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北京北辰實業股份有限公司
BEIJING NORTH STAR COMPANY LIMITED

(A sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 588)

2017 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Beijing North Star Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2017 (the “**Period**” or “**Reporting Period**”), based on the condensed consolidated interim financial information which has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and relevant requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The 2017 condensed consolidated interim financial information of the Company has not been audited but has been reviewed by the Board and the audit committee of the Company (the “**Audit Committee**”).

For the Period, the Group achieved revenue of RMB7,852,747,000, representing a substantial increase of 78.61% over the same period of the previous year. Operating profit was RMB1,662,061,000, representing an increase of 50.62% over the same period last year. Profit attributable to the owners of the Company was RMB772,006,000, representing an increase of 38.28% over the same period last year. Among others, the after-tax core operating results of the Company’s principal business (excluding gains arising from the changes in fair value) were RMB692,426,000, representing an increase of 48.05% over the same period last year, and the gains (after taxation) on changes in fair value of investment properties was RMB79,580,000.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
	<i>Note</i>		
Revenue	2	7,852,747	4,396,479
Cost of sales		(5,789,360)	(2,881,148)
Gross profit		2,063,387	1,515,331
Selling and marketing expenses		(195,602)	(233,308)
Administrative expenses		(318,732)	(316,882)
Fair value gains on investment properties	3	106,106	120,773
Other income		1,814	–
Other gains – net		5,088	17,577
Operating profit		1,662,061	1,103,491
Finance income	4	39,631	32,026
Finance expenses	4	(287,029)	(240,685)
Finance expenses – net	4	(247,398)	(208,659)
Share of gains/(loss) of investments accounted for using the equity method		14,718	(2,900)
Profit before income tax	2	1,429,381	891,932
Income tax expenses	5	(606,348)	(341,804)
Profit for the period		823,033	550,128
Profit/(loss) attributable to:			
– Owners of the Company		772,006	558,290
– Non-controlling interests		51,027	(8,162)
		823,033	550,128
		<i>RMB Cents</i>	<i>RMB Cents</i>
		<i>per share</i>	<i>per share</i>
Earnings per share attributable to owners of the Company during the period			
– Basic and diluted		22.93	16.58

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	823,033	550,128
Other comprehensive income	–	–
	<hr/>	<hr/>
Total comprehensive income for the period	823,033	550,128
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
– Owners of the Company	772,006	558,290
– Non-controlling interests	51,027	(8,162)
	<hr/>	<hr/>
	823,033	550,128
	<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
ASSETS			
Non-current assets			
Land use rights		307,491	311,818
Investment properties		12,702,500	12,550,400
Property, plant and equipment		2,133,471	2,169,859
Investments accounted for using the equity method		275,419	254,960
Deferred income tax assets		404,042	315,013
Trade and other receivables	7	676,546	–
		16,499,469	15,602,050
Current assets			
Properties under development		40,191,638	32,593,536
Completed properties held for sale		7,655,840	8,729,267
Other inventories		56,706	62,027
Financial assets at fair value through profit or loss		600,000	–
Trade and other receivables	7	5,093,193	6,667,705
Restricted bank deposits		649,178	555,505
Cash and cash equivalents		10,950,766	7,520,362
		65,197,321	56,128,402
Total assets		81,696,790	71,730,452
EQUITY			
Equity attributable to owners of the Company			
Share capital		3,367,020	3,367,020
Other reserves		4,364,477	4,364,477
Retained earnings		10,040,943	9,470,958
		17,772,440	17,202,455
Non-controlling interests		639,869	588,842
Total equity		18,412,309	17,791,297

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Long term borrowings		23,520,740	20,823,537
Trade and other payables	8	2,267,532	1,462,855
Long term payables		7,747	8,750
Deferred income tax liabilities		1,896,936	1,847,290
		27,692,955	24,142,432
Current liabilities			
Trade and other payables	8	27,716,993	24,768,705
Current income tax liabilities		1,328,444	1,345,868
Current portion of long term borrowings		5,946,089	2,902,150
Short term borrowings		600,000	780,000
		35,591,526	29,796,723
Total liabilities		63,284,481	53,939,155
Total equity and liabilities		81,696,790	71,730,452

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”), issued by HKICPA.

These condensed consolidated interim financial statements have been reviewed, not audited.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described therein.

- (a) Amendments and interpretations to existing standards that are effective for the financial year beginning on 1 January 2017 are not expected to have a material impact on or are not relevant to the Group.
- (b) New and revised standards and amendments to standards and interpretations have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted.

HKFRS 9, ‘Financial instruments’

HKFRS 9 ‘Financial instruments’ addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reason:

- Equity investments currently measured at fair value through profit or loss will likely continue to be measured on the same basis under HKFRS 9.

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

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (*CONTINUED*)

- (b) New and revised standards and amendments to standards and interpretations have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted (*Continued*).

HKFRS 9, ‘Financial instruments’ (*Continued*)

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 ‘Revenue from contracts with customers’, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

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

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

HKFRS 15, ‘Revenue from contracts with customers’

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Management is currently assessing the effects of applying the new standard on the Group’s financial statements and has identified the following areas that are likely to be affected:

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (*CONTINUED*)

- (b) New and revised standards and amendments to standards and interpretations have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted (*Continued*).

HKFRS 15, ‘Revenue from contracts with customers’ (*Continued*)

- Bundle sales – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue;
- Accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15; and
- Rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

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

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

HKFRS 16, ‘Leases’

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB304,299,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

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

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

2. SEGMENT INFORMATION

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

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

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

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

Total assets mainly exclude deferred tax assets, corporate cash, other receivable and financial assets at fair value through profit or loss, 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.

2. SEGMENT INFORMATION (*CONTINUED*)

Revenue consists of sales from development properties, investment properties and hotels and commercial properties segments. Revenues recognised during the six months ended 30 June 2017 and 30 June 2016 are as follows:

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Development properties	6,484,054	3,049,204
Investment properties and hotels	1,234,892	1,198,393
Commercial properties	83,164	102,586
	7,802,110	4,350,183
All other segments	50,637	46,296
	7,852,747	4,396,479

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

2. SEGMENT INFORMATION (CONTINUED)

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

Business Segment	Development	Investment	Commercial	All other	Total Group
	properties	properties	properties	segments	
	RMB'000	and hotels RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2017 (Unaudited)					
Total segment revenue	6,484,054	1,243,024	83,164	70,141	7,880,383
Inter-segment revenue	–	(8,132)	–	(19,504)	(27,636)
Revenue from external customers	6,484,054	1,234,892	83,164	50,637	7,852,747
Profit/(loss) before income tax	811,721	421,609	303	(5,122)	1,228,511
Six months ended 30 June 2016 (Unaudited)					
Total segment revenue	3,049,341	1,207,806	102,586	59,940	4,419,673
Inter-segment revenue	(137)	(9,413)	–	(13,644)	(23,194)
Revenue from external customers	3,049,204	1,198,393	102,586	46,296	4,396,479
Profit/(loss) before income tax	404,361	401,076	(11,844)	(9,945)	783,648

