *RMB'000*
At 1 January	**241,255**	8,155
Additions	**8,000**	125,000
Share of net profit/(loss) accounted for using the equity method	**43,372**	(3,534)
Other	**–**	111,634
At 31 December	**292,627**	241,255

Set out below are the joint ventures of the Group as at 31 December 2017, 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 ventures as at 31 December 2017

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
Wixi North Star Shengyang Real Estate Development Co.,Limited ("WXSY") 無錫北辰盛陽置業有限公司	Wuxi, the PRC	40%	*Note(iv)*	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) HZCX is engaged mainly in property development in Hangzhou, the PRC. HZCX is strategic for the Group's growth in the second or third tier cities.

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

(iv) WXSY is engaged mainly in property development in Wuxi, the PRC. WXSY 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 joint ventures.

Summarized financial information for joint ventures

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

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Summarized financial information for joint ventures (Continued)

Summarized balance sheet

(i) WHML

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current		
Cash	**267,197**	131,214
Other current assets (excluding cash)	**765,317**	732,514
Total current assets	**1,032,514**	863,728
Financial liabilities (excluding trade payables)	**3,563**	772,978
Other current liabilities (including trade payables)	**897,374**	15,258
Total current liabilities	**900,937**	788,236
Non-current		
Assets	**20,356**	1,008
Liabilities	**–**	34,000
Net assets	**151,933**	42,500

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Summarized financial information for joint ventures (Continued)

Summarized balance sheet (Continued)

(ii) HZCX

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current		
Cash	**7,409**	168,430
Other current assets (excluding cash)	**2,455,483**	2,206,765
Total current assets	**2,462,892**	2,375,195
Financial liabilities (excluding trade payables)	**101,300**	1,900,138
Other current liabilities (including trade payables)	**2,039,256**	41,259
Total current liabilities	**2,140,556**	1,941,397
Non-current		
Assets	**366**	403
Liabilities	**–**	100,000
Net assets	**322,702**	334,201

The Group ceased to have control over HZCX in 2016, and the retained interest of HZCX was remeasured to its fair value at the date when control was lost.

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Summarized financial information for joint ventures (Continued)

Summarized balance sheet (Continued)

(iii) HZJH

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current		
Cash	**504,537**	142,502
Other current assets (excluding cash)	**1,284,160**	491,222
Total current assets	**1,788,697**	633,724
Financial liabilities (excluding trade payables)	**146,490**	–
Other current liabilities (including trade payables)	**1,159,331**	134,419
Total current liabilities	**1,305,821**	134,419
Non-current		
Assets	**94**	260
Net assets	**482,970**	499,565

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Summarized financial information for joint ventures (Continued)

Summarized balance sheet (Continued)

(iv) WXSY

	As at 31 December 2017 *RMB'000*
Current	
Cash	139,510
Other current assets (excluding cash)	1,860,456
Total current assets	1,999,966
Financial liabilities (excluding trade payables)	1,822,664
Other current liabilities (including trade payables)	169,289
Total current liabilities	1,991,953
Non-current	
Assets	252
Net assets	8,265

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Summarized financial information for joint ventures (Continued)

Summarized statement of comprehensive income

(i) WHML

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**667,853**	550,255
Cost of sales	**(495,010)**	(506,053)
Depreciation and amortization	**(125)**	(150)
Other expenses	**(30,982)**	(24,804)
Interest income	**1,873**	744
Interest expense	**(96)**	(120)
Profit before income tax expense	**143,513**	19,872
Income tax expense	**(34,080)**	(11,158)
Post-tax profit	**109,433**	8,714
Other comprehensive income	**–**	–
Total comprehensive income	**109,433**	8,714
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)

Summarized financial information for joint ventures (Continued)

Summarized statement of comprehensive income (Continued)

(ii) HZJH

	2017 *RMB'000*	Period from 9 May 2016 (Establishment date) to 31 December 2016 *RMB'000*
Revenue	–	–
Depreciation and amortization	(41)	–
Other expenses	(17,854)	(623)
Interest income	1,355	43
Interest expense	(55)	–
Loss before income tax expense	(16,595)	(580)
Income tax expense	–	145
Post-tax loss	(16,595)	(435)
Other comprehensive income	–	–
Total comprehensive loss	(16,595)	(435)
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)

Summarized financial information for joint ventures (Continued)

Summarized statement of comprehensive income (Continued)

(iii) WXSY

	Period from 7 April 2017 (Establishment date) to 31 December 2017 *RMB'000*
Revenue	–
Depreciation and amortization	(2)
Other expenses	(11,824)
Interest income	102
Interest expense	(11)
Loss before income tax expense	(11,735)
Income tax expense	–
Post-tax loss	(11,735)
Other comprehensive income	–
Total comprehensive loss	(11,735)
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.

Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of its 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)

Reconciliation of summarized financial information (Continued)

Summarized financial information

(i) WHML

	2017 *RMB'000*	2016 *RMB'000*
Opening net assets	**42,500**	33,786
Profit for the year	**109,433**	8,714
Closing net assets	**151,933**	42,500
Interest in joint venture (45%)	**68,370**	19,125
Adjusted for eliminations resulting from upstream transactions	**(2,238)**	(13,060)
Carrying value	**66,132**	6,065

(ii) HZJH

	2017 *RMB'000*	Period from 9 May 2016 (Establishment date) to 31 December 2016 *RMB'000*
Opening net assets	**499,565**	–
Capital injection	**–**	500,000
Loss for the year/period	**(16,595)**	(435)
Closing net assets	**482,970**	499,565
Interest in joint venture (25%)	**120,743**	124,891
Adjusted for eliminations resulting from upstream transactions	**(5,881)**	(1,335)
Carrying value	**114,862**	123,556

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Reconciliation of summarized financial information (Continued)

Summarized financial information (Continued)

(iii) WXSY

	Period from 7 April 2017 (Establishment date) to 31 December 2017 RMB'000
Opening net assets	–
Capital injection	20,000
Loss for the period	(11,735)
Closing net assets	8,265
Interest in joint venture (40%)	3,306
Adjusted for eliminations resulting from upstream transactions	(3,306)
Carrying value	–

11. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	
	31 December 2017 RMB'000	31 December 2016 RMB'000
Assets as per balance sheet		
Trade and other receivables excluding prepaid tax and other prepayments *(Note 16)*	3,752,552	1,895,327
Restricted bank deposits *(Note 17)*	1,047,706	555,505
Cash and cash equivalents *(Note 18)*	9,846,708	7,520,362
	14,646,966	9,971,194

Notes to the Consolidated Financial Statement (Continued)

11. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Other Financial liabilities at amortized cost	
	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Liabilities as per balance sheet		
Trade and other payables *(a)*	**8,981,851**	7,471,848
Borrowings *(Note 23)*	**31,897,276**	24,505,687
	40,879,127	31,977,535

(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	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables that are neither past due nor impaired		
Counterparties without external credit rating		
– Group 1	**5,675**	25,945
– Group 2	**49,507**	10,968
	55,182	36,913

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 2017 (2016: nil).

