北辰实业
BEIJING NORTH STAR

HKEx Stock Code: 0588
SSE Stock Code: 601588

# 2018
# INTERIM REPORT

# INTERIM REPORT

For the six months ended 30 June 2018

- Revenue was RMB5,466,299,000, representing a decrease of 29.64% over the same period last year

- Operating profit was RMB1,636,036,000, representing a decrease of 1.56% over the same period last year

- Profit attributable to the owners of the Company was RMB759,015,000, representing a decrease of 1.68% over the same period last year. Among others, the after-tax core operating results of the principal business (excluding gains arising from the changes in fair value) were RMB706,752,000, representing an increase of 2.07% over the same period last year, and the gains (after taxation) on changes in fair value of investment properties was RMB52,263,000

- Earnings per share was RMB0.2254, earnings per share in the same period last year was RMB0.2293

- The board of directors (the "Board") resolved that no interim dividend would be declared in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: nil)

# Interim Condensed Consolidated Balance Sheet

| | Note | **Unaudited 30 June 2018** *RMB'000* | Audited 31 December 2017 *RMB'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | 7 | **298,838** | 303,166 |
| Investment properties | 7 | **12,823,600** | 12,753,600 |
| Property, plant and equipment | 7 | **2,284,966** | 2,305,110 |
| Investments accounted for using the equity method | | **396,923** | 301,699 |
| Deferred income tax assets | | **627,275** | 621,436 |
| Trade and other receivables | 9 | **839,739** | 1,506,726 |
| | | **17,271,341** | 17,791,737 |
| **Current assets** | | | |
| Properties under development | 8 | **52,051,977** | 44,604,365 |
| Completed properties held for sale | | **9,330,729** | 7,898,454 |
| Other inventories | | **43,095** | 48,095 |
| Other current assets | | **14,001** | – |
| Trade and other receivables | 9 | **5,204,553** | 6,464,581 |
| Restricted bank deposits | | **1,415,966** | 1,047,706 |
| Cash and cash equivalents | | **9,339,865** | 9,846,708 |
| | | **77,400,186** | 69,909,909 |
| **Total assets** | | **94,671,527** | 87,701,646 |

The notes on pages 8 to 32 form an integral part of this interim consolidated financial information.

# Interim Condensed Consolidated Balance Sheet (Continued)

| | Note | Unaudited 30 June 2018 RMB'000 | Audited 31 December 2017 RMB'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 10 | 3,367,020 | 3,367,020 |
| Other reserves | | 4,434,295 | 4,432,663 |
| Retained earnings | | 11,174,326 | 10,590,512 |
| | | 18,975,641 | 18,390,195 |
| **Non-controlling interests** | | 1,028,919 | 763,040 |
| **Total equity** | | 20,004,560 | 19,153,235 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long term borrowings | 12 | 23,896,270 | 25,889,695 |
| Trade and other payables | 11 | 1,562,016 | 1,579,476 |
| Long term payables | | 132,897 | 139,237 |
| Deferred income tax liabilities | | 1,970,820 | 1,930,407 |
| | | 27,562,003 | 29,538,815 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 11,904,797 | 31,258,635 |
| Contract liabilities | | 28,413,292 | – |
| Current income tax liabilities | | 1,533,702 | 1,743,380 |
| Current portion of long term borrowings | 12 | 4,553,173 | 5,307,581 |
| Short term borrowings | 12 | 700,000 | 700,000 |
| | | 47,104,964 | 39,009,596 |
| **Total liabilities** | | 74,666,967 | 68,548,411 |
| **Total equity and liabilities** | | 94,671,527 | 87,701,646 |

The notes on pages 8 to 32 form an integral part of this interim consolidated financial information.

# Interim Condensed Consolidated Income Statement

| | Note | Unaudited Six months ended 30 June 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| **Continuing operation** | | | |
| Revenue | 6 | **5,466,299** | 7,769,583 |
| Cost of sales | | **(3,376,404)** | (5,731,443) |
| **Gross profit** | | **2,089,895** | 2,038,140 |
| Selling and marketing expenses | | **(209,266)** | (181,779) |
| Administrative expenses | | **(320,995)** | (307,412) |
| Fair value gains on investment properties | 13 | **69,684** | 106,106 |
| Other income | | **–** | 1,814 |
| Other gains – net | | **6,718** | 5,088 |
| **Operating profit** | | **1,636,036** | 1,661,957 |
| Finance income | 14 | **101,192** | 39,432 |
| Finance expenses | 14 | **(341,676)** | (287,029) |
| Finance expenses – net | 14 | **(240,484)** | (247,597) |
| Share of gains of investments accounted for using the equity method | | **84,598** | 14,718 |
| **Profit before income tax** | 6 | **1,480,150** | 1,429,078 |
| Income tax expenses | 15 | **(499,829)** | (606,272) |
| **Profit from continuing operations** | | **980,321** | 822,806 |
| **(Loss)/gain from discontinued operation (attributable to owners of the company)** | | **(6,779)** | 227 |
| **Profit for the period** | | **973,542** | 823,033 |
| **Profit attributable to:** | | | |
| Owners of the Company | | **759,015** | 772,006 |
| Non-controlling interests | | **214,527** | 51,027 |
| | | **973,542** | 823,033 |
| **Earnings per share attributable to owners of the Company during the period (basic and diluted) (expressed in RMB cents per share)** | | | |
| From continuing operations | | **22.74** | 22.92 |
| From discontinued operations | | **(0.20)** | 0.01 |
| | | **22.54** | 22.93 |

The notes on pages 8 to 32 form an integral part of this interim consolidated financial information.

# Interim Condensed Consolidated Statement of Comprehensive Income

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | 2018 | 2017 |
| | *RMB'000* | *RMB'000* |
| **Profit for the period** | 973,542 | 823,033 |
| **Other comprehensive income** | – | – |
| **Total comprehensive income for the period** | 973,542 | 823,033 |
| **Attributable to:** | | |
| Owners of the Company | 759,015 | 772,006 |
| Non-controlling interests | 214,527 | 51,027 |
| | 973,542 | 823,033 |
| **Total comprehensive income for the period attributable to owners of the Company arises from:** | | |
| Continuing operations | 765,794 | 771,779 |
| Discontinued operations | (6,779) | 227 |
| | 759,015 | 772,006 |

The notes on pages 8 to 32 form an integral part of this interim consolidated financial information.

# Interim Condensed Consolidated Statement of Changes in Equity

| | | Unaudited | | | | | |
|---|---|---|---|---|---|---|---|
| | | 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 2018** | | **3,367,020** | **4,432,663** | **10,590,512** | **18,390,195** | **763,040** | **19,153,235** |
| Adjustment on adoption of HKFRS15, net of tax | 3 | **–** | **1,632** | **195,171** | **196,803** | **27,102** | **223,905** |
| **Restated balance at 1 January 2018** | | **3,367,020** | **4,434,295** | **10,785,683** | **18,586,998** | **790,142** | **19,377,140** |
| Profit for the period | | **–** | **–** | **759,015** | **759,015** | **214,527** | **973,542** |
| Other comprehensive income | | **–** | **–** | **–** | **–** | **–** | **–** |
| **Total comprehensive income for the period ended 30 June 2018** | | **–** | **–** | **759,015** | **759,015** | **214,527** | **973,542** |
| **Transactions with owners, recognised directly in equity** | | | | | | | |
| Dividend relating to 2017 but approved during the period | 16 | **–** | **–** | **(370,372)** | **(370,372)** | **–** | **(370,372)** |
| Proceeds from injection from non-controlling interests | | **–** | **–** | **–** | **–** | **24,250** | **24,250** |
| **Total transactions with owners, recognized directly in equity** | | **–** | **–** | **(370,372)** | **(370,372)** | **24,250** | **(346,122)** |
| **Balance at 30 June 2018** | | **3,367,020** | **4,434,295** | **11,174,326** | **18,975,641** | **1,028,919** | **20,004,560** |
| **Balance at 1 January 2017** | | 3,367,020 | 4,364,477 | 9,470,958 | 17,202,455 | 588,842 | 17,791,297 |
| Profit for the period | | – | – | 772,006 | 772,006 | 51,027 | 823,033 |
| Other comprehensive income | | – | – | – | – | – | – |
| **Total comprehensive income for the period ended 30 June 2017** | | – | – | 772,006 | 772,006 | 51,027 | 823,033 |
| **Transactions with owners, recognised directly in equity** | | – | – | – | – | – | – |
| Dividend relating to 2016 but approved during the period | | – | – | (202,021) | (202,021) | – | (202,021) |
| **Total transactions with owners, recognised directly in equity** | | – | – | (202,021) | (202,021) | – | (202,021) |
| **Balance at 30 June 2017** | | 3,367,020 | 4,364,477 | 10,040,943 | 17,772,440 | 639,869 | 18,412,309 |

The notes on pages 8 to 32 form an integral part of this interim consolidated financial information.

# Interim Condensed Consolidated Statement of Cash Flows

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| **Cash flows (used in)/generated from operating activities – net** | **(1,302,748)** | 9,656 |
| **Cash flows generated from/(used in) investing activities – net** | **477,794** | (1,780,495) |
| **Cash flows generated from financing activities – net** | **318,111** | 5,201,243 |
| **Net (decrease)/increase in cash and cash equivalents** | **(506,843)** | 3,430,404 |
| Cash and cash equivalents at 1 January | **9,846,708** | 7,520,362 |
| **Cash and cash equivalents at 30 June** | **9,339,865** | 10,950,766 |

The notes on pages 8 to 32 form an integral part of this interim consolidated financial information.

# Notes to the Condensed Consolidated Interim Financial Information

## 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".

This condensed consolidated interim financial information is presented in Renminbi, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 23 August 2018.

This condensed consolidated interim financial information has been reviewed, not audited.

## 2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), issued by Hong Kong Institute of Certificated Public Accountants ("HKICPA").

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

### (a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make modified retrospective adjustments as a result of adopting the following standards:

#### *HKFRS 15 Revenue from Contracts with Customers – Impact of adoption*

The Group has adopted HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

HKFRS 15 replaces the provisions of HKAS 18 "Revenue" ("HKAS 18") and HKAS 11 "Construction contracts" ("HKAS 11") that relate to the recognition, classification and measurement of revenue and costs. The effects of the adoption of HKFRS 15 are as follows:

*Accounting for property development activities*

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, when the properties that have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets and recorded in other current assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities, which were previously presented as advanced proceeds received from customers.

*Accounting for costs incurred to obtain a contract*

Following the adoption of HKFRS 15, costs such as stamp duty and sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in other prepayments.

*Accounting for significant financing component*

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 3. ACCOUNTING POLICIES (CONTINUED)

### (a) New and amended standards adopted by the Group (Continued)

***HKFRS 15 Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018***

*(i) Properties under development – costs to fulfill a contract*

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

*(ii) Contract assets and contract liabilities*

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognized as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

*(iii) Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

# 3. ACCOUNTING POLICIES (CONTINUED)

## (a) New and amended standards adopted by the Group (Continued)

### *HKFRS 15 Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018 (Continued)*

*(iii) Revenue recognition (Continued)*

Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

By the adoption of the new standards, as at 30 June 2018, total assets and total liabilities decreased amounting to RMB804,012,000 and RMB1,067,793,000, and for the six months ended 30 June 2018, the profit attributable to owners of the Company increased amounting to RMB16,783,000.