2. SEGMENT INFORMATION (CONTINUED)

Business Segment	Development properties RMB'000	Investment properties and hotels RMB'000	Commercial properties RMB'000	All other segments RMB'000	Total Group RMB'000
As at 30 June 2017 (Unaudited)					
Total segment assets	58,641,121	7,339,714	372,428	82,341	66,435,604
Total segment assets include:					
Investments accounted for using equity method	269,077	-	-	-	269,077
Additions to non-current assets (other than deferred tax assets)	3,700	69,355	219	10,699	83,973
As at 31 December 2016 (Audited)					
Total segment assets	51,654,965	7,275,388	385,471	101,749	59,417,573
Total segment assets include:					
Investments accounted for using equity method	248,594	-	-	-	248,594
Additions to non-current assets (other than deferred tax assets)	48,712	46,675	307	7,104	102,798

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Profit before income tax for reportable segments	1,228,511	783,648
Corporate overheads	(87,610)	(48,401)
Corporate finance expenses	(259,493)	(225,977)
Corporate finance income	23,964	17,842
Share of loss from investments accounted for using the equity method	(24)	(29)
Fair value gains on investment properties	106,106	120,773
Reversal of depreciation of investment properties	92,476	93,512
Land appreciation tax	325,451	148,773
Others	-	1,791
Profit before income tax	1,429,381	891,932

2. SEGMENT INFORMATION (*CONTINUED*)

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2017	2016
	RMB'000	RMB'000
Total segment assets	66,435,604	59,417,573
Deferred income tax assets	264,464	315,013
Corporate cash	6,402,635	4,528,183
Financial assets at fair value through profit or loss	600,000	–
Other receivable	400,000	–
Interest in investments accounted for using the equity method	6,342	6,366
Loans granted	–	74,154
Aggregated fair value gains on investment properties	5,639,731	5,533,625
Reversal of accumulated depreciation of investment properties	1,948,014	1,855,538
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Total assets per balance sheet	81,696,790	71,730,452
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The Company and its subsidiaries were domiciled in the People's Republic of China (the "PRC") and all the revenue from external customers of the Group are derived in the PRC for the six months ended 30 June 2017 and 2016.

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.

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

At 30 June 2017 and 31 December 2016, all the Group's non-current assets other than deferred 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 2017 and 2016.

3. OPERATING PROFIT

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Investment properties at fair value through profit or loss:		
– fair value gains	106,106	120,773
(Provision)/reversal for impairment of receivables	(30)	222
Gain/(loss) on disposal of property, plant and equipment	472	(36)
	<u>106,548</u>	<u>120,959</u>

4. FINANCE INCOME AND EXPENSES

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses	(895,286)	(867,148)
Less: amounts capitalised in properties under development at a capitalisation rate of 6.49% (six months ended 30 June 2016: 7.24%) per annum	611,443	632,876
Finance expenses	(283,843)	(234,272)
Bank charges and others	(3,186)	(6,413)
Finance income		
– Interest income	39,631	32,026
Net finance expenses	<u>(247,398)</u>	<u>(208,659)</u>

5. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2017 and 2016. 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 2017 and 2016 is 25%.

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	320,280	149,561
– PRC land appreciation tax	325,451	148,773
Deferred income tax	(39,383)	43,470
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	606,348	341,804
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6. DIVIDEND

A dividend that relates to the year ended 31 December 2016 amounting to RMB202,021,000 was approved at the annual general meeting in June 2017 (Dividend related to the year ended 31 December 2015: RMB202,021,000).

The Board resolved that no interim dividend will be declared in respect of the six months ended 30 June 2017 (Six months ended 30 June 2016: nil).

Total dividend that related to the year of 2016 paid by the Group to the owners of the Company is RMB159,600,000 during the six months ended 30 June 2017. The remaining was paid in full in July 2017.

7. TRADE AND OTHER RECEIVABLES

As at 30 June 2017 and 31 December 2016, the Group's trade and other receivables include trade receivables, prepaid tax, receivables due from related parties and non-controlling interests, interest receivables, other prepayments and receivables.

The majority of the Group's sales are on cash or advance basis. The remaining amounts are with credit terms of 30 to 90 days. As at 30 June 2017 and 31 December 2016, the ageing analysis of the trade receivables based on the date of services provided at the end of Reporting Period was as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2017	2016
	RMB'000	RMB'000
Trade receivables		
0–30 days	63,630	18,111
31–90 days	43,802	7,475
Over 90 days	15,702	32,493
	123,134	58,079

8. TRADE AND OTHER PAYABLES

As at 30 June 2017 and 31 December 2016, the Group's trade and other payables mainly include trade payables, advance from customer, accrued construction costs, accrued interest, amounts due to related parties and non-controlling interests and other payables, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on date of services and goods received at the end of Reporting Period was as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2017	2016
	RMB'000	RMB'000
Trade payables		
0–180 days	705,023	568,027
181–365 days	240,582	1,362,976
Over 365 days	2,057,543	958,046
	3,003,148	2,889,049

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 2017 in accordance with Chinese Accounting Standards (“CAS”) issued by the China Ministry of Finance. The differences between the financial information prepared under the CAS and HKFRS issued by the HKICPA are summarised as follows:

	Profit attributable to owners of the Company For the six months ended 30 June		Capital and reserves attributable to owners of the Company	
			As at 30 June	As at 31 December
	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As stated in accordance with CAS	623,069	396,233	12,081,631	11,660,583
Impact of HKFRS adjustments:				
1. Reversal of depreciation of investment properties under CAS	69,357	70,134	1,461,010	1,391,653
2. Fair value adjustment of investment properties under HKFRS	79,580	90,580	4,229,799	4,150,219
3. Differences on revaluation of certain assets upon the reorganisation in 1997	–	1,343	–	–
As stated in accordance with HKFRS	772,006	558,290	17,772,440	17,202,455

MANAGEMENT DISCUSSION AND ANALYSIS

I. DISCUSSION AND ANALYSIS ON OPERATION

In the first half of 2017, in light of the continued recovery of global economy and stabilisation and turnaround of domestic economy, the PRC government, adhering to the general working principle of making progress while ensuring stability, comprehensively pressed ahead with the “Five-in-one” general layout and coordinated and advanced the “Four Comprehensives” strategic layout. Great efforts were exerted on “de-capacity, de-stocking, deleveraging, reducing costs and shoring up weak spots”. While further promoting the supply-side structural reform, the government continued the optimisation of economic structure and deepened innovation-driven development. In the first half of the year, China’s macro economy improved in stabilisation, with the GDP growth rate rallying to 6.9%.