Notes to the Consolidated Financial Statement (Continued)

13. PROPERTIES UNDER DEVELOPMENT

	2017	2016
	RMB'000	*RMB'000*
As at 1 January	**32,593,536**	22,966,299
Addition	**20,399,576**	15,794,383
Transfer to completed properties held for sale *(Note 14)*	**(8,388,747)**	(6,167,146)
As at 31 December	**44,604,365**	32,593,536

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Land use rights	**33,254,300**	22,651,772
Development costs and capitalized expenditure	**7,518,186**	6,871,542
Finance costs capitalized	**3,831,878**	3,070,222
	44,604,365	32,593,536

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Land use rights:		
In PRC, held on leases of:		
Between 40–50 years	**2,664,308**	1,163,925
Over 50 years	**30,589,992**	21,487,847
	33,254,300	22,651,772

As at 31 December 2017, certain properties under development with net book value of RMB29,078,336,000 (2016: RMB13,842,113,000) are pledged as securities for bank and other borrowings (Note 23).

The carrying amount of the properties under development that are expected to be completed and available for sale more than twelve months after the balance sheet date are RMB34,251,895,000. The remaining balance is expected to be completed and available for sale within one year.

Notes to the Consolidated Financial Statement (Continued)

14. COMPLETED PROPERTIES HELD FOR SALE

	2017 *RMB'000*	2016 *RMB'000*
As at 1 January	**8,729,267**	8,053,187
Transfer from properties under development *(Note 13)*	**8,388,747**	6,167,146
Properties sold	**(9,195,802)**	(5,466,492)
Impairment of completed properties held for sale	**(6,998)**	–
Others *(a)*	**(16,760)**	(24,574)
As at 31 December	**7,898,454**	8,729,267

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

	As at 31 December 2017 *RMB'000*	 2016 *RMB'000*
Land use rights	**2,632,326**	2,834,914
Development costs and capitalized expenditure	**4,780,078**	4,988,543
Finance costs capitalized	**486,050**	905,810
	7,898,454	8,729,267

	As at 31 December 2017 *RMB'000*	 2016 *RMB'000*
Land use rights:		
In PRC, held on leases of:		
Between 40–50 years	**406,198**	351,234
Over 50 years	**2,226,128**	2,483,680
	2,632,326	2,834,914

As at 31 December 2017, completed properties held for sale of RMB1,740,396,000 (2016: RMB1,506,471,000 are pledged as securities for bank borrowings (Note 23).

Notes to the Consolidated Financial Statement (Continued)

15. OTHER INVENTORIES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Goods for resale	**34,665**	46,386
Consumables	**18,224**	15,885
Less: provision for inventories	**(4,794)**	(244)
	48,095	62,027

The cost of inventories recognized as expense and included in cost of sales amounted to RMB294,695,000 (2016: RMB317,232,000).

16. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**102,584**	58,079
Less: provision for impairment of receivables	**(83)**	(230)
Trade receivables–net	**102,501**	57,849
Other receivables	**222,166**	187,753
Less: provision for impairment of receivables	**(14,618)**	(14,588)
Other receivables–net	**207,548**	173,165
Prepaid tax	**2,006,018**	1,574,181
Prepaid land use rights consideration	**2,026,700**	3,100,570
Receivables due from related parties *(Note 38(ix))*	**3,054,789**	127,154
Receivables due from non-controlling interests	**384,139**	1,530,617
Other prepayments	**186,037**	97,627
Interest receivables *(Note 38(ix))*	**3,575**	6,542
	7,971,307	6,667,705
Less: non-current portion of trade and other receivables	**(1,506,726)**	–
	6,464,581	6,667,705

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 2017 and 2016, the ageing analysis of the trade receivables were as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
0–30 days	**51,304**	18,111
31–90 days	**4,607**	7,475
Over 90 days	**46,673**	32,493
	102,584	58,079

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 2017 and 2016, 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	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables past due but not impaired		
0–90 days	**729**	2,288
Over 90 days	**46,590**	32,268
	47,319	34,556

Notes to the Consolidated Financial Statement (Continued)

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables (Continued)

As at 31 December 2017 and 2016, 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 analysis of these trade receivables is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables impaired		
0–90 days	**–**	6
Over 90 days	**83**	224
Less: provision of impairment of receivables	**(83)**	(230)
	–	–

Other receivables

The Group does not have formal contractual credit terms agreed with the counterparties but the other receivables are usually settled within 12 months. As a result, the Group regards any receivable balance within a 12-month credit period as not overdue. At 31 December 2017 and 2016, the ageing analysis of the other receivables were as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
0–12 months	**164,725**	97,367
12–24 months	**21,421**	59,478
Over 24 months	**36,020**	30,908
	222,166	187,753

As at 31 December 2017 and 2016, 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:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Other receivables past due but not impaired		
12–24 months	**12,869**	59,478
Over 24 months	**10,132**	16,361
	23,001	75,839

Notes to the Consolidated Financial Statement (Continued)

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Other receivables (Continued)

As at 31 December 2017 and 2016, 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 analysis of these other receivables is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Other receivables impaired		
0–12 months	**58**	41
12–24 months	**13**	–
Over 24 months	**14,547**	14,547
Less: provision of impairment of receivables	**(14,618)**	(14,588)
	–	–

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

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

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**230**	78
Provision for impairment of receivables	**34**	152
Reversal	**(32)**	–
Receivables written off during the year as uncollectible	**(149)**	–
At 31 December	**83**	230

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

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**14,588**	14,836
Provision for impairment of receivables	**33**	41
Reversal	**(3)**	(183)
Disposal of a subsidiary	**–**	(106)
At 31 December	**14,618**	14,588

Notes to the Consolidated Financial Statement (Continued)

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Other receivables (Continued)

The creation and release of provision for impaired receivables net amounting to RMB32,000 (2016: RMB10,000) 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.