For the six months ended 30 June 2018, revenue recognised from contracts with customers was disaggregated into sales of properties amounting to RMB4,149,023,000 and sales of services amounting to RMB940,785,000.

The other standards did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 3. ACCOUNTING POLICIES (CONTINUED)

### (b) New and revised standards and amendments to existing standards have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted

***HKFRS 16, 'Leases'***

HKFRS 16 was issued in January 2016. It will results 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. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the balance sheet. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempted from the reporting obligation. The new standard will therefore results in an increase in right of use assets and an increase in financial liabilities in the consolidated balance sheet. In the consolidated income statement, as a result, the operating expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expenses will increase.

The directors consider that the adoption of the new standard will have limited impact on the current consolidated financial position of the Group as the aggregated amount of non-cancellable operating lease is not significant. However, with these business expands in the near future, the Group expects that HKFRS 16 will have some impact on the consolidated financial position of the Group.

***Date of adoption by the 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 Condensed Consolidated Interim Financial Information (Continued)

## 4. ESTIMATES

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

## 5. FINANCIAL RISK MANAGEMENT

### 5.1. Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

There have been no changes in the risk management policies since year end.

### 5.2. Liquidity risk

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.

| | year Less than 1 | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 30 June 2018 (Unaudited)** | | | | | |
| Borrowings (including interests) | **6,531,722** | **9,049,103** | **14,182,446** | **4,225,571** | **33,988,842** |
| Trade and other payables (including interests) | **11,533,015** | **1,578,477** | **–** | **–** | **13,111,492** |
| Financial guarantees *(Note 18)* | **15,975,363** | **–** | **–** | **–** | **15,975,363** |
| | **34,040,100** | **10,627,580** | **14,182,446** | **4,225,571** | **63,075,697** |
| **At 31 December 2017 (Audited)** | | | | | |
| Borrowings (including interests) | 6,942,648 | 7,531,695 | 15,907,434 | 7,399,725 | 37,781,502 |
| Trade and other payables (including interests) | 8,471,433 | 1,637,943 | – | – | 10,109,376 |
| Financial guarantees *(Note 18)* | 11,461,988 | – | – | – | 11,461,988 |
| | 26,876,069 | 9,169,638 | 15,907,434 | 7,399,725 | 59,352,866 |

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. 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).

At 30 June 2018 and 31 December 2017, the Group has no other assets that carried at fair value, other than investment properties.

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

There were no transfers between different levels during the period.

There were no changes in valuation techniques during the period.

### 5.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of borrowings are as follows:

| | **Unaudited** | Audited |
|---|---|---|
| | **30 June 2018** | 31 December 2017 |
| | ***RMB'000*** | *RMB'000* |
| Non-current | **23,840,008** | 25,870,278 |
| Current | **5,253,173** | 6,007,581 |
| | **29,093,181** | 31,877,859 |

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Restricted bank deposits
- Trade and other payables

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 6. 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.

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. The financial information of the comparative period has been restated.

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 mainly excludes the fair value gains on investment properties and includes land appreciation taxes and the depreciation of investing properties. Other information provided, except as noted below, to the Board is measured in a manner consistent with that in the financial statements.

Total segments assets mainly exclude assets of discontinued segment, deferred tax assets and corporate cash, which are managed on a centralised basis; the investment properties are measured at cost. These are part of the reconciliation to total balance sheet assets.

Revenue consists of sales from development properties and investment properties and hotels. Revenues recognised during the six months ended 30 June 2018 and 30 June 2017 are as follows:

| | **Unaudited** | |
|---|---|---|
| | **Six months ended 30 June** | |
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Revenue | | |
| Development properties | **4,149,023** | 6,484,054 |
| Investment properties and hotels | **1,274,384** | 1,234,892 |
| | **5,423,407** | 7,718,946 |
| All other segments | **42,892** | 50,637 |
| | **5,466,299** | 7,769,583 |

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

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 6. SEGMENT INFORMATION (CONTINUED)

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 interim condensed consolidated income statement.

| Business Segment | Development properties RMB'000 | Investment properties and hotels RMB'000 | All other segments RMB'000 | Total Group RMB'000 |
|---|---|---|---|---|
| **Six months ended 30 June 2018 (Unaudited)** | | | | |
| Total segment revenue | **4,149,023** | **1,287,731** | **58,429** | **5,495,183** |
| Inter-segment revenue | **–** | **(13,347)** | **(15,537)** | **(28,884)** |
| Revenue from external customers | **4,149,023** | **1,274,384** | **42,892** | **5,466,299** |
| Profit/(loss) before income tax | **986,693** | **424,705** | **(8,471)** | **1,402,927** |
| **Six months ended 30 June 2017 (Unaudited)** | | | | |
| Total segment revenue | 6,484,054 | 1,243,024 | 70,141 | 7,797,219 |
| Inter-segment revenue | – | (8,132) | (19,504) | (27,636) |
| Revenue from external customers | 6,484,054 | 1,234,892 | 50,637 | 7,769,583 |
| Profit/(loss) before income tax | 811,721 | 421,609 | (5,122) | 1,228,208 |

| Business Segment | Development properties RMB'000 | Investment properties and hotels RMB'000 | All other segments RMB'000 | Total Group RMB'000 |
|---|---|---|---|---|
| **As at 30 June 2018 (Unaudited)** | | | | |
| Total segment assets | **74,248,332** | **7,340,906** | **132,450** | **81,721,688** |
| Total segment assets include: | | | | |
| Investments accounted for using the equity method | **396,923** | **–** | **–** | **396,923** |
| Additions to non-current assets (other than deferred income tax assets) | **4,571** | **40,821** | **832** | **46,224** |
| **As at 31 December 2017 (Audited)** | | | | |
| Total segment assets | 65,663,848 | 7,266,981 | 126,113 | 73,056,942 |
| Total segment assets include: | | | | |
| Investments accounted for using the equity method | 301,699 | – | – | 301,699 |
| Additions to non-current assets (other than deferred income tax assets) | 6,836 | 75,997 | 11,941 | 94,774 |

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 6. SEGMENT INFORMATION (CONTINUED)

Reportable segments' profit before income tax is reconciled to the Group's profit before income tax as follows:

| | Unaudited Six months ended 30 June 2018 *RMB'000* | 2017 *RMB'000* |
|---|---|---|
| **Profit before income tax for reportable segments** | **1,402,927** | 1,228,208 |
| Corporate overheads | **(36,596)** | (87,610) |
| Corporate finance expenses | **(306,184)** | (259,493) |
| Corporate finance income | **70,473** | 23,964 |
| Share of loss from investments accounted for using the equity method | **–** | (24) |
| Fair value gains on investment properties *(Note 13)* | **69,684** | 106,106 |
| Reversal of depreciation of investment properties | **91,972** | 92,476 |
| Land appreciation tax *(Note 15)* | **187,874** | 325,451 |
| **Profit before income tax** | **1,480,150** | 1,429,078 |

Reportable segments' assets are reconciled to the Group's assets as follows:

| | Unaudited As at 30 June 2018 *RMB'000* | Audited As at 31 December 2017 *RMB'000* |
|---|---|---|
| **Total segment assets** | **81,721,688** | 73,056,942 |
| Deferred income tax assets | **213,139** | 415,724 |
| Corporate cash | **4,811,855** | 6,301,086 |
| Aggregated fair value gains on investment properties | **5,751,302** | 5,681,618 |
| Reversal of accumulated depreciation of investment properties | **2,131,985** | 2,040,013 |
| Assets of discontinued segment | **41,558** | 206,263 |
| **Total assets per balance sheet** | **94,671,527** | 87,701,646 |

There has no material change in total liabilities from the amount disclosed in the last annual financial statements.

The Company and its subsidiaries were domiciled in the PRC and all the revenue from external customers of the Group are derived in the PRC for the six months ended 30 June 2018 and 2017.

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

At 30 June 2018 and 31 December 2017, all the Group's non-current assets other than deferred income tax assets were located in the PRC.

The Group has a large number of customers, and there was no significant revenue derived from specific external customers for the six months ended 30 June 2018 and 2017.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 7. LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTIES

| | | Unaudited | |
|---|---|---|---|
| | Land use rights | Property, plant and equipment | Investment properties |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Six months ended 30 June 2018** | | | |
| Opening net book amount as at 1 January 2018 | **303,166** | **2,305,110** | **12,753,600** |
| Fair value gains *(Note 13)* | **–** | **–** | **69,684** |
| Additions | **–** | **46,674** | **316** |
| Disposals | **–** | **(2,500)** | **–** |
| Amortisation/depreciation | **(4,328)** | **(64,318)** | **–** |
| **Closing net book amount as at 30 June 2018** | **298,838** | **2,284,966** | **12,823,600** |
| **Six months ended 30 June 2017** | | | |
| Opening net book amount as at 1 January 2017 | 311,818 | 2,169,859 | 12,550,400 |
| Fair value gains *(Note 13)* | – | – | 106,106 |
| Additions | – | 29,169 | 51,190 |
| Disposals | – | (1,509) | – |
| Other | – | – | (5,196) |
| Amortisation/depreciation | (4,327) | (64,048) | – |
| **Closing net book amount as at 30 June 2017** | 307,491 | 2,133,471 | 12,702,500 |

The investment properties were revalued at 30 June 2018 and 30 June 2017 by an independent, professionally qualified valuer, Greater China Appraisal Limited ("GCAL").

### (a) Fair value hierarchy

The fair value measurement information for these investment properties in accordance with HKFRS 13 are given below.

| | Fair value measurements using significant unobservable inputs (Level 3) | |
|---|---|---|
| | **Unaudited** | Audited |
| | **As at** | As at |
| | **30 June 2018** | 31 December 2017 |
| | ***RMB'000*** | *RMB'000* |
| Recurring fair value measurements Investment properties: | | |
| Office units | **5,980,600** | 5,952,100 |
| Apartments | **1,869,000** | 1,867,000 |
| Convention centers | **3,561,000** | 3,543,000 |
| Shopping malls | **1,413,000** | 1,391,500 |
| | **12,823,600** | 12,753,600 |

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

## 7. LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTIES (CONTINUED)

### (b) Valuation processes of the Group

The Group's investment properties were valued on 30 June 2018 by the GCAL who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the chief financial officer ("CFO"). Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every six months, in line with the Group's interim and annual reporting dates. As at 30 June 2018 and 31 December 2017, the fair values of the properties have been determined by GCAL.

At each reporting dates, the finance department:

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

Changes in Level 3 fair values are analysed 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.