1. Development Properties

In the first half of 2017, as the central government stressed the residential attribute of residential properties, the real estate industry was still subject to the policies of classified control and city-oriented implementation. Local governments proactively deepened regulation and control and enhanced the correlation of policies across regions as well as innovation, and continued differentiation in different cities, of which the policies continued to tighten in the first-tier and popular second-tier cities, and relevant restriction policies had been introduced successively, resulting in a demand spillover and in turn significant increase in market demand of certain third- and fourth-tier cities. In general, the overall transaction volume in the real estate market across the country still remained at a high level in the first half of the year, but the demands gradually shifted towards the third- and fourth-tier cities. Although the housing prices remained rising, the level of increment in the first-tier and popular second-tier cities significantly narrowed. Meanwhile, the land prices in the popular cities and regions remained at the high level. According to the statistics of the National Bureau of Statistics (the same applied hereinafter), commodity housing sales area in the real estate market of China for the first half of 2017 was 647,910,000 square metres, representing an increase of 13.5% over the corresponding period last year and the corresponding average sales price of commodity housing was RMB7,609 per square metre, representing an increase of 3.9% over the corresponding period last year.

Affected by the more stringent regulatory policies, the new supply of commodity housing in first-tier cities continued to be tight, resulting in a sharp drop in transaction volume. In particular, both the transaction volume and transaction amount for commodity housing in Beijing fell sharply; however, the average transaction price of new housing kept rising at a steady pace with significantly lower increases. In addition, the land supply in Beijing increased significantly in the first half of the year, while the land price was under control to a certain extent because of the increasingly strict restrictions on property prices and the tightening land transfer regulations including land bidding.

As for other cities, the second-tier cities still recorded higher housing prices, but with lower growth rate in most cities and obviously differentiated supply, resulting in the market cooling down; with significant increase in overall transaction volume and rise in housing price, the third- and fourth-tier cities witnessed accelerated de-stocking.

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	Sales area (0'000 square metres)	Increase compared with the same period last year (%)	Sales Amount (100 million)	Increase compared with the same period last year (%)	Average transaction price (RMB/square metre)	Increase compared with the same period last year (%)
Beijing	270.52	(29.9)	974.4	(19.1)	36,020	15.4
Changsha	808.95	(16.9)	563.53	(2.9)	6,966	16.8
Wuhan	1,479.16	6.8	1,520.68	17.9	10,281	10.4
Hangzhou	736.67	(21.2)	1,378.15	(6.7)	18,708	18.3
Suzhou	810.04	(39.1)	1,260.59	(25.2)	15,562	22.8
Ningbo	674.52	31.0	983.24	69.5	14,577	29.4
Nanjing	696.13	(8.5)	990.68	(23.2)	14,231	(16.0)
Hefei	524.99	(38.5)	578.43	(16.7)	11,018	35.3
Chengdu	1,536.33	7.9	1,257.4	26.1	8,184	16.9
Chongqing	2,856.34	20.1	1,799.34	50.3	6,299	25.1
Langfang	208.56	(38.9)	153.87	(41)	10,203	(3.3)
Wuxi	479.83	(27)	510.17	5.5	10,632	29.4

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

2. Investment Properties (Including Hotels)

China devoted considerable efforts in adjusting economic structure and developing 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 China, the industrial innovation also gave rise to extra demand in investment properties market. In particular, despite the combined effect of more supplies and slower absorptions on the office building market in Beijing, together with the slightly higher vacancy rate, the rent level remained stable at a high level in the first half of 2017. As for convention and exhibition market, under the “Thirteenth Five-Year Plan”, service trade (including convention and exhibition industry) was identified as a development priority, with the strategic objective of “strengthening the country through trading” put forward. Under such favourable backdrop, the convention and exhibition industry was continually expanding in scale and the progress of industry marketisation and internationalisation was accelerating, and was playing a more significant role in driving the related service industry. Benefiting from the recovery of business activities, mass tourism and other demand sides as well as higher national consumption level, the number of guests served by the high-end hotels and catering industry stabilised and picked up, the occupancy rate grew steadily and the average housing price maintained stable. In addition, there was no material change in supply of apartment market. As policies for home buying restrictions in real estate market increased the long-term demand for apartments to a certain extent, the average price steadily increased and occupancy rate remained steady.

3. Commercial Properties

As for the commercial properties, in response to combined impact of slower economic growth and e-commerce, the Company integrated the off-line business with e-commerce, adopted the “Internet perspective”, and continually explored omni-channel marketing mode and proactively conducted innovation and transformation to enhance profitability.

II. BUSINESS REVIEW DURING THE REPORTING PERIOD

In the first half of 2017, in the face of changing market and policies, the Company, under the guidance of the strategic objective of “developing into a nationally leading composite real estate enterprise and China’s most influential exhibition-brand enterprise”, thoroughly implemented three major strategies consisting of low cost expansion, brand expansion, and capital expansion. By strengthening the study on the industry characteristics and market trends in the new situation, the Company accurately seized market opportunities and proactively adopted a flexible and effective operational strategy, leading to the continued increase in the operation scale and benefits of the Company. In the first half of 2017, due to the increase in the settlement area of real estate projects of the Company, revenue increased significantly year on year by 78.61% to RMB7,852.747 million. Profits before income tax and profits attributable to the owners of the Company were RMB1,429.381 million and RMB772.006 million respectively, up 60.26% and 38.28% respectively 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 RMB692.426 million, up 48.05% year on year. Gains (after tax) arising from the changes in fair value of investment properties were RMB79.580 million in the period. Earnings per share was RMB0.23, up 38.28% over the same period last year.

1. Development Properties

In view of the increasingly stringent macro-control policies, the Company continuously reinforced its response sensitivity to the market and policy and solidly propelled its nationwide expansion relying on the scientific feasibility analysis and flexible capital operation mode. At the same time, based on project location and product positioning, the Company accurately grasped the needs of customers to expedite rapid de-stocking of projects. During the Reporting Period, the Company ranked the top 100 real estate enterprises in terms of sales results of development properties in China. The brand advantage in respect of development and operation of complex real estate and influence of the Company were further enhanced. In the first half of 2017, due to the increase in the settlement area, the operating revenue from development properties increased significantly year on year by 112.65% to RMB6,484.054 million (including parking spaces) and profit before tax increased year on year by 100.74% to RMB811.721 million. During the Reporting Period, the new and resumed construction area of development properties was 4,310,000 square metres, and the completed area was 490,000 square metres. Meanwhile, the contracted sales amount and the sales area were RMB9.3 billion (including parking spaces) and 500,000 square metres respectively.