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	
	2017	2016
	RMB'000	*RMB'000*
Cash at bank and on hand	**5,994,331**	4,320,362
Short-term bank deposits *(a)*	**3,950,000**	3,200,000
	9,944,331	7,520,362
Maximum exposure to credit risk	**9,943,436**	7,519,388

(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% (2016: 1.35%) per annum.

Notes to the Consolidated Financial Statement (Continued)

18. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Renminbi	**9,937,933**	7,504,687
US dollar	**4,873**	14,059
HK dollar	**1,525**	1,616
	9,944,331	7,520,362

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	As at 31 December
	2017	2016
	RMB'000	*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 25 January 2018, BNSIGC has paid fully RMB360,000,000, the relevant shares are not subjected to sales restriction, and shares held by BNSIGC expired, and all these shares were available for trading.

Notes to the Consolidated Financial Statement (Continued)

20. RESERVES AND RETAINED EARNINGS

	Capital reserve RMB'000	Other reserves: 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 2017	3,372,229	736,993	161,468	93,787	4,364,477	9,470,958
Profit for the year	–	–	–	–	–	1,389,761
2016 final dividends	–	–	–	–	–	(202,021)
Transfer from retained earnings	–	68,186	–	–	68,186	(68,186)
At 31 December 2017	3,372,229	805,179	161,468	93,787	4,432,663	10,590,512

	Capital reserve RMB'000	Other reserves: 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

(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 2017 and 2016.

Notes to the Consolidated Financial Statement (Continued)

21. TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Advances from customers *(a)*	**22,563,894**	18,350,958
Trade payables	**2,692,182**	2,889,049
Dividends payable to non-controlling interests of a subsidiary	**1,162**	1,162
Accrued construction costs	**2,504,400**	852,253
Accrued interest	**302,793**	219,636
Amounts due to non-controlling interests	**1,209,494**	1,552,557
Amounts due to BNSIGC *(Note 38(ix))*	**700,000**	700,000
Amounts due to other related parties *(b) (Note 38(ix))*	**588,951**	348,846
Other payables	**2,241,019**	1,317,099
Termination benefits *(Note 36)*	**34,216**	–
	32,838,111	26,231,560
Less: non-current portion of trade and other payables	**(1,579,476)**	(1,462,855)
	31,258,635	24,768,705

(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) Amount due to other related parties are unsecured, free for interest and with no fixed repayment date.

At 31 December 2017 and 2016, the ageing analyses of the trade payables (including amounts of trading nature due to related parties) were as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
0–180 days	**575,620**	568,027
181–365 days	**1,060,154**	1,362,976
Over 365 days	**1,056,408**	958,046
	2,692,182	2,889,049

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

Notes to the Consolidated Financial Statement (Continued)

22. CURRENT INCOME TAX LIABILITIES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Income tax payable	**360,580**	347,942
Land appreciation tax payable	**1,382,800**	997,926
	1,743,380	1,345,868

23. BORROWINGS

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Non-current		
Long term borrowings		
– Secured borrowings *(a)*	**25,548,594**	18,215,592
– Unsecured borrowings	**–**	1,178,300
– Entrusted loan	**360,000**	360,000
– 5 year bonds of 2015 *(b)*	**995,553**	993,549
– 7 year bonds of 2015 *(b)*	**1,490,575**	1,488,543
– 5 year bonds of 2016 *(b)*	**1,491,960**	1,489,703
– 5 year medium term note of 2017 *(b)*	**1,310,594**	–
	31,197,276	23,725,687
Less: current portion of long term borrowings	**(5,307,581)**	(2,902,150)
	25,889,695	20,823,537
Current		
Short term borrowings		
– Secured short term borrowings *(c)*	**200,000**	380,000
– Unsecured short term borrowings	**500,000**	400,000
– Current portion of long term borrowings	**5,307,581**	2,902,150
	6,007,581	3,682,150
Total borrowings	**31,897,276**	24,505,687

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS (CONTINUED)

(a) As at 31 December 2017, long term borrowings of RMB25,548,594,000 (2016: RMB18,215,592,000) 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 RMB5,336,666,666 are guaranteed by BNSIGC (Note 38(xi)), and RMB2,342,000,000 (2016: RMB2,099,000,000) are additionally guaranteed by the non-controlling interests.

(b) On 20 January 2015, the Company issued corporate bonds amounting of RMB2,500,000,000. Among which, RMB1,000,000,000 has a term of 5 years ("5 year bonds"), carries a coupon rate of 4.8% and also embedded a put option at the end of the third year. On 2 January 2018, the investors put back RMB448,798,000. The remaining RMB1,500,000,000 has a term of 7 years ("7 year bonds"), carries an interest rate of 5.2% and also embedded a put option at the end 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.

On 21 April 2016, the Company issued corporate bonds with an aggregate principal amount of RMB1,500,000,000. It has a term of 5 years, carries a coupon rate of 4.48%. The net proceeds of this bond were RMB1,488,000,000 (net of issuance costs of RMB12,000,000). The interest of bonds were paid annually and the principal is fully repayable on 21 April 2021.

On 20 September 2017, the Company issued medium term note with an aggregate principal amount of RMB1,320,000,000. It has a term of 5 years, carries a coupon rate of 5.14%, and also embedded a put option at the end the third year. The net proceeds of this medium term note were RMB1,310,100,000 (net of issuance costs of RMB9,900,000). The interest of medium term note were paid annually and the principal is fully repayable on 20 September 2022.

(c) As at 12 December 2017,short term bank borrowings of RMB200,000,000 (2016: RMB100,000,000) were guaranteed by BNSIGC (Note 38(xi)).

(d) The Group's borrowings mature until 2031 and bonds mature until 2022. At 31 December 2017, 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**	
	2017 *RMB'000*	2016 *RMB'000*	**2017** *RMB'000*	2016 *RMB'000*	**2017** *RMB'000*	2016 *RMB'000*
Within 1 year	**2,146,783**	1,553,750	**3,460,000**	2,128,400	**400,798**	–
Between 1 and 2 years	**3,864,390**	2,455,772	**2,300,000**	5,438,300	**–**	–
Between 2 and 5 years	**4,939,341**	4,434,920	**5,409,970**	1,100,000	**4,887,883**	2,483,252
Over 5 years	**4,488,111**	3,422,750	**–**	–	**–**	1,488,543
	15,438,624	11,867,192	**11,169,970**	8,666,700	**5,288,681**	3,971,795

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS (CONTINUED)

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

	As at 31 December	
	2017	2016
Bank and other borrowings	**5.94%**	6.37%
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%**	4.66%
5 year medium term notes of 2017	**5.31%**	–