### (c) Valuation techniques

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

For convention centers, the valuation was determined using discounted cash flow projections based on significant unobservable inputs. These inputs 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; |
| Capitalisation rates | Based on actual location, size and quality of the properties and taking into account market data at the valuation date; |
| Terminal value | Taking into account assumptions regarding maintenance costs, vacancy rates and market rents. |

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

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 8. PROPERTIES UNDER DEVELOPMENT

| | Unaudited As at 30 June 2018 *RMB'000* | Audited As at 31 December 2017 *RMB'000* |
|---|---|---|
| Land use rights | 40,986,819 | 33,254,300 |
| Development costs and capitalized expenditure | 7,549,944 | 7,518,186 |
| Finance expenses capitalised | 3,515,214 | 3,831,879 |
| | 52,051,977 | 44,604,365 |

## 9. TRADE AND OTHER RECEIVABLES

| | Unaudited As at 30 June 2018 *RMB'000* | Audited As at 31 December 2017 *RMB'000* |
|---|---|---|
| Trade receivables | 126,689 | 102,584 |
| Less: provision for impairment of receivables | (124) | (83) |
| Trade receivables – net | 126,565 | 102,501 |
| Other receivables | 253,580 | 222,166 |
| Less: provision for impairment of receivables | (14,677) | (14,618) |
| Other receivables – net | 238,903 | 207,548 |
| Dividend receivable *(Note 20(vi))* | 54,000 | – |
| Prepaid tax | 2,515,418 | 2,006,018 |
| Prepaid land use rights consideration | – | 2,026,700 |
| Receivables due from related parties *(Note 20(vii))* | 2,505,189 | 3,054,789 |
| Receivables due from non-controlling interests | 300,140 | 384,139 |
| Other prepayments | 175,511 | 186,037 |
| Prepaid cost relating to obtaining contracts | 97,771 | – |
| Interest receivables *(Note 20(vii))* | 30,795 | 3,575 |
| | 6,044,292 | 7,971,307 |
| Less: non-current portion of trade and other receivables | (839,739) | (1,506,726) |
| | 5,204,553 | 6,464,581 |

## 9. TRADE AND OTHER RECEIVABLES (CONTINUED)

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. As at 30 June 2018 and 31 December 2017, the ageing analysis of the trade receivables at the end of reporting period is as follows:

| | **Unaudited As at 30 June 2018** ***RMB'000*** | Audited As at 31 December 2017 *RMB'000* |
|---|---|---|
| Trade receivables | | |
| 0 – 30 days | **63,256** | 51,304 |
| 31 – 90 days | **6,003** | 4,607 |
| Over 90 days | **57,430** | 46,673 |
| | **126,689** | 102,584 |

## 10. SHARE CAPITAL

| | Audited As at 31 December 2017 *RMB'000* | Movement *RMB'000* | **Unaudited As at 30 June 2018** ***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份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 amount of RMB360,000,000 to NCSSF instead of transferring 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 Condensed Consolidated Interim Financial Information (Continued)

## 11. TRADE AND OTHER PAYABLES

| | **Unaudited As at 30 June 2018 *RMB'000*** | Audited As at 31 December 2017 *RMB'000* |
|---|---|---|
| Advances from customers | **–** | 22,563,894 |
| Trade payables | **1,693,438** | 2,476,415 |
| Amounts due to non-controlling interests | **4,140,728** | 1,209,494 |
| Accrued construction costs | **3,270,561** | 2,504,400 |
| Other payables | **2,382,608** | 2,241,019 |
| Amounts due to BNSIGC *(Note 20(vii))* | **700,000** | 700,000 |
| Amounts due to other related parties *(Note 20(vii))* | **942,083** | 804,718 |
| Accrued interest | **238,725** | 302,793 |
| Dividends payable to owners of the Company | **77,772** | – |
| Dividends payable to non-controlling interests of a subsidiary | **1,162** | 1,162 |
| Other current liabilities | **3,701** | – |
| Termination benefits | **16,035** | 34,216 |
| | **13,466,813** | 32,838,111 |
| Less: non-current portion of trade and other payables | **(1,562,016)** | (1,579,476) |
| | **11,904,797** | 31,258,635 |

As at 30 June 2018 and 31 December 2017, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on date of services/goods received at the end of reporting period is as follows:

| | **Unaudited As at 30 June 2018 *RMB'000*** | Audited As at 31 December 2017 *RMB'000* |
|---|---|---|
| Trade payables | | |
| 0 – 180 days | **559,801** | 384,085 |
| 181 – 365 days | **12,043** | 1,035,922 |
| Over 365 days | **1,121,594** | 1,056,408 |
| | **1,693,438** | 2,476,415 |

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 12. BORROWINGS

| | Unaudited As at 30 June 2018 *RMB'000* | Audited As at 31 December 2017 *RMB'000* |
|---|---|---|
| **Non-current** | | |
| Long term borrowings | | |
| – Secured borrowings | **23,556,441** | 25,548,594 |
| – Entrusted loans | **–** | 360,000 |
| – 5 year bonds of 2015 *(a)* | **596,752** | 995,553 |
| – 7 year bonds of 2015 *(a)* | **1,491,642** | 1,490,575 |
| – 5 year bonds of 2016 *(a)* | **1,493,125** | 1,491,960 |
| – 5 year medium term note of 2017*(a)* | **1,311,483** | 1,310,594 |
| | **28,449,443** | 31,197,276 |
| Less: current portion of long term borrowings | **(4,553,173)** | (5,307,581) |
| | **23,896,270** | 25,889,695 |
| **Current** | | |
| Short term borrowings | | |
| – Secured borrowings | **200,000** | 200,000 |
| – Unsecured borrowings | **500,000** | 500,000 |
| – Current portion of long term borrowings | **4,553,173** | 5,307,581 |
| | **5,253,173** | 6,007,581 |
| Total borrowings | **29,149,443** | 31,897,276 |

(a) 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 22 January 2018, the investors put back RMB400,798,000. The remaining bonds carries an interest rate of 5.65%. 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 18 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.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 12. BORROWINGS (CONTINUED)

Movements in borrowings are analysed as follows:

| | **Unaudited Six months ended 30 June 2018** *RMB'000* |
|---|---|
| **Six months ended 30 June 2018** | |
| Opening amount as at 1 January 2018 | **31,897,276** |
| Addition of borrowings | **2,469,187** |
| Repayment of borrowings | **(4,821,342)** |
| Repayment of bonds | **(400,798)** |
| Amortisation of issuance costs of bonds | **5,120** |
| **Closing amount as at 30 June 2018** | **29,149,443** |

| | Unaudited Six months ended 30 June 2017 *RMB'000* |
|---|---|
| **Six months ended 30 June 2017** | |
| Opening amount as at 1 January 2017 | 24,505,687 |
| Addition of borrowings | 8,765,686 |
| Repayment of borrowings | (3,207,669) |
| Amortisation of issuance costs of bonds | 3,125 |
| Closing amount as at 30 June 2017 | 30,066,829 |

The Group has the following undrawn borrowing facilities:

| | **Unaudited As at 30 June 2018** ***RMB'000*** | Audited As at 31 December 2017 *RMB'000* |
|---|---|---|
| **Floating rate:** | | |
| – expiring within one year | **25,100** | 500,000 |
| – expiring between one and five years | **4,817,389** | 4,046,440 |
| – expiring beyond five years | **3,092,145** | 2,910,261 |
| | **7,934,634** | 7,456,701 |

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 13. OPERATING PROFIT

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

| | Unaudited Six months ended 30 June 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|
| Investment properties at fair value through profit or loss: | | |
| – fair value gains *(Note 7)* | **69,684** | 106,106 |
| Provision for impairment of receivables | **(100)** | (30) |
| (Loss)/gain on disposal of property, plant and equipment | **(579)** | 472 |

The Group has no non-financial assets that have an indefinite life during the period.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. No impairment is charged or reversed for the six months ended 30 June 2018 and 2017.

No inventory was written-down as at 30 June 2018 (31 December 2017: nil).

## 14. FINANCE INCOME AND EXPENSES

| | Unaudited Six months ended 30 June 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|
| Interest expenses | **(1,064,399)** | (895,286) |
| Less: amounts capitalised in properties under development at a capitalisation rate of 6.11% (six months ended 30 June 2017: 6.49%) per annum | **724,873** | 611,443 |
| Finance expenses | **(339,526)** | (283,843) |
| Bank charges and others | **(2,150)** | (3,186) |
| Finance income | | |
| – Interest income | **101,192** | 39,432 |
| Net finance expenses | **(240,484)** | (247,597) |

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 15. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group had no assessable profits in Hong Kong for the six months ended 30 June 2018 and 2017. The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate for the six months ended 30 June 2018 and 2017 was 25%.

| | Unaudited<br>Six months ended 30 June<br>2018<br>*RMB'000* | <br><br>2017<br>*RMB'000* |
|---|---|---|
| Current income tax | | |
| – PRC enterprise income tax | **301,583** | 320,204 |
| – PRC land appreciation tax | **187,874** | 325,451 |
| Deferred income tax | **10,372** | (39,383) |
| | **499,829** | 606,272 |

## 16. DIVIDENDS

A dividend that relates to the year ended 31 December 2017 amounting to RMB370,372,000 was approved at the annual general meeting in May 2018 (Dividend related to the year ended 31 December 2016: RMB202,021,000).

The Board resolved that no interim dividend will be declared in respect of the six months ended 30 June 2018 (Six months ended 30 June 2017: nil).

Total dividend that related to the year of 2017 paid by the Group to the owners of the Company is RMB292,600,000 during the six months ended 30 June 2018. The remaining was paid in full in July 2018.

## 17. PLEDGED ASSETS

As at 30 June 2018, certain investment properties with fair value of RMB12,649,000,000 (31 December 2017: RMB12,587,500,000), land use rights with net book value of RMB297,971,000(31 December 2017: RMB302,282,000), property plant and equipment with net book value of RMB1,665,907,000 (31 December 2017: RMB1,689,821,000), properties under development with net book value of RMB26,418,437,000 (31 December 2017: RMB29,078,336,000) and completed properties held for sales of RMB1,803,130,000 (31 December 2017: 1,740,396,000) were pledged by the Group as securities for borrowings of RMB22,856,441,000 (31 December 2017: RMB25,548,594,000).

## 18. 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 RMB15,975,363,000 as at 30 June 2018 (31 December 2017: RMB11,461,988,000).

Such guarantees terminate upon: (i) 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 properties to its purchasers; (ii) completion of mortgage registration; and (iii) issuance of the real estate miscellaneous right certificate relating to the relevant property.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 19. COMMITMENTS

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

| | **Unaudited As at 30 June 2018** ***RMB'000*** | Audited As at 31 December 2017 *RMB'000* |
|---|---|---|
| Properties under development | | |
| Contracted but not provided for | **6,310,926** | 7,859,536 |
| Authorised but not contracted for | **18,438,623** | 19,876,739 |
| | **24,749,549** | 27,736,275 |

(b) At 30 June 2018 and 31 December 2017, the Group had future aggregate minimum rental receivables and payables under non-cancellable operating leases as follows:

| | **Unaudited As at 30 June 2018** ***RMB'000*** | Audited As at 31 December 2017 *RMB'000* |
|---|---|---|
| As lessor: | | |
| Rental receivables in respect of investment properties | | |
| Not later than one year | **775,290** | 705,739 |
| Later than one year and not later than five years | **823,311** | 519,264 |
| Later than five years | **1,158,471** | 888,603 |
| | **2,757,072** | 2,113,606 |

| | **Unaudited As at 30 June 2018** ***RMB'000*** | Audited As at 31 December 2017 *RMB'000* |
|---|---|---|
| As lessee: | | |
| Rental payables in respect of land use rights and buildings | | |
| Not later than one year | **20,272** | 21,726 |
| Later than one year and not later than five years | **59,028** | 64,754 |
| Later than five years | **203,915** | 211,045 |
| | **283,215** | 297,525 |

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 20. 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 six months ended 30 June 2017 and 2018, 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 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, 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.