As for management mode, in order to adapt to the strategic needs for national layout and large-scale development, the Company formally established the North Star Real Estate Group through integration of over 20 subsidiaries during the Reporting Period. With the real estate group as a platform, the Company will strengthen system construction and its management and control capacity, enhance its professional standards and continuously improve the profitability and real estate brand influence. It will proactively explore a new way of real estate development while insisting on large-scale, low-cost and quick-turnover development.

As for investment, the Company kept a close eye on the major cities with promising economic development prospect, well-developed market and net population inflow, and proactively sought for opportunities to increase land reserves through tender-bid-listing, acquisition, cooperative development and other means. During the Reporting Period, the Company obtained an aggregate of three land parcels in Wuxi, with a newly added land reserve of approximately 820,000 square metres. As at the end of the Reporting Period, the Company already established presence in 12 cities, namely Beijing, Changsha, Wuhan, Hangzhou, Chengdu, Nanjing, Suzhou, Hefei, Langfang, Chongqing, Ningbo and Wuxi, possessed 32 projects in the pipeline and under construction, with a total land reserve of 9,170,000 square metres and the planned total floor area of over 16 million square metres. Accordingly, the Company established a trans-regional layout covering North China, Central China, East China and the Southwest.

As for sales, in the face of the increasingly tight macro control, the Company, keeping abreast of the latest updates in the market, made ongoing efforts to optimise system construction, innovate marketing strategy and strongly boost the implementation of quick turnover strategy. During the Reporting Period, the sales performance stably maintained as one of the Top 100 Real Estate Companies in China with a cash recovery rate of 105%. In particular, Changsha North Star Delta project has become China's largest urban complex integrating business, residence, leisure and culture functions by leveraging on the investment and construction of the municipal-level cultural facilities featuring "three venues and one hall" (namely, Changsha Museum, Changsha Library, Changsha Planning Exhibition Hall and Changsha Concert Hall) in Changsha and the convenient transportation system concerning various transport facilities including the metro, intercity railways and bus transit network. The project has recorded the best performance in residential housing sales in Changsha for 6 consecutive years since its opening for sale. During the Reporting Period, the sales area of North Star Delta project was 130,000 square metres and the sales amount was RMB2.1 billion. Since the opening for sale, the project has recorded an accumulated contracted sales amount of over RMB20 billion, and cash

income of RMB20.3 billion. The accumulated construction area of the project was 3.91 million square metres and the completed area was 2.76 million square metres, accounting for 75% and 53% of the total gross floor area, respectively. In addition, other projects for sale of the Company in other regions remained popular.

Table 2: Real Estate Reserve during the Reporting Period

No.	Region(s) of the land held for development	Land area held for development (square metre)	Planned plot ratio-based gross floor area (square metre)	Whether cooperative development project is involved	Area of cooperative development project (square metre)	Percentage of interest in cooperative development project (%)
1	North Star Delta	1,290,200	3,820,000	No	–	100
2	North Star Central Park	425,400	720,000	Yes	367,200	51
3	Suzhou North Star CIFI No. 1 Courtyard	24,000	180,500	Yes	90,300	50
4	North Star Guangguli	409,400	337,000	Yes	171,900	51
5	North Star • South Lake Xianglu	147,300	210,000	No	–	100
6	Langfang Longhe New District Project	319,800	296,800	No	–	100
7	North Star CIFI Park Mansion • Luzhou	116,300	239,000	Yes	119,500	50
8	Wuhan Linkonggang Project	976,000	716,000	No	–	100
9	Suzhou Wuzhong District No. 50, 51, 69 Land Lot Project	388,300	269,000	No	–	100
10	Ningbo Yinfeng District Project	142,300	137,400	No	–	100
11	Ningbo Chenpodu Project	405,700	292,500	Yes	149,200	51
12	Chongqing Yuelai Convention Xincheng Project	983,700	918,000	No	–	100
13	Wuxi Huishan Tianyi New Town Project	264,900	196,000	Yes	96,000	49
14	Wuxi Yangxi River Project	555,100	413,800	Yes	165,500	40
	Total	<u>6,448,400</u>	<u>8,746,000</u>		<u>1,159,600</u>	

Notes:

1. Planned plot ratio-based gross floor area and area of cooperative development project represent the data calculated with reference to the conditions of assignment at the time of project auction;
2. Land area held for development represents the gross construction area of land held for development;

3. Planned plot ratio-based gross floor area represents the total plot ratio-based gross floor area of the planned projects;
4. Area of cooperative development projects represents the plot ratio-based gross floor area attributable to the percentage of interest in the cooperative development projects;
5. Total land reserve of the Company is 9,170,000 square metres, and equity land reserve is 7,650,000 square metres. The land reserve in the above table does not include the projects that are under construction and unsold.

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

Unit: 100 Million Currency: RMB

No.	Location	Project	Operating state	Under construction/ newly commenced/ completed projects	Project area (square metre)	plot ratio-based gross floor area (square metre)	Total floor area (square metre)	Floor area under construction (square metre)	Completed area (square metre)	Total investment	Actual investment amount during the Reporting Period
1	Chaoyang, Beijing	North Star Green Garden	Residence and supporting facilities	Completed	870,000	1,210,000	1,600,200	0	1,600,200	90.80	0.06
2	Chaoyang, Beijing	Bihai Fangzhou Garden	Villa, apartment and residence	Completed	119,500	55,000	77,100	0	77,100	17.43	0.02
3	Changping, Beijing	North Star Red Oak Villa	Villa	Under Construction	287,500	150,000	213,700	116,800	97,000	24.07	1.11
4	Haidian, Beijing	North Star • Xianglu	Residence	Completed	142,400	230,000	312,100	0	312,100	28.59	0.12
5	Chaoyang, Beijing	North Star • Fudi	Commercial, residence and supporting facilities	Completed	161,600	390,000	459,300	0	459,300	27.54	0.26
6	Shunyi, Beijing	North Star • Villa 1900	Residence	Under Construction	101,200	140,000	213,300	5,400	207,900	24.45	0.09
7	Shunyi, Beijing	Modern Beichen • Yue MOMA	Owner occupied commercial housing and housing of two limits	Under Construction	52,800	109,300	132,500	90,000	117,900	23.47	0.86
8	Changsha, Hunan	North Star Delta	Residence, commercial and office building	Under Construction	780,000	3,820,000	5,200,000	1,406,900	2,755,800	330.00	9.98
9	Changsha, Hunan	North Star Central Park	Residence	Under Construction	336,300	720,000	906,300	195,200	285,800	33.12	3.29
10	Wuhan, Hubei	North Star Contemporary Best+	Residence and commercial	Under Construction	104,700	241,100	313,800	202,900	110,900	21.00	1.55
11	Hangzhou, Zhejiang	North Star Olympic Garden	Residence and commercial	Under Construction	83,900	235,000	317,500	317,500	0	28.30	2.19
12	Hangzhou, Zhejiang	Hangzhou Shunfa CIFI Honor Mansion, Phase I	Residence and commercial	Under Construction	41,900	75,000	108,400	108,400	108,400	14.85	1.29