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
– expiring within one year	**500,000**	1,000,000
– expiring between one and five years	**4,546,440**	3,690,580
– expiring over five years	**2,910,261**	1,222,998
	7,456,701	5,913,578

(g) 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	
	2017	2016
	RMB'000	*RMB'000*
6 months or less	**4,611,052**	2,543,572
between 6 and 12 months	**12,576,371**	10,102,120
between 1 and 5 years	**14,709,853**	10,371,451
over 5 years	**–**	1,488,543
	31,897,276	21,735,778

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS (CONTINUED)

(h) 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	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-current borrowings	**7,625,000**	16,851,742	**7,481,620**	16,885,190
5 year bonds of 2015	**594,755**	993,549	**598,004**	1,040,000
7 year bonds of 2015	**1,490,575**	1,488,543	**1,519,950**	1,546,500
5 year bonds of 2016	**1,491,960**	1,489,703	**1,533,893**	1,530,577
5 year medium term note of 2017	**1,310,594**	–	**1,360,000**	–
	12,512,884	20,823,537	**12,493,467**	21,002,267

The fair values of 5 year bonds and 7 year bonds of 2015 are based on market prices as at 31 December 2017. The fair value of 5 year bonds of 2016 and 5 year medium term note of 2017 and based on cash flows discounted using rates based on the borrowing rate of 4.75% as at 31 December 2017.

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.

(i) All borrowings are denominated in Renminbi.

24. DEFERRED INCOME TAX

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Deferred tax assets:		
– To be recovered after more than 12 months	**559,455**	215,988
– To be recovered within 12 months	**61,981**	99,025
	621,436	315,013
Deferred tax liabilities:		
– To be settled after more than 12 months	**(1,930,407)**	(1,847,290)
Deferred tax liabilities-net	**(1,308,071)**	(1,532,277)

Notes to the Consolidated Financial Statement (Continued)

24. DEFERRED INCOME TAX (CONTINUED)

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

	2017 *RMB'000*	2016 *RMB'000*
At 1 January	**(1,532,277)**	(1,568,242)
Recognised in the income statement *(Note 30)*	**223,306**	35,965
At 31 December	**(1,308,971)**	(1,532,277)

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 2016	(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)
Credited in the income statement	(36,998)	(46,119)	(83,117)
At 31 December 2017	**(1,310,634)**	**(619,773)**	**(1,930,407)**

Notes to the Consolidated Financial Statement (Continued)

24. DEFERRED INCOME TAX (CONTINUED)

Deferred tax assets:

	Provisions	Deductible loss	Accrued expense and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	3,793	35,312	171,201	210,306
Recognized in the income statement	(24)	17,992	86,739	104,707
At 31 December 2016	3,769	53,304	257,940	315,013
Recognized in the income statement	1,858	42,700	261,865	306,423
At 31 December 2017	**5,627**	**96,004**	**519,805**	**621,436**

(a) Deferred income tax assets are recognized for tax losses carry forwards to the extent that realization of the related tax benefit through the future taxable profits is probable. The Group did not recognized deferred tax assets of RMB14,440,750 (2016: RMB18,115,000) in respect of losses amounting to RMB57,763,000 (2016: RMB72,460,000) that can be carried forward against future taxable income, these tax losses will expire in the period from 2018 to 2022 as follows:

Year ended 31 December					
2018	**2019**	**2020**	**2021**	**2022**	**Total**
RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
3,355	14,860	10,079	11,659	17,810	57,763

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 analyzed as follows:

	Year ended 31 December	
	2017	2016 (Restated)
	RMB'000	*RMB'000*
Depreciation *(Note 8)*	**126,172**	138,377
Amortization *(Note 6)*	**8,652**	8,652
Provision of impairment for receivables *(Note 16)*	**32**	10
Provision of impairment for completed properties held for sale *(Note 14)*	**6,998**	–
Employee benefit expense *(Note 28)*	**988,932**	781,112
Advertising costs	**127,094**	140,219
Cost of properties sold	**9,195,802**	5,466,492
– Land use rights	**3,730,290**	1,698,165
– Finance cost capitalized in cost of properties	**911,165**	812,208
– Development costs	**4,554,347**	2,956,119
Cost of consumables used	**202,948**	206,442
Taxation	**565,936**	475,524
Office and consumption expenses	**147,723**	151,064
Management Fee	**80,600**	90,214
Energy expenses	**116,703**	135,397
Consulting and service expenses	**212,601**	210,552
Repair and maintenance expenses	**88,478**	104,992
Operating leases	**37,731**	33,463
Auditor's remuneration	**7,240**	6,290
Others	**87,017**	51,819
Total cost of sales, selling and marketing expenses and administrative expenses	**12,000,659**	8,000,619

26. OTHER INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Dividend income on available-for-sale financial assets	**17,176**	6,146

Notes to the Consolidated Financial Statement (Continued)

27. OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2017	2016 (Restated)
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment and investment properties	(370)	(968)
Donation	(11,270)	(1,017)
Government Grants	12,024	12,167
Overdue Payment	(46,246)	–
Penalty and compensation income	1,991	12,602
Penalty and compensation expense	(279)	–
Gain on disposal of a subsidiary	–	115,992
Others	1,017	(408)
	(43,133)	138,368

28. EMPLOYEE BENEFIT EXPENSE

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

	Year ended 31 December	
	2017	2016 (Restated)
	RMB'000	RMB'000
Wages and salaries	713,782	651,339
Social security costs	148,569	149,385
Retirement benefit costs – defined contribution plans *(a)*	86,967	87,477
Termination benefit *(Note 36)*	173,453	–
	1,122,771	888,201
Less: capitalized in properties under development	(133,839)	(107,089)
	988,932	781,112

(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 2017 and 2016.

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.

Notes to the Consolidated Financial Statement (Continued)

28. EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(a) Retirement benefit costs – defined contribution plans (Continued)

There were nil forfeited contributions during the year or available at 31 December 2017 (2016: Nil) to reduce future contributions.

Contribution totaling RMB8,992,000 (2016: RMB9,657,000) 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 two (2016: one) directors whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining three (2016: four) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Basic salaries and other allowances	**2,748**	3,732
Employer's contribution to retirement benefit scheme	**137**	253
	2,885	3,985

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2017	2016
Emolument bands		
RMB nil–RMB835,900 (equivalent to HK$ Nil–HK$1,000,000)	**1**	2
Over RMB835,900–RMB1,253,900 (equivalent to HK$1,000,000–HK$1,500,000)	**2**	1
Over RMB1,253,900 (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.