For the six months ended 30 June 2018, 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"), and Shanghai Xinzhi Construction Engineering Co., Ltd. ("SHXZ") 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 condensed consolidated interim financial information, 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 period and balances arising from related party transactions at the end of the period indicated below:

### (i) Purchases of services

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| – BNSIGC (operating lease payment in respect of land) | **7,100** | 7,100 |
| – BNSIGC (office lease acceptance) | **450** | 450 |
| – BNSIGC (brand royalty fee) | **5** | 5 |
| – XZHK (project management consulting fee) | **15,205** | Not applicable |
| – SHXZ (project management consulting fee) | **83,696** | Not applicable |
| – SHYS (property management service fee) | **11,610** | Not applicable |
| | **118,066** | 7,555 |

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

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 20. RELATED PARTY TRANSACTIONS (CONTINUED)

### (ii) Shareholder loan from BNSIGC

| | Unaudited Six months ended 30 June 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|
| At 1 January | **700,000** | 700,000 |
| Interest accrued | **16,810** | 16,902 |
| Interest paid | **(16,810)** | (16,902) |
| At 30 June | **700,000** | 700,000 |

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

### (iii) Project cooperation funds to joint ventures and associate

The Group has provided project cooperation funds to its joint venture, Wuxi Shengyang Real Estate Co., Limited ("WXSY"), and its associate, Wuxi Chenwan Real Estate Co., Limited ("WXCW").

| **Six months ended at 30 June 2018 (Unaudited)** | **WXSY*(a)* *RMB'000*** | **WXCW*(b)* *RMB'000*** | **Total *RMB'000*** |
|---|---|---|---|
| At 1 January | **728,262** | **746,101** | **1,474,363** |
| Repayments of project cooperation funds | **(280,000)** | **(215,600)** | **(495,600)** |
| Interest income accrued | **27,865** | **26,622** | **54,487** |
| Interest income received | **–** | **(27,266)** | **(27,266)** |
| At 30 June | **476,127** | **529,857** | **1,005,984** |

| Six months ended at 30 June 2017 (Unaudited) | WXSY*(a)* *RMB'000* | WXCW*(b)* *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| At 1 January/Establishment date | – | – | – |
| Project cooperation funds granted | 331,855 | 344,691 | 676,546 |
| Interest income accrued | 6,222 | 8,349 | 14,571 |
| At 30 June | 338,077 | 353,040 | 691,117 |

(a) 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. For the six months ended 30 June 2018, WXSY repaid amounting to RMB280,000,000 in advance.

(b) 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. For the six months ended 30 June 2018, WXCW repaid amounting to RMB215,600,000 in advance.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 20. RELATED PARTY TRANSACTIONS (CONTINUED)

### (iv) Funds to related parties

| Six months ended at 30 June 2018 (Unaudited) | XZHK RMB'000 | NJNK RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January | 1,265,000 | 294,000 | 1,559,000 |
| Funds granted | 150,000 | 196,000 | 346,000 |
| Repayment of funds | (400,000) | – | (400,000) |
| At 30 June | 1,015,000 | 490,000 | 1,505,000 |

The funds to related parties were interest free, unsecured and have no fixed maturity.

### (v) Funds from related parties

The Group has received funds from its joint venture, Hangzhou Jinhu Real Estate Development Co.,Limited ("HZJH") and Hangzhou Chenxu Investment Co., Limited ("HZCX"), and its associate, Hangzhou Xufa Real Estate Co., Limited ("HZXF").

| Six months ended at 30 June 2018 (Unaudited) | HZJH RMB'000 | HZXF RMB'000 | HZCX RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January | – | 17,958 | 268,388 | 286,346 |
| Funds granted | 270,000 | 59,500 | – | 329,500 |
| Repayment of funds | – | (572) | (59,500) | (60,072) |
| At 30 June | 270,000 | 76,886 | 208,888 | 555,774 |

The funds from related parties were interest free, unsecured and have no fixed maturity.

**(vi)** A dividend that relates to the Group's joint venture Wuhan Modern Land North Star Real Estate Co.,Limited ("WHML") amounting to RMB120,000,000 was approved at the shareholders' meeting in May 2018, among which amounting to RMB54,000,000 belongs to the Group. As of the date of issue of the financial statement, the Group has fully received the dividend.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 20. RELATED PARTY TRANSACTIONS (CONTINUED)

### (vii) Balances arising from purchases of services, investment and entrusted loans

| | Unaudited 30 June 2018 *RMB'000* | Audited 31 December 2017 *RMB'000* |
|---|---|---|
| Trade and other receivables from related parties | | |
| – XZHK | **1,015,000** | 1,265,000 |
| – HFXH | **25,000** | 25,000 |
| – NJNK | **490,000** | 294,000 |
| – WXCW | **528,682** | 744,282 |
| – WXSY | **446,507** | 726,507 |
| | **2,505,189** | 3,054,789 |
| Trade and other payables to related parties | | |
| – WHML | **122,000** | 122,000 |
| – HZJH | **270,000** | – |
| – HZXF | **76,886** | 17,958 |
| – HZCX | **208,888** | 268,388 |
| – NJNK | **36,824** | 48,308 |
| – HFXH | **40,810** | 49,744 |
| – SHXZ | **89,967** | 215,767 |
| – XZHK | **96,708** | 82,553 |
| – BNSIGC | **700,000** | 700,000 |
| | **1,642,083** | 1,504,718 |
| Interest receivables from related parties | | |
| – WXCW | **1,175** | 1,820 |
| – WXSY | **29,620** | 1,755 |
| | **30,795** | 3,575 |

At 30 June 2018 and 31 December 2017, there were no provisions for impairment of receivables from related parties. No provisions for impairment of receivables from related parties were charged to income statement for the six months ended 30 June 2018 and 2017.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 20. RELATED PARTY TRANSACTIONS (CONTINUED)

### (viii) Key management compensation

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Salaries and other short-term employee benefits | **5,327** | 6,833 |
| Post-employment benefits | **782** | 644 |
| | **6,109** | 7,477 |

### (ix) Accept financial guarantee

Pursuant to an agreement signed by BNSIGC, as at 30 June 2018, BNSIGC provides joint liability counter-guarantee for the loans from Beijing Rural Commercial Bank amounting to RMB1,390,000,000 (31 December 2017: RMB1,420,000,000).

Pursuant to an agreement signed by BNSIGC, as at 30 June 2018, BNSIGC provides joint liability counter-guarantee for the loans from Taikang Life Insurance Asset Management Limited Liability Company amounting to RMB1,700,000,000 (31 December 2017: RMB1,700,000,000).

Pursuant to an agreement signed by BNSIGC, as at 30 June 2018, BNSIGC provides joint liability counter-guarantee for the loans from Industrial and Commercial Bank of China amounting to RMB2,361,111,110 (31 December 2017: 2,416,666,666).

### (x) Provide financial guarantee

Pursuant to an agreement signed by the Company, as at 30 June 2018, the Company provides joint liability counter-guarantee for the loans of WXSY acquired from Agricultural Bank of China amounting to RMB560,000,000 (31 December 2017: Nil).

# Supplementary Information

## RECONCILIATION OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Group has prepared a separate set of consolidated interim financial statements for the six months ended 30 June 2018 in accordance with Basic Standard and 38 specific Standards of the China Accounting Standards for Business Enterprises issued by 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 information prepared under the CAS and HKFRS are summarised as follows:

| | Profit attributable to owners of the Company | | Capital and reserves attributable to owners of the Company | |
|---|---|---|---|---|
| | For the six months ended 30 June | | As at | As at |
| | 2018 | 2017 | 30 June 2018 | 31 December 2017 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| As stated in accordance with CAS | **637,773** | 623,069 | **13,063,176** | 12,598,972 |
| Impact of HKFRS adjustments: | | | | |
| 1. Reversal of depreciation of investment properties under CAS | **68,979** | 69,357 | **1,598,988** | 1,530,009 |
| 2. Fair value adjustment of investment properties under HKFRS | **52,263** | 79,580 | **4,313,477** | 4,261,214 |
| As stated in accordance with HKFRS | **759,015** | 772,006 | **18,975,641** | 18,390,195 |

# Management Discussion and Analysis

## I. DISCUSSION AND ANALYSIS ON OPERATION

In the first half of 2018, the PRC government adhered to the general working guidelines of making progress while maintaining stability. In line with the new development philosophy, the PRC government proactively adapted to, captured and led the new normal of economic development, deepened the supply-side structural reform, strived to improve the quality of economic growth and further optimized and upgraded its economic structure. As a result, China's economy witnessed the simultaneous promotion and reciprocal complementing among growth, quality, structure and effectiveness in the course of development, and recorded a year-on-year increase of 6.8% in GDP in the first half of 2018.

### 1. Development Properties

In the first half of 2018, the government's regulation policy on the real estate sector remained stringent. Based on the principle of "housing properties for accommodation, not speculation", the government pursued differentiated regulation policy, curbed irrational demand, focused on and implemented "effective supply". Meanwhile, great efforts were made to develop the housing rental market, and accelerate the establishment of a housing system with multi-source of supply, multi-channel support and with an equal focus on renting and purchasing, to establish a systematic and sound housing supply guarantee system. In terms of the market performance, on the one hand, as the commodity housing sales area and sales amount continued to maintain a slight increase, investments in commodity housing development declined year-on-year, and new construction area increased slightly, housing prices gradually stabilised. On the other hand, in the first half of the year, local governments continued to increase land supply; specifically, transacted land area in first-tier cities grew slowly. Whereas, second- and third-tier cities became the main battlefield of land transactions and the traded area of residential land saw a substantial year-on-year increase in third- and fourth-tier cities. According to the statistics of the National Bureau of Statistics, commodity housing sales area in the real estate market of China for the first half of the year was 771,430,000 square metres, representing a year-on-year increase of 3.3%, and the corresponding average sales price of commodity housing was RMB8,467.11 per square metre, representing a year-on-year increase of 11.3%.

In terms of the specific performance of different cities, as affected by regulatory policies, the transacted acreage for commodity housing in first-tier cities decreased year-on-year, growth of sales price slowed down, and the housing price stabilised. In particular, the transaction volume of newly constructed commodity housing in Beijing decreased and there was an increase in the number of land bidding failures. Second-tier cities remained as the main land acquisition battlefield of property developers, notwithstanding the growth rate of housing price shrank as compared with the same period last year. The transacted acreage of commodity housing in third- and fourth-tier cities increased significantly, and the land markets in certain cities were booming, as evidenced by an increase in the transaction volume of land parcels with high gross price and high premium.