No.	Location	Project	Operating state	Under construction/ newly commenced/ completed projects	Project area (square metre)	plot ratio-based gross floor area (square metre)	Total floor area (square metre)	Floor area under construction (square metre)	Completed area (square metre)	Total investment	Actual investment amount during the Reporting Period
											Reporting Period
13	Hangzhou, Zhejiang	Hangzhou Shunfa CIFI Honor Mansion, Phase II	Residence and commercial	Under Construction	13,400	23,000	32,600	32,600	0	4.90	0.68
14	Nanjing, Jiangsu	Nanjing North Star CIFI Park Mansion • Jin Ling	Residence	Under Construction	25,300	70,700	105,300	105,000	0	27.10	1.20
15	Chengdu, Sichuan	North Star • Landsea Southern Gate Green Shire (北辰•朗詩南門綠郡)	Residence and commercial	Under Construction	63,600	158,600	234,300	234,300	0	24.92	1.57
16	Chengdu, Sichuan	North Star • Xianglu	Residence and commercial	Under Construction	40,400	96,900	150,800	150,800	0	15.69	0.42
17	Suzhou, Jiangsu	Suzhou • North Star CIFI No. 1 Courtyard	Residence and commercial	Under Construction	178,700	180,500	296,400	272,400	48,600	25.46	1.16
18	Hefei, Anhui	North Star CIFI Park Mansion • Luzhou	Residence and commercial	Under Construction	141,700	239,000	348,000	231,700	0	43.00	1.44
19	Chengdu, Sichuan	North Star • South Lake Xianglu	Residence	Under Construction	88,000	210,000	299,000	151,700	0	22.35	0.57
20	Hangzhou, Zhejiang	Shanyin Road Project	Residence	Under Construction	21,900	48,200	69,900	69,900	0	16.00	0.65
21	Langfang, Hebei	Longhe New District Project	Residence and commercial	Commenced	140,700	296,800	419,200	99,400	0	31.28	0.60
22	Wuhan, Hubei	North Star Guangguli	Commercial Service	Commenced	84,200	337,000	491,500	82,100	0	34.00	1.43
23	Hangzhou, Zhejiang	Xianghu Project	Residence and commercial	Commenced	57,400	144,000	209,700	209,700	0	5.50	5.46
24	Ningbo, Zhejiang	Yinfeng District Project	Residence	Commenced	47,300	137,400	189,700	47,400	0	42.00	13.55
25	Yubei, Chongqing	Yuelai Convention Xincheng Project	Residence and commercial	Commenced	429,100	918,000	1,163,700	180,000	0	104.00	3.30
Total					<u>4,413,500</u>	<u>10,235,500</u>	<u>13,864,300</u>	<u>4,310,100</u>	<u>6,181,000</u>	<u>1059.82</u>	<u>52.85</u>

Note:

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

Table 4: Real Estate Sales during the Reporting Period

No.	Location	Project	Operation format	Saleable area (square metre)	Pre-sold area (square metre)
1	Chaoyang, Beijing	North Star Green Garden	Residence and supporting facilities	2,669	1,627
2	Changping, Beijing	North Star Red Oak Villa	Villa	30,298	9,916
3	Haidian, Beijing	North Star • Xianglu	Residence	11,548	–
4	Chaoyang, Beijing	North Star • Fudi	Commercial, residence and supporting facilities	14,291	–
5	Shunyi, Beijing	Modern Beichen Yue MOMA	Owner occupied commercial housing and housing of two limits	9,112	871
6	Shunyi, Beijing	North Star • Villa 1900	Residence	89,416	34,946
7	Changsha, Hunan	North Star Delta	Residence, commercial and office building	556,408	129,489
8	Changsha, Hunan	North Star Central Park	Residence	96,678	33,351
9	Wuhan, Hubei	North Star Contemporary Best+	Residence and commercial	80,925	65,251
10	Hangzhou, Zhejiang	North Star Olympic Garden	Residence and commercial	83,526	61,989
11	Hangzhou, Zhejiang	Hangzhou Shunfa CIFI Honor Mansion, Phase I	Residence and supporting facilities	2,174	2,034
12	Suzhou, Jiangsu	Suzhou North Star CIFI No. 1 Courtyard	Residence and commercial	61,151	57,599
13	Nanjing, Jiangsu	Nanjing North Star CIFI Park Mansion • Jin Ling	Residence	39,583	8,720
14	Chengdu, Sichuan	North Star • Landsea Sourthern Gate Green Shire (北辰•朗詩南門綠郡)	Residence and commercial	60,652	53,731
15	Hangzhou, Zhejiang	Hangzhou Shunfa CIFI Honor Mansion, Phase II	Residence and supporting facilities	4,873	4,873
16	Chengdu, Sichuan	North Star • Xianglu	Residence and commercial	6,722	1,198
17	Hefei, Anhui	North Star CIFI Park Mansion • Luzhou	Residence and commercial	44,157	37,320
Total				<u>1,194,185</u>	<u>502,915</u>

Notes:

1. The pre-sold area is the pre-sold construction area for the pre-sold property of the project;
2. From January to June 2017, the sold area is 500,000 square metres, the sales amount is RMB9.3 billion, the settlement area is 500,000 square metres, and the settlement amount is RMB6.5 billion.

2. Investment Properties (Including Hotels)

In the face of new economic development trend and increasingly severe competitive environment under the new situation, the Company proactively explored the mode of synergistic development of asset-heavy investment business and asset-light service business, made full use of its advantages in resource integration and took the convention and exhibition as a lead to drive sustainable development of hotel, office building and apartment businesses. Meanwhile, it persisted in building of a highly specialised and properly integrated operation complex. As a result, the Company's professional operating capability of investment properties was continually enhanced while the operating benefits continued to increase at a stable pace. In the first half of 2017, the Company recorded an operating revenue from investment properties (including hotels) of RMB1,234.892 million, representing a year-on-year increase of 3.05%. Profit before tax amounted to RMB421.609 million, representing a year-on-year increase of 5.12%. The valuation surplus of the segment for the period was RMB106.106 million, decreased by RMB14.667 million as compared with the corresponding period of last year.