Notes to the Consolidated Financial Statement (Continued)

29. FINANCE INCOME AND EXPENSES

	Year ended 31 December 2017 RMB'000	2016 (Restated) RMB'000
Interest expense:		
– bank and other borrowings	**(1,602,009)**	(1,494,410)
– bonds and medium term notes	**(218,807)**	(204,013)
	(1,820,816)	(1,698,423)
Less: amounts capitalized in properties under development at a capitalization rate of 5.76% (2016: of 6.35%) per annum	**1,230,509**	1,194,425
Finance expenses	**(590,307)**	(503,998)
Bank charges and others	**(4,597)**	(11,288)
Finance income – Interest income	**103,729**	90,708
Net finance expenses	**(491,175)**	(424,578)

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% (2016: 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 2017 RMB'000	2016 (Restated) RMB'000
Current income tax		
– PRC enterprise income tax	**801,303**	265,120
– PRC land appreciation tax	**819,982**	470,252
Deferred income tax *(Note 24)*	**(223,306)**	(35,965)
	1,397,979	699,407
Attributable to:		
Profit from continuing operations	**1,402,372**	703,864
Loss from discontinued operation *(Note 37)*	**(4,393)**	(4,457)

Notes to the Consolidated Financial Statement (Continued)

30. INCOME TAX EXPENSES (CONTINUED)

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	
	2017	2016 (Restated)
	RMB'000	*RMB'000*
Profit from continuing operations before income tax expense	**2,979,513**	1,448,024
Loss from discontinued operation before income tax expense *(Note 37)*	**(21,575)**	(17,787)
	2,957,938	1,430,237
Add: share of net profit of investments accounted for using the equity method	**(46,087)**	(1,687)
	2,911,851	1,428,550
Tax calculated at the statutory tax rate of 25% (2016: 25%)	**727,963**	357,138
Expenses not deductible for tax purposes	**50,576**	9,156
Tax losses not recognized	**4,453**	9,459
Effect of higher tax rate for the appreciation of land in the PRC	**614,987**	352,689
Utilization of previous unrecognized tax losses	**–**	(37)
Gain on disposal of a subsidiary	**–**	(28,998)
Income tax expenses	**1,397,979**	699,407

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 2017 and 2016.

	Year ended 31 December	
	2017	2016 (Restated)
Profit attributable to owners of the Company *(RMB'000)*	**1,389,761**	806,811
Number of ordinary shares in issue *(thousands)*	**3,367,020**	3,367,020
Earnings per share (basic and diluted) *(RMB cents per share)*	**41.28**	23.96
From continuing operations	**41.79**	24.36
From discontinued operations	**(0.51)**	(0.40)

32. DIVIDEND

The dividends paid in 2017 are RMB202,021,000 (2016: RMB202,021,000). Proposed dividends of 2017 and 2016 were as follows:

	Year ended 31 December	
	2017 *RMB'000*	2016 *RMB'000*
Interim dividend paid	**–**	–
2017 proposed RMB0.11 per share final dividend (2016: RMB0.06 per share)	**370,372**	202,021
	370,372	202,021

Notes to the Consolidated Financial Statement (Continued)

33. CASH (USED IN)/GENERATED FROM OPERATIONS

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit before income tax	**2,957,938**	1,430,237
Adjustments for:		
– Gain on acquisition of a subsidiary	**–**	(3)
– Provision of impairment for receivables *(Note 16)*	**32**	10
– provision for completed properties held for sale and other inventories	**11,548**	–
– Depreciation *(Note 8)*	**126,172**	138,377
– Amortization *(Note 6)*	**8,652**	8,652
– Fair value gain on investment properties	**(147,993)**	(84,510)
– loss on disposal of property, plant and equipment *(a)*	**370**	988
– Gain on disposal of a subsidiary	**–**	(115,992)
– Interest income of available-for-sale financial assets	**(17,176)**	(6,146)
– Interest income	**(104,141)**	(90,708)
– Interest expense	**590,307**	503,998
– Share of net profit from investments accounted for using the equity method	**(46,087)**	(1,687)
Operating profit before working capital changes	**3,379,622**	1,783,216
Changes in working capital:		
– Increase in restricted bank deposits	**(492,201)**	(84,269)
– Decrease in other inventories	**9,382**	5,240
– Increase in properties under development and completed properties held for sale, net	**(10,178,039)**	(10,183,386)
– Decrease/(Increase) in trade and other receivables	**947,280**	(3,274,424)
– Increase in trade and other payables	**6,257,151**	14,865,790
Cash (used in)/generated from operations	**(76,805)**	3,112,167

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Net book amount	**9,643**	5,681
Loss on disposal of property, plant and equipment and investment properties *(Note 27)*	**(370)**	(988)
Proceeds from disposal of property, plant and equipment and investment properties	**9,273**	4,693

Notes to the Consolidated Financial Statement (Continued)

33. CASH (USED IN)/GENERATED FROM OPERATIONS (CONTINUED)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2017 *RMB'000*	2016 *RMB'000*
Cash and cash equivalents *(Note 18)*	**9,846,708**	7,520,362
Borrowings-repayable within one year *(Note 23)*	**(6,007,581)**	(3,682,150)
Borrowings-repayable after one year *(Note 23)*	**(25,889,695)**	(20,823,537)
Net debt	**(22,050,568)**	(16,985,325)
Cash and cash equivalents *(Note 18)*	**9,846,708**	7,520,362
Gross debt -fixed interest rates	**(15,223,531)**	(13,008,395)
Gross debt -variable interest rates	**(16,673,745)**	(10,717,292)
Net debt	**(22,050,568)**	(16,985,325)

	Other assets	**Liabilities from financing activities**		
	Cash *RMB'000*	**Borrowing due within 1 year** *RMB'000*	**Borrowing due after 1 year** *RMB'000*	**Total** *RMB'000*
Net debt at 31 December 2016	7,520,362	(3,682,150)	(20,823,537)	(16,985,325)
Cash flows	2,326,346	(2,325,431)	(5,066,158)	(5,065,243)
Net debt at 31 December 2017	**9,846,708**	**(6,007,581)**	**(25,889,695)**	**(22,050,568)**

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 RMB11,461,988,000 as at 31 December 2017 (2016: RMB8,750,340,000).

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.