Visualised picture of Wuhan North Star Blue City

# Management Discussion and Analysis (Continued)

**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**

*Currency: RMB*

| City | Transacted area *(0'000 square metres)* | Increase compared with the same period last year *(%)* | Transaction amount *(RMB100 million)* | Increase compared with the same period last year *(%)* | Average transaction price *(RMB/square metre)* | Increase compared with the same period last year *(%)* |
|---|---|---|---|---|---|---|
| Beijing | 161.42 | -40.3 | 629.26 | -35.4 | 38,982.78 | 8.2 |
| Changsha | 831.38 | 2.8 | 605.49 | 7.4 | 7,282.92 | 4.5 |
| Wuhan | 1,595.33 | 7.9 | 1,941.67 | 27.7 | 12,170.95 | 18.4 |
| Hangzhou | 640.35 | -13.1 | 1,531.80 | 11.1 | 23,921.42 | 27.9 |
| Suzhou | 783.77 | -3.2 | 1,222.53 | -3.0 | 15,598.04 | 0.2 |
| Ningbo | 709.60 | 5.2 | 1,188.50 | 20.9 | 16,748.97 | 14.9 |
| Nanjing | 508.08 | -27.0 | 890.01 | -10.2 | 17,517.00 | 23.1 |
| Hefei | 505.39 | -3.7 | 660.24 | 14.1 | 13,064.00 | 18.6 |
| Chengdu | 1,214.86 | -20.9 | 1,150.55 | -8.5 | 9,470.64 | 15.7 |
| Chongqing | 2,930.43 | 2.6 | 2,330.74 | 29.5 | 7,953.58 | 26.3 |
| Langfang | 29.68 | -80.3 | 39.18 | -74.5 | 13,227.11 | 18.5 |
| Wuxi | 547.11 | 14.0 | 649.33 | 27.3 | 11,868.50 | 11.6 |
| Haikou | 202.07 | 5.1 | 241.34 | 7.8 | 11,943.46 | 2.5 |
| Meishan | 174.60 | 52.2 | 149.79 | 151.0 | 8,579.04 | 65.0 |

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

## 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 and the stable economic development trend also gave rise to extra demand in investment properties market. In the first half of 2018, due to a higher net absorption and a lower vacancy rate, the rental increased slightly in the office building market in Beijing. China's "Thirteenth Five-Year Plan" has classified service trade (including convention and exhibition industry) as a development priority, and put forward with the strategic objective of "strengthening the country through trading". Under such favorable backdrop, the convention and exhibition industry will be provided with broader space for development, which will in turn drive the sustainable development of relevant industries. Benefiting from the recovery of business activities and other demand sides, the hotels industry comprehensively recovered, and the occupancy rate and average housing price remained stable. Driven by the higher national consumption level, the catering industry improved amidst stabilisation. As for the apartment market, with the support and guidance of the policy, long-term apartment rental market developed rapidly with an increasingly booming demand.

Integrated properties of China National Convention Centre

# Management Discussion and Analysis (Continued)

## II. BUSINESS REVIEW DURING THE REPORTING PERIOD

In the first half of 2018, in the face of the intricate and complicated market environment and economic situation, the Company, following closely the strategic objective of being "a nationally leading composite real estate enterprise and China's most influential exhibition-brand enterprise", adopted the growth model of parallel development of asset-heavy investment business and asset-light service business, continued to implement the strategy of low-cost expansion, brand expansion and capital expansion, and actively blazed new trails for the development of the nurturing and innovation businesses. As a result, the business scale of the Company continued to improve. In the first half of 2018, although the settlement area reduced as affected by the settlement cycle of real estate projects, the Company realized revenue of RMB5,466,299,000 from continuing operations, representing a year-on-year decrease of 29.64%. However, as a result of the changes in structure of settlement projects, inclusion of affordable housing in the settlement projects for the same period last year and the increase in gross profit margin of settlement projects, the profit before tax amounted to RMB1,480,150,000, representing an increase of 3.57%. Due to a decrease in gains arising from the changes in fair value of investment properties as compared with that of last year, profits attributable to owners of the Company were RMB759,015,000, down 1.68% over the same period last year. The after-tax core operating results of the principal businesses of the Company (excluding gains arising from the changes in fair value) were RMB706,752,000, representing a year-on-year increase of 2.07%. Gains (after tax) arising from the changes in fair value of investment properties were RMB52,263,000 in the period. Earnings per share were RMB0.2254.

### 1. Development Properties

Under the circumstances of ever-tightening regulatory policy and ever-upgrading regulatory approaches in the real estate industry, the Company made active efforts on sales through analyzing project positioning exhaustively and making adjustments to marketing strategies timely in virtue of the market window period, thereby achieving the operation goals of promoting de-stocking and accelerating turnover rate. As a result, the sales performance of development properties ranked among top 100 in the PRC. In the first half of 2018, as affected by settlement cycle and the decrease in the settlement area for the period, revenue of development property reached RMB4,149,023,000 (including parking spaces), representing a year-on-year decrease of 36.01%. Due to the changes in structure of settlement projects, the profit before tax was RMB986,693,000, representing a year-on-year increase of 21.56%. During the Reporting Period, the new and resumed construction area of development property was 6,742,000 square metres; the completed area was 671,600 square metres; the contracted sales amount and the sales area were RMB14,750 million (including parking spaces) and 870,000 square metres, respectively.

Aerial View of bungalows at Chongqing North Star Yuelai No.1

Visualised picture of Wuhan North Star Blue City

# Management Discussion and Analysis (Continued)

**Steady growth in sales performance.** With the increasingly intensified regulation on the real estate market intensively and extensively, the Company strengthened the analysis of the market situation, adopted flexible marketing strategies, and prioritized rapid turnover of projects and timely cash collection, achieving sales return of RMB14,109 million for the first half of the year with a recovery rate of 95.65%. In particular, projects in certain key cities delivered outstanding performance. For example, by leveraging its premium location and established supporting facilities, the Changsha North Star Delta project has recorded contracted sales amount of RMB2,469 million and cash collection of RMB2,346 million during the Reporting Period; Chongqing Yuelai No. 1 project, Wuhan Blue City project and Hangzhou Guosongfu project were offered for sales in the first half of the year and recorded sales amount of RMB990 million, RMB891 million and RMB708 million, respectively.

**Rational expansion of land reserve.** Against the circumstances of increasingly scarce land resources, intensified competition for land acquisition and rising land costs, the Company continued to tap potentials of key first- and second-tier cities with large population inflows and strong market demand, kept a close eye on key third-tier cities with great potential for development and strong per capita consumption capacity, and rationally expanded its land reserves by way of bid, auction and listing, acquisition of equity interests, and joint development. As at the end of the Reporting Period, the Company already established presence in a total of 14 cities, and possesses a total of land reserve of 8,450,600 square metres, basically realizing the goal of scaled development and nationwide layout of its real estate business.

**Continuously promote systemic construction.** Since its establishment, North Star Real Estate Group has been committed to improving system development, and strengthened business operation in a well-planned manner and implemented comprehensive budget management, thereby obtaining preliminary achievements in the development of standard systems. It also continued to make innovations in the incentive mechanism and strengthened talent cultivation, aiming at accelerating the pace toward higher level of management for its real estate business.

Aerial View of Hangzhou North Star Guosongfu

Changsha North Star Delta

Changsha North Star Delta

# Management Discussion and Analysis (Continued)

**Table 2: Real Estate Projects during the Reporting Period**

*Unit: RMB 100 million, square meter*

| No. | Project name | Location | Operating state | Project status | Project interests | Total investment | Actual investment amount during the Reporting Period | Project area | Total floor area | Planned plot ratio-based gross floor area | Equity area | Land area held for development | New construction area during the Reporting Period | Accumulated development area | Floor area under construction during the Reporting Period | Completed area during the Reporting Period | Accumulated completed area | Saleable area during the Reporting Period | Contracted area during the Reporting Period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Beijing North Star Red Oak Villa | Changping, Beijing | Villa | Under Construction | 100% | 24.07 | 1.03 | 287,500 | 213,700 | 150,000 | – | – | – | 213,700 | 69,500 | – | 144,300 | 13,342 | 627 |
| 2 | Beijing Modern Beichen Yue MOMA | Shunyi, Beijing | Owner occupied commercial housing and housing of two limits | Under Construction | 50% | 23.47 | 0.66 | 52,800 | 132,500 | 109,300 | 54,700 | – | – | 132,500 | 1,400 | – | 131,100 | 5,923 | 959 |
| 3 | Beijing North Star • Villa 1900 | Shunyi, Beijing | Residence | Under Construction | 100% | 24.45 | – | 101,200 | 213,300 | 140,000 | – | – | – | 213,300 | 5,400 | – | 207,900 | 51,567 | 1,129 |
| 4 | Beijing Beiqijia Project | Changping, Beijing | Residence | Under Planning | 51% | 93.09 | 51.29 | 86,600 | 284,000 | 170,400 | 87,000 | 284,000 | – | – | – | – | – | – | – |
| 5 | Changsha North Star Delta | Changsha, Hunan | Residence, commercial and office building | Under Construction | 100% | 330.00 | 5.18 | 780,000 | 5,200,000 | 3,820,000 | – | 852,300 | 236,600 | 4,347,700 | 1,384,200 | – | 3,066,100 | 424,182 | 202,120 |
| 6 | Changsha North Star Central Park | Changsha, Hunan | Residence | Under Construction | 51% | 33.12 | 2.84 | 336,300 | 906,300 | 720,000 | 367,200 | 141,100 | – | 765,200 | 479,400 | 195,200 | 481,000 | 136,001 | 59,493 |
| 7 | Wuhan North Star Modern Best+ | Wuhan, Hubei | Residence and commercial | Under Construction | 45% | 21.00 | 1.20 | 104,700 | 313,800 | 241,100 | 108,500 | – | – | 313,800 | – | – | 313,800 | 8,974 | 2,661 |
| 8 | Wuhan North Star Guangguli | Wuhan, Hubei | Commercial Service | Under Construction | 51% | 34.00 | 1.92 | 84,200 | 491,500 | 337,000 | 171,900 | 134,800 | – | 357,200 | 357,200 | – | – | 78,304 | 33,727 |
| 9 | Wuhan North Star Blue City | Wuhan, Hubei | Residence and commercial | Under Construction | 100% | 48.43 | 3.67 | 358,000 | 976,000 | 716,000 | – | 738,500 | – | 237,500 | 237,500 | – | – | 85,693 | 82,209 |
| 10 | Wuhan North Star • Gemdale • China Chic | Wuhan, Hubei | Residence | Under Planning | 51% | 22.69 | 0.59 | 41,800 | 178,300 | 127,000 | 64,900 | 178,300 | – | – | – | – | – | – | – |
| 11 | Wuhan North Star Peacock City Hangtianfu▲ | Wuhan, Hubei | Residence | Under Planning | 60% | 12.97 | 8.00 | 75,200 | 218,600 | 172,800 | 103,700 | 218,600 | – | – | – | – | – | – | – |
| 12 | Hangzhou North Star Shushan Project | Hangzhou, Zhejiang | Residence and commercial | Completed | 80% | 28.30 | 1.14 | 83,900 | 317,500 | 235,000 | 188,000 | – | – | 317,500 | 142,900 | 142,900 | 317,500 | 15,929 | 2,589 |
| 13 | Hangzhou Honor Mansion | Hangzhou, Zhejiang | Residence and commercial | Completed | 35% | 14.85 | 1.60 | 41,900 | 108,400 | 75,000 | 26,300 | – | – | 108,400 | – | – | 108,400 | 140 | 140 |