As for the held-for-sale asset-heavy business, the Company continuously devoted its efforts to optimise and strengthen its traditional held-for-sale properties by fully leveraging on the geographical advantage of its in-stock properties concentrated in the Asian-Olympic core district. As the leading brands in the convention and exhibition industry, National Convention Centre and Beijing International Convention Centre continuously improved the quality and efficiency of asset operation through optimising the service quality, innovating the marketing methods and other measures. Accordingly, their revenue hit the record high during the Reporting Period. In May 2017, the National Convention Centre completed the reception and various service assurance tasks for the Belt and Road Forum for International Cooperation at high level, high standard and high quality, which demonstrated the standard and connotation of "Chinese Service" to the world and enhanced the brand influence of North Star Events Group on a continuous basis. In terms of office building business, the Company continued to strengthen external market survey and customer relationship maintenance, and proactively advanced information-based construction. Both the occupation rate and the rent increased, making great contribution to profits of investment properties (including hotels). In terms of hotel and apartment businesses, based on market demands, the Company thoroughly optimised the customer structure. Consequently, the occupation rate maintained at a high level whereas the average price increased amidst stability during the Reporting Period.

As for asset-light service business, North Star Events Group sped up the innovative development and fully capitalised on the correlation effect among various enterprises and businesses. In accordance with the “9+4+N”¹ business model, it continued to accelerate the expansion and upgrade of the whole industrial chain of convention and exhibition business, and devote efforts in four major innovative businesses, i.e. brand operation and expansion, sponsoring and undertaking of conventions and exhibitions, informationisation of convention and exhibitions, and R&D of convention and exhibitions. Further it proactively explored construction and operation of convention and exhibition projects by means of PPP. As a result, many new features demonstrated in its operation. Currently, North Star Events Group has been accredited to formulate the standards for the national convention and exhibition industry, become a successful manager of top-notch international convention and exhibition venues, and a nation-wide pioneer and leader in brand expansion of convention and exhibition services.

As for R&D of convention and exhibition, the Company successfully provided government think tank and strategy consulting services to the Commission of Commerce of Beijing Chaoyang District (北京市朝陽區商務委員會), Zhuhai Bureau of Commerce and other authorities leveraging on its many years of practice and research experience in the convention and exhibition industry. As for convention and exhibition sponsoring and undertaking, the Company proactively prepared for China (Wuhan) Animation Comic Game Festival (中國武漢遊戲節) and continued to extend towards the upstream of convention and exhibition industry chain. As for brand operation and expansion, the Company capitalised on the brand influence and soft power of technology of North Star Events Group to further implement the strategy of “Going Global” and accelerate the expansion of convention and exhibition venues as well as the operation and management output of the hotel brand. The Company has gradually formed a diversified service profit model centring on entrusted management and completed its strategic landscape by extending its business to numerous cities across the country. During the Reporting Period, North Star Events Group successfully entered into contracts in respect of the entrusted management for two projects including North Star V-Continent Beijing Yinfeng Hotel Project and North Star V-Continent Datong Executive Apartment Project, and consulting services for four projects including Nantong International Convention & Exhibition Centre, Xi’an Silk Road International Convention & Exhibition Centre project in Chanba Ecological District, Chifeng Integrated Tourism Service Management Centre Hotel Project and design optimisation project of

¹ Nine entities comprise of Office Building Operation and Management Branch, Apartment Building Operation and Management Branch, Utilities Building Operation and Management Branch and the hotels held by the Company.

Zhuhai International Convention & Exhibition Centre Phase II.

As at the end of the Reporting Period, the cumulative contracted convention and exhibition and hotel projects on consulting service and entrusted operation totalled 25 across 21 cities throughout the country, with a total floor area of nearly 1.85 million square metres under entrusted operation and management.

Table 5: Operation and Leasing of Real Estate during the Reporting Period

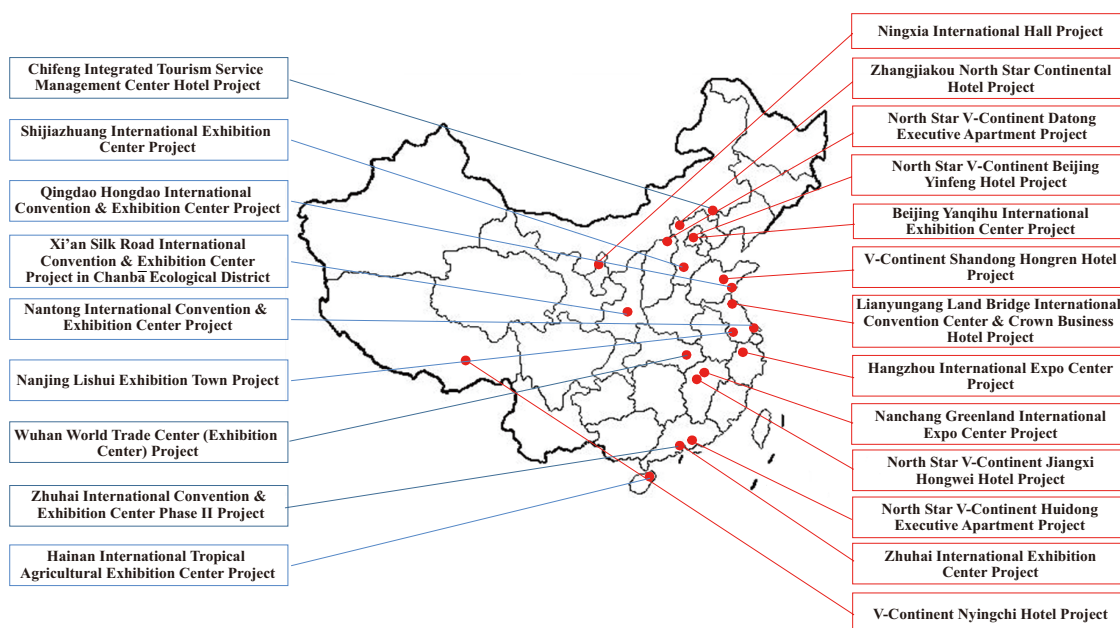
Unit: 0'000 Currency: RMB

No.	Location	Project	Operation format	Construction area of the real estate leased (square metre)	Rental income of the real estate leased
1	Beijing	National Convention Centre	Convention and exhibition	270,000	30,268
2	Beijing	Beijing International Convention Centre	Convention and exhibition	56,400	5,926
3	Beijing	Hui Bin Building	Office building	37,800	3,269
4	Beijing	Hui Xin Building	Office building	38,000	2,695
5	Beijing	North Star Times Tower	Office building	139,367	11,726
6	Beijing	North Star Century Centre	Office building	149,800	15,872
7	Beijing	Beijing Continental Grand Hotel	Hotel	42,613	6,386
8	Beijing	National Convention Centre Hotel	Hotel	50,200	4,993
9	Beijing	V-Continent Beijing Parkview Wuzhou Hotel	Hotel	60,205	8,127
10	Beijing	Intercontinental Beijing North Star Hotel	Hotel	60,000	8,498
11	Changsha	Intercontinental Changsha	Hotel	79,199	9,266
12	Beijing	Hui Yuan Apartment	Apartment	179,662	11,647
13	Beijing	North Star Shopping Centre (Asian Games Village Branch (亞運村店))	Commercial	30,463	9,139
14	Beijing	B5 Commercial Area of North Star Green Garden	Commercial	49,689	1,009

Notes:

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

Table 6: Entrusted management projects and consulting projects of the Company for the first half of 2017



Note: of the above projects, those in blue boxes are consulting projects and those in red boxes are entrusted management projects.