Notes to the Consolidated Financial Statement (Continued)

35. COMMITMENTS

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Properties under development		
– Contracted but not provided for	**7,859,536**	7,232,936
– Authorized but not contracted for	**19,876,739**	8,678,438
	27,736,275	15,911,374

(b) At 31 December 2017 and 31 December 2016, 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	
	2017	2016
	RMB'000	*RMB'000*
As leasor:		
Rental receivables in respect of investment properties		
Not later than one year	**705,739**	756,291
Later than one year and not later than five years	**519,264**	881,676
Later than five years	**888,603**	1,394,071
	2,113,606	3,032,038
As leasee:		
Rental payables in respect of land use rights and buildings		
Not later than one year	**21,726**	18,201
Later than one year and not later than five years	**64,754**	63,843
Later than five years	**211,045**	226,880
	297,525	308,924

Notes to the Consolidated Financial Statement (Continued)

36. TERMINATION BENEFITS

	2017		
	Current	**Non-current**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Termination benefits	**34,216**	**139,237**	**173,453**

The net liability disclosed above relates to provision for termination as follows:

	2017
	RMB'000
Present value of unfunded obligations	**148,403**

The significant actuarial assumptions were as follows:

	2017
	Beijing
Discount rate	**3.75%**
Salary growth rate	**10.00%**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		Impact on defined benefit obligation	
	Change in assumption 2017	**Increase in assumption 2017**	**Decrease in assumption 2017**
Discount rate	**1.00%**	**Decrease by 12.09%**	**Increase by 16.07%**
Salary growth rate	**1.00%**	**Increase by 1.58%**	**Decrease by 1.51%**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

Notes to the Consolidated Financial Statement (Continued)

37. DISCONTINUED OPERATIONS

On 10 November 2017, the Board has announced its intention to exit business of commercial properties. The operation of retail business in supermarkets and shopping centres has been eventually ceased on 8 January 2018. Financial information relating to the discontinued operation described above is set below.

The financial performance and cash flow information presented are for the year ended 31 December 2017 and the year ended 31 December 2016.

	2017	2016
	RMB'000	*RMB'000*
Revenue	**153,290**	187,269
Expenses	**(174,865)**	(205,056)
Loss before income tax	**(21,575)**	(17,787)
Income tax expense	**4,393**	4,457
Loss after income tax of discontinued operation	**(17,182)**	(13,330)
Loss from discontinued operation	**(17,182)**	(13,330)
Net cash inflow/(outflow) from operating activities	**39,092**	(66,228)
Net cash inflow/(outflow) from investing activities	**6**	(34)
Net cash inflow from financing activities	**–**	–
Net increase/decrease in cash generated by the discontinued operation	**39,098**	(66,262)

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 2017 and 2016, 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 privatization 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.

Notes to the Consolidated Financial Statement (Continued)

38. RELATED PARTY TRANSACTIONS (CONTINUED)

In year 2017, CIFI Holdings (Group) Co. Ltd ("CIFI") have significant influence over the Group and is deemed as the related party of the Group. Nanjing Ningkang Investment Management Co., Ltd ("NJNK"), Hefei Xuhui Business Management Co., Ltd ("HFXH"), Xu Zhao (HK) Co.("XZHK"), Shanghai Xinzhi Construction Engineering Co., Ltd. ("SHXZ") and Suzhou Huixie Business Consulting Co., Ltd. ("SZHX") are the subsidiaries of CIFI. Shanghai Yongsheng Property Management Co., Ltd. ("SHYS") is an associate of CIFI.

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	
	2017	2016
	RMB'000	*RMB'000*
BNSIGC (operating lease payment in respect of land)	**15,835**	15,525
BNSIGC (office lease acceptance)	**900**	900
BNSIGC (brand royalty fee)	**10**	10
NJNK (project management consulting fee)	**55,703**	Not applicable
HFXH (project management consulting fee)	**73,014**	Not applicable
XZHK (project management consulting fee)	**82,553**	Not applicable
SHXZ (project management consulting fee)	**218,108**	Not applicable
SHYS (property management service fee)	**8,294**	Not applicable
	454,417	16,435

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

(ii) Shareholder loan from BNSIGC

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**700,000**	–
Proceeds from loans	**33,804**	700,000
Repayments of loans	**(33,804)**	–
At 31 December	**700,000**	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.

Notes to the Consolidated Financial Statement (Continued)

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Project cooperation funds to WHML

	2017 RMB'000	2016 RMB'000
At 1 January	**79,360**	303,876
Project cooperation funds granted	**–**	–
Repayments of project cooperation funds	**(74,154)**	(203,346)
Interest income accrued	**440**	13,360
Interest income received	**(5,646)**	(34,530)
At 31 December	**–**	79,360

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.

(iv) Project cooperation funds to HZJH

	2017 RMB'000	2016 RMB'000
At 1 January	**54,335**	–
Project cooperation funds granted	**86,567**	53,000
Repayments of project cooperation funds	**(139,568)**	–
Interest income accrued	**4,820**	1,335
Interest income received	**(6,154)**	–
At 31 December	**–**	54,335

(v) Project cooperation funds to WXSY

	2017 RMB'000
At 7 Apr 2017 (Establishment date)	**–**
Project cooperation funds granted	**726,507**
Interest income accrued	**32,018**
Interest income received	**(30,263)**
At 31 December	**728,262**

The funds to WXSY is unsecured, carrying a fixed annual interest rate of 9%,with the quarterly repayment. The principal is repayable within two year.

Notes to the Consolidated Financial Statement (Continued)

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(vi) Project cooperation funds to WXCW

	2017 *RMB'000*
At 3 Mar 2017 (Establishment date)	**–**
Project cooperation funds granted	**744,282**
Interest income accrued	**37,198**
Interest income received	**(35,378)**
At 31 December	**746,102**

The funds to WXCW is unsecured, carrying a fixed annual interest rate of 8%,with the quarterly repayment. The principal is repayable within two year.

(vii) Funds to related parties

	XZHK *RMB'000*	**HFXH** *RMB'000*	**NJNK** *RMB'000*	**SHXZ** *RMB'000*	**Total** *RMB'000*
At 1 January	750,000	65,000	98,000	–	913,000
Funds granted	515,000	75,576	637,000	25,540	1,253,116
Repayment of funds	–	(115,576)	(441,000)	(25,540)	(582,116)
At 31 December	1,265,000	25,000	294,000	–	1,584,000

(viii) Funds from related parties

	WHML *RMB'000*	**HZJH** *RMB'000*	**Total** *RMB'000*
At 1 January	–	62,500	62,500
Additions	122,000	–	122,000
Repayments of funds	–	(62,500)	(62,500)
At 31 December	122,000	–	122,000

In April 2017, SZNS along with SZHX, established a joint venture, WXSY by investing RMB8,000,000, or 40% of the total paid-in capital of WXSY.