# Management Discussion and Analysis (Continued)

| No. | Project name | Location | Operating state | Project status | Project interests | Total investment | Actual investment amount during the Reporting Period | Project area | Total floor area | Planned plot ratio-based gross floor area | Equity area | Land area held for development | New construction area during the Reporting Period | Accumulated development area | Floor area under construction during the Reporting Period | Completed area during the Reporting Period | Accumulated completed area | Saleable area during the Reporting Period | Contracted area during the Reporting Period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 14 | Hangzhou Scenery Mansion | Hangzhou, Zhejiang | Residence and commercial | Completed | 35% | 4.90 | 1.31 | 13,400 | 32,600 | 23,000 | 8,100 | – | – | 32,600 | – | – | 32,600 | – | – |
| 15 | Hangzhou Guosongfu | Hangzhou, Zhejiang | Residence | Under Construction | 100% | 16.00 | 1.11 | 21,900 | 69,900 | 48,200 | – | – | – | 69,900 | 69,900 | – | – | 29,437 | 20,144 |
| 16 | Hangzhou Art Villa of City | Hangzhou, Zhejiang | Residence and commercial | Under Construction | 25% | 5.50 | 5.60 | 57,400 | 209,700 | 144,000 | 36,000 | – | – | 209,700 | 209,700 | – | – | 67,065 | 58,282 |
| 17 | Hangzhou Jiubao Project▲ | Hangzhou, Zhejiang | Residence | Under Planning | 100% | 11.03 | 3.31 | 12,200 | 39,900 | 25,800 | – | 39,900 | – | – | – | – | – | – | – |
| 18 | Ningbo Beichenfu | Ningbo, Zhejiang | Residence | Under Construction | 100% | 42.00 | 1.53 | 47,300 | 189,700 | 137,400 | – | – | – | 189,700 | 189,700 | – | – | 51,946 | 20,095 |
| 19 | Ningbo Mansion • Jintian | Ningbo, Zhejiang | Residence and commercial | Under Construction | 51% | 59.50 | 5.37 | 133,000 | 404,800 | 292,500 | 149,200 | – | – | 404,800 | 404,800 | – | – | 202,923 | 163,834 |
| 20 | Nanjing North Star CIFI Park Mansion • Jin Ling | Nanjing, Jiangsu | Residence | Under Construction | 51% | 27.10 | 0.82 | 25,300 | 105,000 | 70,700 | 36,100 | – | – | 105,000 | 105,000 | 105,000 | 105,000 | 1,637 | 1,360 |
| 21 | Suzhou North Star CIFI No. 1 Courtyard | Suzhou, Jiangsu | Residence and commercial | Under Construction | 50% | 25.46 | 1.22 | 178,700 | 296,400 | 180,500 | 90,300 | 24,000 | – | 272,400 | 102,500 | – | 169,900 | 33,627 | 27,792 |
| 22 | Suzhou Guanlan Mansion | Suzhou, Jiangsu | Residence and commercial | Under Construction | 100% | 58.82 | 1.98 | 170,000 | 392,900 | 268,800 | – | – | 220,300 | 392,900 | 392,900 | – | – | – | – |
| 23 | Wuxi Tianyi Jiuzhu | Wuxi, Jiangsu | Residence | Under Construction | 49% | 28.60 | 1.69 | 88,000 | 264,900 | 196,000 | 96,000 | 9,500 | 129,000 | 255,400 | 255,400 | – | – | 77,760 | 12,834 |
| 24 | Wuxi Times City | Wuxi, Jiangsu | Residence | Under Construction | 40% | 46.79 | 1.70 | 137,900 | 555,100 | 413,800 | 165,500 | 207,600 | 158,400 | 347,500 | 347,500 | – | – | 150,897 | 24,194 |
| 25 | Chengdu North Star • Landsea Southern Gate Green Shire | Chengdu, Sichuan | Residence and commercial | Under Construction | 40% | 24.92 | 1.78 | 63,600 | 236,900 | 158,600 | 63,400 | – | – | 236,900 | 236,900 | 152,700 | 152,700 | 10,512 | 5,977 |
| 26 | Chengdu North Star • Xianglu | Chengdu, Sichuan | Residence and commercial | Under Construction | 100% | 15.69 | 0.86 | 40,400 | 150,800 | 96,900 | – | – | – | 150,800 | 150,800 | – | – | 2,280 | 506 |
| 27 | Chengdu North Star • South Lake Xianglu | Chengdu, Sichuan | Residence | Under Construction | 100% | 22.35 | 1.12 | 88,000 | 299,100 | 210,000 | – | – | – | 299,100 | 299,100 | – | – | 128,268 | 36,257 |
| 28 | Chengdu North Star Royal Palace | Chengdu, Sichuan | Residence and commercial | Commenced | 100% | 15.25 | 0.59 | 26,600 | 120,000 | 79,800 | – | – | 120,000 | 120,000 | 120,000 | – | – | – | – |

# Management Discussion and Analysis (Continued)

| No. | Project name | Location | Operating state | Project status | Project interests | Total investment | Actual investment amount during the Reporting Period | Project area | Total floor area | Planned plot ratio-based gross floor area | Equity area | Land area held for development | New construction area during the Reporting Period | Accumulated development area | Floor area under construction during the Reporting Period | Completed area during the Reporting Period | Accumulated completed area | Saleable area during the Reporting Period | Contracted area during the Reporting Period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 29 | Sichuan North Star Guosongfu | Meishan, Sichuan | Residence and commercial | Commenced | 100% | 27.18 | 0.68 | 129,800 | 312,100 | 233,800 | – | 112,900 | 199,200 | 199,200 | 199,200 | – | – | – | – |
| 30 | Langfang North Star • Xianglu | Langfang, Hebei | Residence and commercial | Under Construction | 100% | 31.28 | 0.93 | 140,700 | 419,200 | 296,800 | – | 239,100 | – | 180,100 | 180,100 | – | – | 7,218 | 1,510 |
| 31 | Hefei North Star CIFI Park Mansion • Luzhou | Hefei, Anhui | Residence and commercial | Under Construction | 50% | 43.00 | 2.62 | 141,700 | 348,000 | 239,000 | 119,500 | 14,500 | 55,500 | 333,500 | 333,500 | 75,700 | 75,700 | 20,412 | 16,603 |
| 32 | Chongqing North Star, Yuelai No.1 | Yubei, Chongqing | Residence and commercial | Under Construction | 100% | 104.00 | 2.18 | 429,100 | 1,163,700 | 918,000 | – | 810,200 | 173,500 | 353,500 | 353,500 | – | – | 103,749 | 94,939 |
| 33 | Haikou West Coast Project | Haikou, Hainan | Residence and commercial | Under Construction | 100% | 45.47 | 0.92 | 106,800 | 278,400 | 206,000 | – | 149,300 | 114,100 | 114,100 | 114,100 | – | – | – | – |
| | Total | | | | | 1,365.28 | 116.44 | 4,485,900 | 15,443,000 | 11,253,200 | 2,085,000 | 4,154,600 | 1,406,500 | 11,274,100 | 6,742,000 | 671,600 | 5,306,000 | 1,707,788 | 869,981 |

*Notes:*

1. "▲" represents newly added real estate projects for reserve purpose during the Reporting Period.

2. Total investment represents the estimated total investment amounts for each project.

3. Planned plot ratio-based gross floor area and equity area represent the data calculated with reference to the conditions of assignment at the time of project auction.

4. Equity area (i.e., area of cooperative development projects) represents the plot ratio-based gross floor area attributable to the percentage of interest in the Company.

5. Land area held for development represents the gross construction area of undeveloped portion of project land.

6. During the Reporting Period, total land reserve and equity land reserve of the Company were 8,450,600 square meters and 7,191,200 square meters respectively. The newly added real estate reserve was 258,500 square meters; new construction area was 1,406,500 square meters, representing a year-on-year increase of 60.30%; area for new and resumed construction was 6,742,000 square meters, representing a year-on-year increase of 56.42%; the completed area was 671,600 square meters, representing a year-on-year increase of 38.35%; sales area was 870,000 square meters, representing a year-on-year increase of 72.99%; sales amount was RMB14,750 million, representing a year-on-year increase of 58.45%; settlement area was 264,100 square meters, and the settlement amount was RMB4,201 million.

# Management Discussion and Analysis (Continued)

## 2. Investment Properties (Including Hotels)

Faced with opportunities and challenges under the new economic circumstances, the Company, based on the functional positioning of Beijing as “Four Centers” and the overall plan of synergetic development of Beijing-Tianjin-Hebei, insisted on the development mode of synergistic progress in asset-heavy investment business and asset-light service business, gave full play to the development strategy of prioritizing the convention and exhibition and uniting various businesses for reciprocal advancement and firmly established the development thought of diversified innovations and services, which led to the comprehensive improvement in its overall profitability and increasingly prominent brand soft strength. In the first half of 2018, the Company recorded an operating revenue from investment properties (including hotels) of RMB1,274,384,000, representing a year-on-year increase of 3.20%. Profit before tax amounted to RMB424,705,000, representing a year-on-year increase of 0.73%.

**Brand influence of North Star Events continued to improve.** North Star Events Group successfully completed the service and assurance tasks for the Qingdao SCO summit during the Reporting Period after fulfilling service and assurance tasks for a series of high-end political and state-level affairs and events such as the APEC Economic Leaders Week Beijing, Hangzhou G20 Summit, the “Belt and Road Initiative” Summit, BRICS Xiamen Summit, etc., in succession. North Star Events has become an important window for the capital to offer a glimpse of “Beijing Service” to the world and the brand value and social influence of North Star Events has been improving.

**Optimizing and consolidating the held-for-sale asset-heavy business.** Leveraging the geographic advantage of the concentration of a large number of properties with core value in the Asian-Olympic core district, the Company took the convention and exhibition as a lead to drive synergetic development of office building, hotel and apartment businesses. In particular, in terms of National Convention Centre and Beijing International Convention Centre, it sorted out the segmented industry features of customers, tapped the consumption potential of existing customers and increased efforts on market surveys so as to reserve large customer sources and make overall arrangements for suited meeting scheduling. As a result, performance of asset operation improved steadily and the revenue hit another new record during the Reporting Period; as for office building, the Company adopted synergic marketing for multiple projects, proactively adjusted and improved the customer structure and continued to level up intelligent service standards, thus achieving a relative high occupation rate and rent level and making great contributions to the profits of investment properties (including hotels); with regard to hotel and apartment, based on the market demands, the Company established thematic specialty hotels and scenario-based entertainment and consumption outlets to improve the customer satisfaction in a practical way as well as effectively enhancing the individuation and comfort level of customer experience. Consequently, the occupation rate maintained at a high level whereas the average price increased steadily during the Reporting Period.

High-quality services rendered by North Star Exhibition for Shanghai Cooperation Organization Summit held at Qingdao

Qingdao International Exhibition Center

Integrated Property Group in Asian Games Village

# Management Discussion and Analysis (Continued)

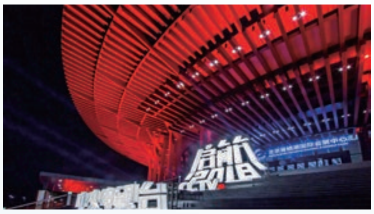
**Innovative development of asset-light service business.** North Star Events capitalized on the industrial development opportunities arising in the wake of the implementation of national strategies including the "Belt and Road Initiative", and availed itself of the favorable policy environment of stronger support of governments in different areas for the convention and exhibition industry to fully exert the brand influence of North Star Events and accelerate the development pace of expanding the whole industrial chain of the convention and exhibition business through resources integration. As a result, many new features and highlights were demonstrated in its operation.