3. Commercial Properties

While emphatically improving commodity quality and service experience, the Company devised precise marketing plan from market-oriented perspective, enhanced customer satisfaction and suppressed the declining trend of operation.

4. Nurturing Business

The Company vigorously explored new businesses. In terms of health and elderly care, piloting the Changsha International Healthcare Town project (長沙國際健康城項目), the Company energetically pressed ahead commercialised and replicable elderly care projects and dedicated to development of general health business of North Star through strengthening cooperation with overseas and domestic professional organisations. In terms of cultural creativity, through strategic cooperation with Beijing Cultural Investment and Development Group Co., Ltd. and the construction of “North Star Delta” cultural creativity industry park in Changsha, the Company consistently expanded the breadth and depth of the integration between cultural creativity business with its principal business.

5. Financing Work

The Company actively pursued and implemented capital expansion strategy. It deeply explored multi-channel financing, strengthened capital operation and constantly optimised capital structure.

III. INDUSTRY LANDSCAPE AND TREND

In the second half of 2017, China will keep insisting on the general working principle of making progress while ensuring stability, carry through new development concepts, and acclimate itself to, capitalise on and lead the new formality of economic development. China will lay particular emphasis on the improvement of development quality and efficiency and focus on the promotion of the supply-side structural reform. Meanwhile, it will fully carry out various tasks in relation to steady growth, reform promotion, structural readjustment, improving people’s livelihood and risk prevention, so as to safeguard the stable and healthy development momentum of the economy.

As for development properties, the residential attribute of properties, classified control and city-oriented implementation of policies will still be the major keynotes of real estate policies for 2017. In the short term, the government will tighten its regulation in a comprehensive way so as to restrain overly intense investment and speculative demands and stabilise the market environment. In the medium and long term, China will continue to reinforce management of land supply, keep deepening the supply-side reform, take great efforts to invigorate the real economy, and accelerate the establishment of a longstanding mechanism and housing system which will promote the stable and healthy development of the real estate market, thereby pushing ahead the sustained and healthy development of real estate industry.

As for investment properties (including hotels), the Certain Opinions on Accelerating Cultivation and Development of the Housing Rental Market issued by the State Council and Notice on Accelerating the Development of Housing Rental Market in Large and Medium-sized Cities with Net Inflow of Population (《關於在人口淨流入的大中城市加快發展住房租賃市場的通知》) issued by Ministry of Housing and Urban-Rural Development together with other eight central ministries and commissions both provide a sound policy environment for the development of apartment market. Furthermore, the Certain Opinions of the State Council on Further Promoting the Reform and Development of the Exhibition Industry will continue to promote the market-oriented, professional and international development progress of the convention and exhibition industry. The synergistic development of Beijing, Tianjin and Hebei and the implementation of the general requirements for the reinforced construction of Beijing as the “Four Centres” will also continue to provide more extensive space for the development in the convention and exhibition industry. Moreover, the Asian Infrastructure Investment Bank agreement, the “One Belt, One Road Initiative” and the setup of free trade zone will also further stimulate demands for office buildings. Meanwhile, China speeds up the development of service consumption and boosts the innovation in modes of service industry and cross industry integration, while devoting great efforts to develop convention and exhibition industry and tourism, which will directly lead to the enhancement of hotel and catering business.

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

IV. DEVELOPMENT STRATEGY OF THE COMPANY

In spite of the complicated and changing operating environment, the Company will proactively adapt to and capitalise on the new normality of economic development, and give full play to the comprehensive operation advantages of “property development + property operation”. Adhering to the development direction towards paralleled development of asset-heavy investment business and asset-light service business, the Company will proactively explore the development mode of asset-light service business featuring “operation with light asset, support by new economy, expansion at low cost and development of high-end service industry” by thorough implementation of the three strategies, i.e. low cost expansion, brand expansion and capital expansion. The Company will also spare no efforts to seek operational improvement and scale development of its principal businesses, actively press forward with the research and development of nurturing business and the implementation thereof, and endeavor to build itself into a nationally leading composite real estate enterprise and China’s most influential exhibition-brand enterprise. In the second half of 2017, the Company will strictly control costs and expenditures, keep reducing costs, strengthen budget rigidity and implement the budget in a standard way.

1. Development Properties

In respect of land expansion, the Company will capitalise on the real estate group as a platform and flexibly adopt various means such as public bidding, cooperative development, and merger and acquisition to replenish its land reserve in due course. While tapping potentials in the cities already with presence, the Company will continue to accelerate its nationwide layout. In respect of project operation, the Company will achieve rapid turnover and vigorously construct premium buildings through strengthening management, control and product innovation to enlarge the profit space; In respect of system construction, the Company will leverage on the establishment of the real estate group to vigorously integrate the professional and technical resources and build a unified operation system. Continued efforts will be exerted to deepen product standardisation and brand building and improve the incentive mechanism, thus enhancing the whole process management system and core competitiveness of real estate business.

In the second half of 2017, it is estimated that new construction area of the Company will be 1,780,000 square metres, area for new and resumed construction will be 5,600,000 square metres and the completed area will be 890,000 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 750,000 square metres and the contracted amount (including parking spaces) of RMB10.7 billion for the second half of 2017.

2. Investment Properties (Including Hotels)

In addition to capitalising on opportunities in the market and following the industry development trend, the Company will further give play to the advantages of the integrated resources and vigorously promote brand expansion and industrial chain extension while tapping benefit from in-stock assets in the light of the development plan outline of “9+4+N” of the North Star Events Group. Moreover, the Company will also exploit the opportunity in the reception of BRICS Xiamen Summit in the second half of the year, continuously fostering and enhancing the brand image and industry influence of North Star Events Group, endeavor to explore and expand growth potentials for its innovative asset-light service business.

3. Commercial Properties

The Company will configure the brand and product portfolio in a reasonable manner to further improve customer experience in physical stores, push forward the integrated development of the online and offline resources constantly and strive to maintain stable operation.