Notes to the Consolidated Financial Statement (Continued)

38. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade and other receivables from related parties		
WHML	**–**	74,154
HZJH	**–**	53,000
XZHK	**1,265,000**	Not applicable
HFXH	**25,000**	Not applicable
NJNK	**294,000**	Not applicable
WXCW	**744,282**	–
WXSY	**726,507**	–
	3,054,789	127,154
Trade and other payables to related parties		
WHML	**122,000**	–
HZXF	**17,958**	17,958
HZJH	**–**	62,500
HZCX	**268,388**	268,388
NJNK	**48,308**	Not applicable
HFCX	**49,744**	Not applicable
XZHK	**82,553**	Not applicable
BNSIGC	**700,000**	700,000
	1,288,951	1,048,846
Interest receivables of project cooperation funds to related parties		
WHML	**–**	5,206
HZJH	**–**	–
WXCW	**1,820**	1,335
WXSY	**1,755**	–
	3,575	6,541

At 31 December 2017, there were no provisions for impairment of receivables from related parties (2016: Nil) and there were no provisions for impairment of receivables from related parties charged to income statement for the year ended 31 December 2017 (2016: Nil).

Notes to the Consolidated Financial Statement (Continued)

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(x) Key management compensation

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**14,849**	14,982
Post-employment benefit	**1423**	1,330
	16,272	16,312

(xi) Accept financial guarantee

Pursuant to an agreement signed by BNSIGC, as at 31 December 2017, BNSIGC provides joint liability counter-guarantee for the loans from Beijing Rural Commercial Bank amounting to RMB1,420,000,000 (31 December 2016: RMB1,380,000,000).

Pursuant to an agreement signed by BNSIGC, as at 31 December 2017, BNSIGC provides joint liability counter-guarantee for the loans form Taikang Life Insurance Asset Management Limited Liability Company amounting to RMB1,700,000,000 (31 December 2016: RMB300,000,000).

Pursuant to an agreement signed by BNSIGC, as at 31 December 2017, BNSIGC provides joint liability counter-guarantee for the loans form ICBC amounting to RMB2,416,666,666 (31 December 2016: 1,700,000,000).

39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

		As at 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Investment properties		**12,665,600**	12,467,000
Property, plant and equipment		**1,215,936**	1,270,790
Investments in subsidiaries		**2,769,253**	2,910,650
Investments accounted for using the equity method		**–**	20,368
Deferred income tax assets		**214,075**	156,911
Trade and other receivables		**11,154,722**	8,541,435
		28,019,586	25,367,154

Notes to the Consolidated Financial Statement (Continued)

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

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
Current assets			
Loans to subsidiaries		**12,735,166**	9,174,389
Completed properties held for sale		**1,580,469**	2,590,159
Other inventories		**45,526**	43,733
Trade and other receivables		**338,191**	3,101,159
Restricted bank deposits		**9,815**	9,996
Cash and cash equivalents		**6,487,100**	4,622,076
		21,196,267	19,541,512
Total assets		**49,215,853**	44,908,666
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**3,367,020**	3,367,020
Other reserves	*Note(a)*	**4,492,314**	4,424,128
Retained earnings	*Note(a)*	**8,002,226**	7,344,959
Total equity		**15,861,560**	15,136,107
LIABILITIES			
Non-current liabilities			
Long term borrowings		**16,506,325**	17,064,637
Other long-term payable		**139,237**	708,750
Deferred income tax liabilities		**1,863,153**	1,781,282
		18,508,715	19,554,669
Current liabilities			
Trade and other payables		**8,669,548**	7,393,691
Current income tax liabilities		**612,049**	612,049
Current portion of long term borrowings		**4,863,981**	1,712,150
Short term borrowings		**700,000**	500,000
		14,845,578	10,217,890
Total liabilities		**33,354,293**	29,772,559
Total equity and liabilities		**49,215,853**	44,908,666

The balance sheet of the Company was approved by the Board of Directors on 21 March 2018 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 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
At 1 January 2017	**7,344,959**	**4,424,128**
Profit for the year	**927,474**	**–**
Dividends relating to 2016	**(202,021)**	**–**
Transfer from retained earnings	**(68,186)**	**68,186**
Partial disposal of a subsidiary with lost of control	**–**	**–**
At 31 December 2017	**8,002,226**	**4,492,314**

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 2017:

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	–	853	68	32	953
Mr. Liu Huan Bo	–	746	68	32	846
Mr. Li Wei Dong	–	522	68	32	622
Ms. Zhao Hui Zhi	–	67	–	–	67
Mr. Liu Jian Ping	–	29	–	–	29
Mr. Li Chang Li	–	8	–	–	8
Mr. Fu Yiu Man	86	–	–	–	86
Mr. Wu Ge	86	–	–	–	86
Mr. Dong An Sheng	86	–	–	–	86
	258	2,225	204	96	2,783

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)

For the year ended 31 December 2016:

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	–	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

(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.

41. EVENTS AFTER THE BALANCE SHEET DATE

On 21 March 2018, the Board has resolved to recommend the payment of a dividend of RMB0.11 per share for the year ended 31 December 2017 (2016: 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 2017 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		Equity attributable to owners of the Company as at 31 December	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As stated in accordance with CAS	**1,140,410**	600,585	**12,598,972**	11,660,583
Impact of HKFRS adjustments:				
1. Reversal of depreciation of investment properties under CAS	**138,356**	139,466	**1,530,009**	1,391,653
2. Fair value adjustment of investment properties under HKFRS	**110,995**	63,383	**4,261,214**	4,150,219
3. Difference on revaluation of certain assets upon the reorganisation in 1997	**–**	3,377	**–**	–
As stated in accordance with HKFRS	**1,389,761**	806,811	**18,390,195**	17,202,455

Properties Profile

DEVELOPMENT PROPERTIES

Properties for sales *(Note 1)*

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	12,800	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	15,000	Commercial, affordable residence and supporting facilities	Completed	100%