The Company spared no effort to promote the operation and management output of the branding of convention and exhibition venues and hotels, and has gradually formed a diversified service profit model centering on entrusted management and the strategic landscape by extending its business to numerous cities across the country, which further cemented its leading position in operation and management of venues in the industry. During the Reporting Period, North Star Events Group successfully entered into contracts in respect of the entrusted management for five projects including Deqing International Convention Center, Shijiazhuang International Exhibition Center, North Star V-Continent Wanquan Hotel, North Star V-Continent Huai'an Garden-style Hotel, Nanjing Wangyudao North Star Continental Crown Garden Hotel, and consulting services for five projects including Weihai International Convention & Exhibition Centre, Shenzhen Qianwan Conference Center, Chengdu Tianfu International Convention Center, Shanghai Zhangjiang Science Hall and Ningbo International Conference and Exhibition Center. As at the end of the Reporting Period, North Star Events Group covered 21 cities across the country, with 11 cumulative contracted hotel projects under entrusted management, and 10 cumulative contracted convention and exhibition centers with a total floor area of 2.58 million square metres under entrusted management. During the Reporting Period, North Star Events successfully hosted the first "China Animation Comic Game Festival (中國遊戲節)". The fair gathered over 140 domestic and overseas famous game enterprises and provided on-site exhibition and experience for over 170 game products, which represented a promising outset of North Star Events' journey to the upstream industry of convention and exhibition; as to research and development of convention and exhibition, it carried on with the positioning of acting as the "brainpower of both the government and the peers", proactively reached out to subject researches of the government and gradually experimented on the personnel cultivation mode of university-enterprise cooperation, thus providing a steady stream of driving force for the remarkable development of the convention and exhibition business of North Star Events.


Hangzhou International Expo Center


Land Bridge Convention Center


Taizhou China Medical City Exhibition Center


Yanqihu International Exhibition Center


Zhuhai International Exhibition Center


Visualised picture of Nanchang Greenland International Expo Center


Shijiazhuang International Exhibition Center


North Star V-Continent Zhangjiakou Hotel


North Star V-Continent Wanquan Hotel

# Management Discussion and Analysis (Continued)

**Table 3: Leasing of Real Estate during the Reporting Period**

*Unit: 0'000 Currency: RMB*

| No. | Region | Project | Operation state | Construction area of the real estate leased *(square meter)* | Rental income of the real estate leased | Equity attributable to the Company |
|---|---|---|---|---|---|---|
| 1 | No. 7 Tian Chen Dong Road, Chao Yang District, Beijing | National Convention Centre | Convention, exhibition | 270,000 | 29,155 | 100% |
| 2 | No. 8 Bei Chen Dong Road, Chao Yang District, Beijing | Beijing International Convention Centre | Convention, exhibition | 56,400 | 6,359 | 100% |
| 3 | No. 8 Bei Chen Dong Road, Chao Yang District, Beijing | Hui Bin Offices | Office | 37,800 | 3,380 | 100% |
| 4 | No. 8 Bei Chen Dong Road, Chao Yang District, Beijing | Hui Xin Office | Office | 38,000 | 2,609 | 100% |
| 5 | No. 8 Bei Chen Dong Road, Chao Yang District, Beijing | North Star Times Tower | Office | 139,367 | 10,512 | 100% |
| 6 | No. 8 Bei Chen Xi Road, Chao Yang District, Beijing | North Star Century Center | Office | 149,800 | 17,175 | 100% |
| 7 | No. 8 Bei Chen Dong Road, Chao Yang District, Beijing | Hui Zhen Building Property | Office | 4,500 | 823 | 100% |
| 8 | No. 8 Bei Chen Dong Road, Chao Yang District, Beijing | Beijing Continental Grand Hotel | Hotel | 42,613 | 6,791 | 100% |
| 9 | No. 8 Bei Chen Xi Road, Chao Yang District, Beijing | National Convention Centre Hotel | Hotel | 50,200 | 5,256 | 100% |
| 10 | No. 8 Bei Chen Dong Road, Chao Yang District, Beijing | V-Continent Parkview Wuzhou | Hotel | 60,205 | 7,758 | 100% |
| 11 | No. 8 Bei Chen Xi Road, Chao Yang District, Beijing | Intercontinental Beijing North Star Hotel | Hotel | 60,000 | 8,425 | 100% |
| 12 | No. 1500, Xiang Jiang Bei Road, Kaifu District, Changsha, Hunan Province | Inter Continental Changsha | Hotel | 79,199 | 9,684 | 100% |
| 13 | No. 8 Bei Chen Dong Road, Chao Yang District, Beijing | Hui Yuan Apartment | Apartment | 179,662 | 13,473 | 100% |
| 14 | A13 Beiyuan Road, Chao Yang District, Beijing | B5 Commercial Area of North Star Green Garden | Commercial | 49,689 | 1,535 | 100% |

*Notes:*

1. 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;

2. Construction area of the real estate leased represents the total construction area of the project;

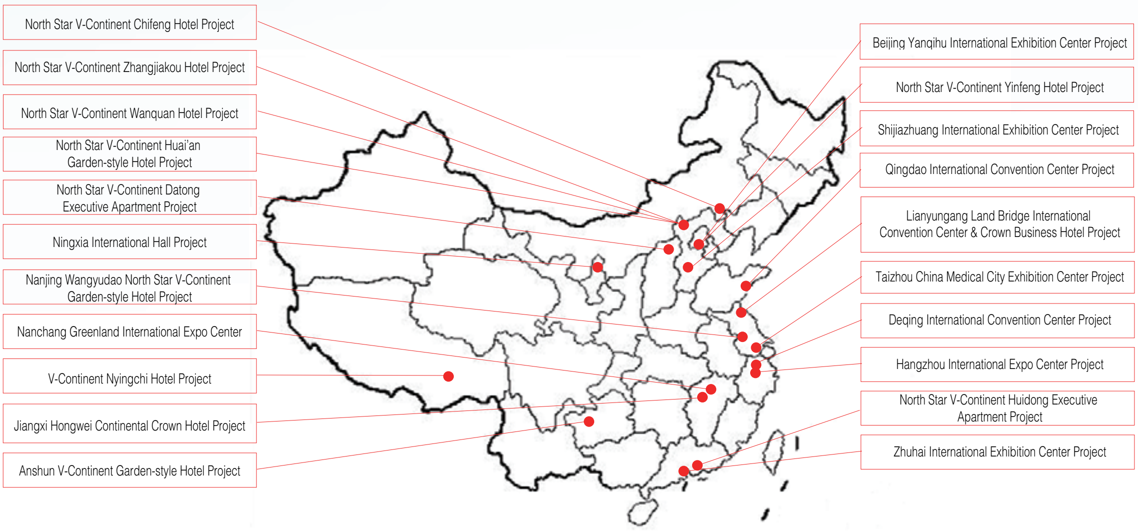
3. The rental income of real estate leased is the operating income of the projects;

4. Construction area and operating revenue of North Star Times Tower have included the construction area and operating revenue of the Legend Shopping Centre project;

5. The above-mentioned properties items 2, 3, 7, 8, 10 and 13 are erected on land leased from BNSIGC for a rental of RMB7,100,000 for the first half of 2018 (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.

# Management Discussion and Analysis (Continued)

**Chart 1: Entrusted management projects of the Company in the first half of 2018**




## 3. Nurturing business

In terms of health and elderly care, the Company took the advantageous occasion of piloting the Changsha International Healthcare Town (長沙國際健康城) project to gain project operation experience relentlessly and study and delve into replicable operation mode of elderly care projects with North Star characteristics, with an aim to develop favorable approaches for the rapid expansion of the North Star health and elderly care businesses. In terms of cultural creativity, while fully studying successful cultural creativity cases and keeping up with benchmarking enterprises, the Company proactively implemented the integration of cultural creativity industry and the principal business of the Company.

## 4. Financing work

The Company actively pursued and implemented capital expansion strategy. While reinforcing the driving effects of capital operation on the development of the Company, it thoroughly explored multi-channel financing, innovated financing approaches consistently and optimised capital structure on a continuous basis.

**Table 4: Financing of the Company during the Reporting Period**

*Unit: 0'000 Currency: RMB*

| Total financing amount at the end of the Reporting Period | Overall average financing cost (%) | Interest capitalised |
|---|---|---|
| 2,914,944 | 6.16 | 72,487 |

# Management Discussion and Analysis (Continued)

## III. INDUSTRY LANDSCAPE AND TREND

In the second half of 2018, in spite of the new problems and new challenges arising in the course of economic operation as well as changes in the external environments, China will hold fast to the general working principle of making progress while ensuring stability and make sure that the economy will operate within a proper range. In addition, it will continue to press ahead the supply-side structural reform, accelerate the construction of modern economic systems and boost the high-quality and smooth development of the economy and society.

As for development properties, as regulation policies further proceed, the government will carry on with the city-oriented implementation of policies to give proper guidance towards expectations, straighten out market orders and resolutely curb the rise of housing prices with the view to promoting balanced supply and demand. Meanwhile, the introduction of construction land under collective operation into the market, assets securitization, nationwide networking of registration of real estate and other system reform and innovations will also promote the construction of a long-acting mechanism for the smooth and healthy development of the market.

As for investment properties (including hotels), following the promulgation of Certain Opinions on Further Promoting the Reform and Development of the Exhibition Industry (《關於進一步促進展覽業改革發展的若干意見》) by the State Council, the convention and exhibition industry will progress towards the market-oriented, professional, international and information-based development. In the meantime, with the policy support of the government and as driven by the enormous market potentials, the long-term rental apartment will enjoy a notably promising outlook. Moreover, the Asian Infrastructure Investment Bank, the "Belt and 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, while devoting great efforts to develop convention and exhibition industry and tourism, will directly lead to the enhancement of hotel and catering business.

## IV. DEVELOPMENT STRATEGY OF THE COMPANY

Economic development in the PRC has witnessed the simultaneous promotion and reciprocal complementing among growth, quality, structure and effectiveness. By right of such a favorable condition, the Company will capitalize on development opportunities to head towards "operation with light asset, support by new economy, expansion at low cost and development of high-end service industry". While maintaining rapid development of the properties business and stable operation of the convention and exhibition business, the Company will insist on innovative development, boost improvement in operation of traditional businesses and expansion and development of new businesses, and speed up to build itself into a nationally leading composite real estate enterprise and China's most influential exhibition-brand enterprise.

### 1. Development Properties

In respect of development strategies, the Company will adhere to the nationwide, scaled and diversified development strategies. 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 continuously tap potentials in the city groups and city belts with its focus on core regions, and further replenish its land reserve by making effective use of a number of approaches such as cooperative development, mergers and acquisitions, etc. In terms of project operations, the Company will closely monitor the market movements, accurately grasp the focus, rhythm and strength of operations, and promptly adjust the marketing tactics so as to realize fast turnover of projects. In terms of innovation in the development model, the Company will take advantage of comprehensive operations of real estate and strengthen the linkage and integration of businesses such as real estate and conventions, health and elderly care, and cultural creativity, to innovate business models and build a national first-rate composite real estate brand enterprise.