4. Nurturing Business

The Company will unrelentingly carry forward the nurturing business comprising health and elderly care as well as the cultural creativity business. As for health and elderly care, the Company will establish a sustainable business mode targeted on general health and proactively facilitate the materialisation of projects, while accelerating the information-based construction for elderly care and the establishment of the brand system. As for cultural creativity, the Company will proactively seek for an all-round development business mode covering the upstream contents, midstream channels and downstream products. Besides, it will make the best of the advantageous resources of the Company's held-for-sale properties to energetically explore the operation mode of a cultural creativity complex, aiming to create the growth pole of the North Star cultural business.

5. Financing and Capital Expenditure

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

The Company is expected to make fixed asset investment of RMB195million in the second half of 2017, which will be paid on the basis of work progress. The capital will come from internal fund.

V. POTENTIAL RISKS FACED BY THE COMPANY

1. Policy Risks in Development Properties

The development of real estate industry is subject to tremendous impact of relevant macro-control policies such as the national macro policy, land management policy, industry policy, and other policies regarding finance, taxation and city planning. Such policies are cyclical in nature. The operational cycle of real estate projects is relatively long, therefore, any significant adjustment to relevant policies may pose certain risks to real estate companies regarding land acquisition, project development and construction, sales and fundraising.

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 the real estate business. Meanwhile, it will promote its comprehensive competitiveness by continuously optimising the direction of business development based on the policy directions, with an aim to speed up turnover of projects and to continuously enhance the potential of sustainable development of development properties business.

2. Market Risks

The lasting differentiation in real estate market and fierce competition for popular cities and certain prime land parcels among real estate enterprises resulted in persistent high transaction price and the increase of development cost of enterprises, which will pose the risk of narrower profit margin of the enterprises and further affect the housing prices. Subsequent excessively high housing prices are susceptible to induce regulation policies, which will impose risks on enterprises in operation and sale, land reserve, finance and capital as well as operation stability.

In response to the aforesaid risks, the Company will pay close attention to the development trend of the market, strengthen the evaluation on the newly entered cities, and select those relatively developed cities and regions in which the market is mature with a favorable investment atmosphere, a net inflow of population and a relatively rational housing-price-to-income ratio, in order to further conduct the feasibility study and profit prediction on new projects. The Company will insist on low cost expansion strategy, explore new channels for land acquisition such as equity acquisition and cooperative development and others to mitigate capital pressure and minimise operation risks. At the same time, the Company is dedicated to strengthen professional management and deepen systematic construction, so as to speed up the turnover of its projects, improve the cash recovery rate and avoid market risks.

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

As the Company 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 increasing risks and challenges of various kinds and soaring demands for senior management personnel and professional talents, hence the Company may be exposed to the risk of talent shortage in the near future.

To tackle the aforementioned risks, the Company organised a range of courses, including training class for general managers of real estate projects, training class for senior managers of exhibition projects and training class for general managers of finance, to actively cultivate talents, and speed up the expansion of talent reserve. Meanwhile, the Company introduced relevant regulations such as basic qualifications for different levels of positions to specify employment standards, standardised recruitment procedures, constantly optimised personnel structure and stimulated internal organisational vitality, so as to guarantee strong talent 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
3,006,683	6.26	61,144

DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE

Financial Resources and Liquidity

As at 30 June 2017, the capital and reserve attributable to the Company's owners increased by 3.31% compared with 31 December 2016. The increase was primarily attributable to additional profit attributable to the owners of the Company of RMB772,006,000 during the Period.

The Group's borrowings as at 30 June 2017 amounted to RMB26,091,909,000, among which the Group had long-term borrowings of RMB19,545,820,000 secured by certain investment properties, properties, plants and equipment, properties under development and completed properties held for sale. As at 30 June 2017, the Group's closing balances of corporate bonds amounted to RMB3,974,920,000. The gearing ratio of the Group was 77.46% (calculated by dividing total liabilities by total assets) as at the end of the Reporting Period (31 December 2016: 75.20%).

Current assets of the Group, which mainly comprise cash at bank and on hand, trade and other receivables, financial assets at fair value through profit or loss, completed properties held for sale and properties under development, amounted to RMB65,197,321,000 as at 30 June 2017, whereas the Group's current liabilities amounted to RMB35,591,526,000. As at 30 June 2017, the balance of cash at bank and on hand amounted to RMB10,950,766,000 (excluding restricted bank deposits).

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

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The above mentioned financial guarantees provided in phases have no material impact on the financial position of the Group. As at 30 June 2017, the outstanding amount of financial guarantees provided in phases was RMB11,217,851,000 (31 December 2016: RMB8,750,340,000).

SHARE CAPITAL AND SHAREHOLDERS

Share Capital

The Company's registered capital as at 30 June 2017 totalled 3,367,020,000 shares in issue, comprising:

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

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, 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 ^{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 2017.

Note: Pursuant to the document titled “Implementation measure for the transfer of part of the state-owned shares to the National Council for Social Security Fund in domestic securities market” (Cai Qi [2009] No. 94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and announcement No. 63 of 2009 jointly issued by the Ministry of Finance of the People’s Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission (the “CSRC”) and the National Council for Social Security Fund, after the reform of shareholder structure, all the limited companies who conducted the initial public offering in the domestic securities market with its shares (including state-owned shares) listed shall transfer part of its state-owned shares with reference to 10% of the actual issued shares during initial public offering to the 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 of 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 CSRC and the National Council for Social Security Fund, the 150,000,000 shares held by BNSIGC are frozen at present as BNSIGC was a state-owned shareholder prior to the listing of the Company.

On 30 October 2015, the BNSIGC has issued a letter of undertaking to the 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 million shares to be transferred. The BNSIGC paid the first amount of RMB60,000,000 on 20 November 2015 and paid the second amount of RMB100,000,000 on 18 November 2016. At present, the 150 million shares held by BNSIGC in the Company are still frozen.

INTERESTS OF DIRECTORS AND SUPERVISORS OF THE COMPANY

As at 30 June 2017, 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 2017.

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 2017 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 2017, 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 2017, the Company had 5,638 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.

STAFF QUARTERS

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

OTHER SIGNIFICANT EVENTS

At the 97th meeting of the 7th session of the Board of the Company on 8 March 2017, the establishment of Beijing North Star Property Company Limited (北京北辰置業有限公司) by the Company by using the equity interests in 26 companies directly held by the Company as the contributions was considered and approved. The registered capital of Beijing North Star Property Company Limited was RMB2,683,003,600 and is owned as to 100% by the Company. On 26 June 2017, Beijing North Star Real Estate Company Limited was renamed Beijing North Star Real Estate Group Limited (北京北辰地產集團有限公司) and the establishment of Beijing North Star Real Estate Group (北京北辰地產集團) was registered.

PUBLICATION OF INTERIM REPORT

The Company's 2017 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 2017 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
16 August 2017

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