Properties under development *(Note 1)*

Name	Location	Gross floor area of unsold portion *(sq. m.)*	Type of property	Progress	Interest attributable to the Group
1 North Star • Landsea Southern Gate Green shire	Chengdu, Sichuan	22,300	Residential, commercial	Under progress	40%
2 Suzhou North Star CIFI No. 1 Courtyard	Suzhou, Jiangsu	43,200	Residential, commercial	Under progress	50%
3 North Star CIFI Park Mansion • Jin Ling	Nanjing, Jiangsu	3,100	Residential	Under progress	51%
4 North Star • Xianglu	Chengdu, Sichuan	37,800	Residential, commercial	Under progress	100%
5 Langfang Longhe New District Project	Langfang, Hebei	417,500	Residential, commercial	Under progress	100%
6 North Star CIFI Park Mansion • Luzhou	Hefei, Anhui	85,800	Residential, commercial	Under progress	50%
7 North Star • Guangguli	Wuhan, Hubei	443,400	Commercial, office	Under progress	51%
8 North Star Red Oak Villa	Changping, Beijing	60,400	Residential	Under progress	99.1%
9 North Star • Villa 1900	Shunyi, Beijing	83,800	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
10 Modern Beichen Yue MOMA	Shunyi, Beijing	6,500	Self-occupied commercial residential housing, housing properties with restrictions on size and selling prices,	Under progress	50%
11 North Star Delta Project	Changsha, Hunan	2,222,400	Residential, commercial and office	Under progress	100%
12 North Star Central Park Project	Changsha, Hunan	499,300	Residential	Under progress	51%
13 North Star Modern Best+	Wuhan, Hubei	12,200	Residential, commercial	Under progress	45%
14 North Star Olympic Garden	Hangzhou, Zhejiang	22,000	Residential, commercial	Under progress	80%
15 Hangzhou Shunfa CIFI Honor Mansion, Phase I	Hangzhou, Zhejiang	700	Residential, commercial	Under progress	35%
16 Beijing Beiqijia project	Beijing	284,000	Residential	Newly acquired land reserve in 2017, yet to commence construction	51%
17 Shanyin Road Project	Hangzhou, Zhejiang	59,200	Residential	Under progress	100%
18 Xianghu Project	Hangzhou, Zhejiang	128,900	Residential, commercial	Under progress	25%
19 Linkonggang Project	Wuhan, Hubei	954,200	Residential, commercial	Under progress	100%
20 Wuhan Lot 131 project	Wuhan, Hubei	178,300	Residential	Newly acquired land reserve in 2017, yet to commence construction	51%
21 North Star • South Lake Xianglu	Chengdu, Sichuan	241,700	Residential	Under progress	100%
22 Shuangliu Hangyuan Road Plot Project	Chengdu, Sichuan	112,600	Residential, commercial	Newly acquired land reserve in 2017, yet to commence construction	100%

Properties Profile (Continued)

Name	Location	Gross floor area of unsold portion *(sq. m.)*	Type of property	Progress	Interest attributable to the Group
23 Tianfu New District Renshou 105 Mu Parcels Project	Chengdu, Sichuan	112,900	Residential	Newly acquired land reserve in 2017, yet to commence construction	100%
24 Tianfu New District Renshou 90 Mu Parcels Project	Chengdu, Sichuan	200,400	Residential, commercial	Newly acquired land reserve in 2017, yet to commence construction	100%
25 Wuzhong District No. 50, 51 and 69 Land Lot Project	Suzhou, Jiangsu	393,600	Residential, commercial	Under progress	100%
26 Yinfeng District Project	Ningbo, Zhejiang	181,900	Residential	Under progress	100%
27 Chenpodu Project	Ningbo, Zhejiang	294,500	Residential, commercial	Under progress	51%
28 Huishan Tianyi New Town Project	Wuxi, Jiangsu	258,900	Residential	Under progress	49%
29 Yangxi River Project	Wuxi, Jiangsu	511,100	Residential	Under progress	40%
30 Yuelai Convention Xincheng Project	Yubei, Chongqing	1,154,700	Residential, commercial	Under progress	100%
31 West Coast South Area Project	Haikou, Hainan	278,400	Residential, commercial	Newly acquired land reserve in 2017, yet to commence construction	100%

Note:

1. For other information on the above-mentioned projects of the Group, please also see "Table 2: Real estate reserve during the Reporting Period", "Table 3: Investment in Real Estate Development during the Reporting Period" and "Table 4: Real Estate Sales during the Reporting Period" on pages 13 to 16 of the section "Management Discussion and Analysis" in this annual report.

Properties Profile (Continued)

INVESTMENT PROPERTIES AND HOTELS *(Notes 2, 3)*

Name	Location	Type of property	Interest attributable to the Group
1 Beijing Continental Grand Hotel	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hotel	100%
2 V-Continent Parkview Wuzhou	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hotel	100%
3 InterContinental Changsha	Kaifu District, Changsha, Hunan Province	Hotel	100%
4 Beijing International Convention Centre	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Convention, exhibition	100%
5 Hui Yuan Apartment	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Apartment	100%
6 Hui Bin Offices	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Office	100%
7 Hui Zhen Building Property	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Office	100%
8 Hui Xin Offices	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Office	100%
9 North Star Times Tower	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Office, commercial premise for lease	100%
10 National Convention Centre	Bei Chen Zhong Road, Chao Yang District, Beijing	Convention, exhibition, hotel and office	100%
11 North Star Century Center	Bei Chen Zhong Road, Chao Yang District, Beijing	Office	100%
12 Intercontinental Beijing North Star Hotel	Bei Chen Zhong Road, Chao Yang District, Beijing	Hotel	100%
13 National Convention Centre Hotel	Bei Chen Zhong Road, Chao Yang District, Beijing	Hotel	100%

PROPERTIES WITH ANCILLARY FACILITIES *(Notes 2, 3)*

Name	Location	Type of property	Interest attributable to the Group
1 Beichen Shopping Centre (Asian Games Village Branch) (亞運村店)	No. 8 An Wai An Li Road, Beijing	Shopping centre	100%
2 B5 Commercial Area of North Star Green Garden	A13 Beiyuan Road, Beijing	Shopping centre	100%

Notes:

2. 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 RMB15,835,256 for 2017 (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.

3. For other information on the above-mentioned projects of the Group, please also see “Table 5: Leasing of Real Estate during the Reporting Period” on page 20 of the section “Management Discussion and Analysis” in this annual report.

Directors' Proposal on the Appropriation of Profit for the Year of 2017

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 21 March 2018, proposed that the appropriation of profit of the Company for the year of 2017 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 RMB0.11 per share in cash (Note) is proposed to be paid to the shareholders whose names appear on the register of shareholders after the close of business at 4:30 p.m. on Friday, 8 June 2018. If the proposal is approved by the shareholders at the 2017 annual general meeting, the final dividend is expected to be paid on or before Friday, 27 July 2018. 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 2017 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
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Hong Kong lawyer:	Woo Kwan Lee & Lo
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