In the second half of 2018, it is estimated that new construction area of the Company will be 793,500 square metres, area for new and resumed construction will be 6,478,400 square metres and the completed area will be 1,008,400 square metres. In spite of the impact of regulatory policies on the real estate industry, the Company will endeavor to achieve the sales area of 674,500 square metres and the contracted amount (including parking spaces) of RMB9,249 million for the second half of 2018.

Visualised picture of Haikou North Star mansion phase I

Suzhou North Star mansion garden

# Management Discussion and Analysis (Continued)

## 2. Investment Properties (Including Hotels)

The Company will insist on implementing brand-based, market-oriented, professional and standardized development strategies. First, it will continue to build its brand of "Beijing Service" to pave the way for its establishment of China's most influential exhibition-brand enterprise. Second, the Company will seize opportunities to constantly enlarge, optimize and consolidate the held-for-sale asset-heavy business. Meanwhile, it will vigorously facilitate resources sharing and business coordination of different exhibition enterprises so as to achieve economies of scale of assets and synergies from management. Third, 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, together with conducting convention projects in the manner of PPP, to constantly explore high value-added business in convention industrial chain, as well as boosting full integration and innovative development of its exhibition economy and new economy, new business and new technologies.

## 3. Nurturing Business

In terms of health and elderly care, the Company will accelerate the implementation and smooth operation of Changsha International Healthcare Town Project. The Company will revitalize the existing community resources, to strengthen the construction of elderly care infrastructure on one hand, and develop the system of elderly care standards on the other hand, with the view to fostering the North Star service brand and in turn providing powerful support for its nationwide expansion in the elderly care industry. In terms of cultural creativity, while conducting extensive research on the well-established cultural creativity industry cluster, the Company will introduce advanced operation and management concepts to speed up the implementation of projects.

## 4. Financing and Capital Expenditure

In order to cater to the expansion in scale of its principal businesses, the Company will, after taking into account changes in market policies, make the best of the "headquarters financing" mode to establish a diversified financing platform on the basis of traditional banking financing. Meanwhile, it will keep experimenting on a range of financing instruments in the capital market, such as corporate debts, mid-term notes, assets securitization, etc., to optimize the Company's capital structure and debt structure on a continuous basis, thus preparing a solid ground for the sustainable development of the Company.

In the second half of 2018, the Company's investment in fixed assets is expected to be RMB120 million, which will be paid according to project progress and funded by internal resources.

China National Convention Centre

# Management Discussion and Analysis (Continued)

## V. POTENTIAL RISKS FACED BY THE COMPANY

### 1. Policy Risks in Development Properties

In market economy conditions, the development of real estate industry is closely related to national economic situation and policy directions, and therefore, is largely susceptible to policy restrictions. The operational cycle of real estate projects is relatively long, therefore, any significant adjustment to relevant policies may pose certain risks to real estate development companies regarding land acquisition, project development and construction, and sales and fundraising and bring about economic losses.

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

With the lasting differentiation in real estate market, market demands and the exploration of urban value have become the strategically core concerns of real estate enterprises in land acquisition, competition for popular cities and certain prime land parcels is therefore, getting increasingly fierce. The persistent high land transaction price and soaring development cost of enterprises may provoke cash flow crisis in real estate enterprises and in turn lead to further and rapid increase of the housing prices, thus inducing the issue of a new round of control policy. Meanwhile, 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.

# Management Discussion and Analysis (Continued)

## 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, and constantly optimized personnel structure. Furthermore, the Company stimulated internal organizational vitality by absorbing more personnel with professional expertise, and made personnel supplementing scheme so as to providing strong talent backing for its stable and long-term development.

## 4. Financing of the Company during the Reporting Period

*Unit: 0'000 Currency: RMB*

| **Total financing amount at the end of the Reporting Period** | **Overall average financing cost** *(%)* | **Interest capitalised** |
|---|---|---|
| 2,914,944 | 6.16 | 72,487 |

# Discussion and Analysis of Financial Performance

## FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2018, the equity attributable to the Company's owners increased by 3.18% compared with 31 December 2017. The increase was primarily attributable to additional profit attributable to the owners of the Company of RMB759,015,000 during the Period.

The Group's bank and other borrowings as at 30 June 2018 amounted to RMB24,256,441,000. As at the end of the Period, net values of the Group's 5-year corporate bonds, 7-year corporate bonds and 5-year medium term notes were RMB2,089,877,000, RMB1,491,642,000 and RMB1,311,483,000, respectively.

Current assets of the Group, which mainly comprise cash at bank and on hand, completed properties held for sale and properties under development, amounted to RMB77,400,186,000, whereas the current liabilities amounted to RMB47,104,964,000. As at 30 June 2018, the balance of cash at bank and on hand amounted to RMB9,339,865,000 (excluding restricted bank deposits) and none of the bonds in issue were exposed to redemption and payment risks. During the Period, the Company did not engage in any transaction on financial products or derivative instruments.

As at 30 June 2018, the Group had secured borrowings from banks and other financial institutions of RMB22,856,441,000 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 78.87% as at the end of the Reporting Period (31 December 2017: 78.16%).

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

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The above mentioned financial guarantees provided in phases have no material impact on the financial position of the Group. As at 30 June 2018, the outstanding amount of financial guarantees provided in phases was RMB15,975,363,000 (31 December 2017: RMB11,461,988,000).

## SHARE CAPITAL AND SHAREHOLDERS

### Share Capital

The Company's registered capital as at 30 June 2018 totalled 3,367,020,000 shares in issue, comprising:

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

# Discussion and Analysis of Financial Performance (Continued)

## SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, the following person, other than a director, supervisor or chief executive of the Company, had 5% or more interests or short positions in the shares and underlying shares of the relevant class of issued share capital of the Company as recorded in the register of interests in the shares and short positions required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance ("**SFO**"):

### Interests and Short Positions in Shares of the Company

| Name of shareholder | Nature of interest | Capacity | Class of shares | Number of shares held | Percentage of the relevant class of share capital | Percentage of total share capital |
|---|---|---|---|---|---|---|
| Beijing North Star Industrial Group Limited Liabilities Company ("**BNSIGC**") Note | Corporate interest | Beneficial owner | A shares | 1,161,000,031 shares Note | 43.65% | 34.48% |

Save as disclosed above, based on the register required to be kept under Section 336 of Part XV of the SFO, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 30 June 2018.

*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 which 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 letter of 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.

# Discussion and Analysis of Financial Performance (Continued)

## INTERESTS OF DIRECTORS AND SUPERVISORS OF THE COMPANY

As at 30 June 2018, none of the directors, supervisors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**").

## CORPORATE GOVERNANCE

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code. 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 six months ended 30 June 2018.

## AUDIT COMMITTEE

The Audit Committee has been established by the Company to review and supervise the financial reporting process and internal control measures of the Company. The Group's unaudited interim results for the six months ended 30 June 2018 have been reviewed by the Audit Committee and the Board. The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. FU Yiu-Man, Mr. DONG An-Sheng and Mr. WU Ge.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

## DESIGNATED DEPOSITS AND DUE FIXED DEPOSITS

As at 30 June 2018, the Group had no designated deposits that were placed with financial institutions in the PRC. All of the Group's cash deposits have been placed with commercial banks in the PRC in compliance with relevant laws and regulations. The Group has not experienced any incidents of not being able to withdraw bank deposits when due.

## EMPLOYEES

As at 30 June 2018, the Company had 5,020 employees. Adjustments of employees' remuneration will be made according to the Company's results and profitability and are determined by assessing the correlation between the total salary paid to employees and the economic efficiency of the Company. The policy contributes to the management of the Company's remuneration expenses while employees will be motivated to work hard for good results and development of the Company. Save for the remuneration policies disclosed above, the Company does not maintain any share option scheme for its employees and the employees do not enjoy bonus. The Company regularly provides administrative personnel with trainings on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws, in different forms, such as seminars, site visits and study tours.

# Discussion and Analysis of Financial Performance (Continued)

## STAFF QUARTERS

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

## PUBLICATION OF INTERIM REPORT

The Company's 2018 interim report which sets out all the information required by the Listing Rules will be published on the designated website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.beijingns.com.cn in due course.

## DOCUMENT FOR INSPECTION

The original copy of the 2018 interim report, signed by the Chairman, will be available for inspection at the Secretariat of the Board, of which the address is:

Beijing North Star Company Limited
12th Floor, Tower A, Hui Xin Building
No. 8 Bei Chen Dong Road
Chao Yang District
Beijing, the PRC

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

Beijing, the PRC
23 August 2018

# Corporate Information

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|---|---|
| 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<br>Chao Yang District, Beijing<br>the PRC |
| Place of business of the Company: | 12/F, Tower A<br>Hui Xin Building<br>No. 8 Bei Chen Dong Road<br>Chao Yang District, Beijing<br>the PRC |
| Legal representative of the Company: | HE Jiang-Chuan |
| Company secretaries: | GUO Chuan<br>LEE Ka-Sze, Carmelo |
| Person-in-charge on information disclosure: | GUO Chuan |
| Company information enquiry unit: | Secretariat of the Board |

## COMPANY INFORMATION ENQUIRY

| | |
|---|---|
| Address: | 12/F, Tower A<br>Hui Xin Building<br>No. 8 Bei Chen Dong Road<br>Chao Yang District, Beijing<br>the PRC |
| Postal code: | 100101 |
| Telephone: | 86 (10) 6499 1277 |
| Fax: | 86 (10) 6499 1352 |
| Website: | www.beijingns.com.cn |

## REGISTRATION

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|---|---|
| Date and place of first registration: | 2 April 1997<br>Beijing, the PRC |
| Creditability Code: | 91110000633791930G |

## AUDITORS

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|---|---|
| PRC auditor: | PricewaterhouseCoopers Zhong Tian LLP |
| Address: | 11/F, PricewaterhouseCoopers Centre<br>2 Corporate Avenue<br>202 Hu Bin Road, Huangpu District<br>Shanghai, the PRC |
| Postal code: | 200021 |
| Telephone: | 86 (21) 2323 8888 |
| Fax: | 86 (21) 2323 8800 |
| International auditor: | PricewaterhouseCoopers |
| Address: | 22/F, Prince's Building<br>Central, Hong Kong |
| Telephone: | (852) 2289 8888 |
| Fax: | (852) 2810 9888 |

# Corporate Information (Continued)

## LEGAL ADVISERS

| | |
|---|---|
| PRC lawyer: | Beijing Da Cheng Solicitors Office |
| Address: | 7th Floor, Building D<br>Parkview Green FangCaoDi<br>No. 9 Dongdaqiao Road<br>Chaoyang District, Beijing<br>the PRC |
| Postal code: | 100020 |
| Telephone: | 86 (10) 5813 7799 |
| Fax: | 86 (10) 5813 7788 |
| Hong Kong lawyer: | Woo Kwan Lee & Lo |
| Address: | 26/F, Jardine House<br>1 Connaught Place<br>Central, Hong Kong |
| Telephone: | (852) 2847 7999 |
| Fax: | (852) 2845 9225 |

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712–1716, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## STOCK CODE

| | |
|---|---|
| H share: | 0588 |
| A share: | 601588 |