



北辰实业
BEIJING NORTH STAR

HKEx Stock Code: 0588
SSE Stock Code: 601588

2016 INTERIM REPORT





INTERIM REPORT

For the six months ended 30 June 2016

- Revenue was RMB4,396,479,000, representing an increase of 35.30% over the same period last year
- Operating profit was RMB1,103,491,000, representing an increase of 18.00% over the same period last year
- Profit attributable to the owners of the Company was RMB558,290,000, representing an increase of 30.37% 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 RMB467,710,000, representing an increase of 5.03% from the same period last year, and the gains (after taxation) on changes in fair value of investment properties was RMB90,580,000
- Earnings per share was RMB0.1658, earnings per share in the same period last year was RMB0.1272
- The board of directors (the "Board") resolved that no interim dividend would be distributed in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: nil)

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	316,144	320,470
Investment properties	7	12,532,000	12,396,300
Property, plant and equipment	7	2,219,014	2,272,152
Investments accounted for using the equity method		70,301	14,705
Deferred income tax assets		220,855	210,306
		<u>15,358,314</u>	<u>15,213,933</u>
Current assets			
Properties under development	8	25,008,632	22,966,299
Completed properties held for sale		10,205,952	8,053,187
Other inventories		63,074	67,267
Trade and other receivables	9	2,260,203	1,651,243
Restricted bank deposits		340,197	471,236
Cash and cash equivalents		10,530,900	6,104,157
		<u>48,408,958</u>	<u>39,313,389</u>
Total assets		<u><u>63,767,272</u></u>	<u><u>54,527,322</u></u>
EQUITY			
Equity attributable to the owners of the Company			
Share capital	10	3,367,020	3,367,020
Other reserves		4,346,651	4,346,651
Retained earnings		9,243,514	8,887,245
		<u>16,957,185</u>	<u>16,600,916</u>
Non-controlling interests		<u>620,456</u>	<u>603,618</u>
Total equity		<u><u>17,577,641</u></u>	<u><u>17,204,534</u></u>

Interim Condensed Consolidated Balance Sheet (Continued)

	<i>Note</i>	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Long term borrowings	12	22,453,243	17,085,264
Long term payables		9,813	5,282
Deferred income tax liabilities		1,832,567	1,778,548
		24,295,623	18,869,094
Current liabilities			
Trade and other payables	11	17,806,371	12,978,427
Current income tax liabilities		938,267	824,753
Current portion of long term borrowings	12	2,649,370	4,158,300
Short term borrowings	12	500,000	492,214
		21,894,008	18,453,694
Total liabilities		46,189,631	37,322,788
Total equity and liabilities		63,767,272	54,527,322

The notes on pages 8 to 35 are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Revenue	6	4,396,479	3,249,467
Cost of sales		(2,881,148)	(1,829,882)
Gross profit		1,515,331	1,419,585
Selling and marketing expenses		(233,308)	(149,289)
Administrative expenses		(316,882)	(315,767)
Fair value gains/(losses) on investment properties	13	120,773	(22,763)
Other gains – net		17,577	3,367
Operating profit		1,103,491	935,133
Finance income	14	32,026	45,791
Finance expenses	14	(240,685)	(226,453)
Finance expenses – net	14	(208,659)	(180,662)
Share of loss of investments accounted for using the equity method		(2,900)	(1,303)
Profit before income tax	6	891,932	753,168
Income tax expenses	15	(341,804)	(292,799)
Profit for the period		550,128	460,369
Profit/(losses) attributable to:			
– Owners of the Company		558,290	428,251
– Non-controlling interests		(8,162)	32,118
		550,128	460,369
		RMB Cent per share	RMB Cent per share
Earnings per share attributable to the owners of the Company during the period			
– Basic and diluted		16.58	12.72
Dividend	16	–	–

The notes on pages 8 to 35 are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Profit for the period	550,128	460,369
Other comprehensive income	–	–
Total comprehensive income for the period	550,128	460,369
Attributable to:		
– Owners of the Company	558,290	428,251
– Non-controlling interests	(8,162)	32,118
	550,128	460,369

The notes on pages 8 to 35 are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited						
	Attributable to owners of the Company					Non-controlling interests	Total equity
	Note	Share capital	Other reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2016		<u>3,367,020</u>	<u>4,346,651</u>	<u>8,887,245</u>	<u>16,600,916</u>	<u>603,618</u>	<u>17,204,534</u>
Total comprehensive income for the period ended 30 June 2016		<u>-</u>	<u>-</u>	<u>558,290</u>	<u>558,290</u>	<u>(8,162)</u>	<u>550,128</u>
Transactions with owners, recognised directly in equity							
Dividend relating to 2015 but approved during the period		-	-	(202,021)	(202,021)	-	(202,021)
Establishment of a subsidiary		-	-	-	-	25,000	25,000
Total transactions with owners, recognised directly in equity		<u>-</u>	<u>-</u>	<u>(202,021)</u>	<u>(202,021)</u>	<u>25,000</u>	<u>(177,021)</u>
Balance at 30 June 2016		<u>3,367,020</u>	<u>4,346,651</u>	<u>9,243,514</u>	<u>16,957,185</u>	<u>620,456</u>	<u>17,577,641</u>
Balance at 1 January 2015		<u>3,367,020</u>	<u>4,261,968</u>	<u>8,365,110</u>	<u>15,994,098</u>	<u>172,566</u>	<u>16,166,664</u>
Total comprehensive income for the period ended 30 June 2015		<u>-</u>	<u>-</u>	<u>428,251</u>	<u>428,251</u>	<u>32,118</u>	<u>460,369</u>
Transactions with owners, recognised directly in equity							
Dividend relating to 2014 but approved during the period		-	-	(202,021)	(202,021)	-	(202,021)
Establishment of a subsidiary		-	-	-	-	2,500	2,500
Paid in capital injection from non-controlling interest		-	-	-	-	5,000	5,000
Total transactions with owners, recognised directly in equity		<u>-</u>	<u>-</u>	<u>(202,021)</u>	<u>(202,021)</u>	<u>7,500</u>	<u>(194,521)</u>
Balance at 30 June 2015		<u>3,367,020</u>	<u>4,261,968</u>	<u>8,591,340</u>	<u>16,220,328</u>	<u>212,184</u>	<u>16,432,512</u>

The notes on pages 8 to 35 are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows



	Unaudited	
	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows generated from/(used in) operating activities – net	642,120	(1,810,123)
Cash flows used in investing activities – net	(90,062)	(135,802)
Cash flows generated from financing activities – net	3,874,685	2,865,926
Net increase in cash and cash equivalents	4,426,743	920,001
Cash and cash equivalents at 1 January	6,104,157	4,052,623
Cash and cash equivalents at 30 June	10,530,900	4,972,624

The notes on pages 8 to 35 are an integral part of this interim condensed 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 RMB 2.4 per share and these shares were listed on the Shanghai Stock Exchange on 16 October 2006. Since then, the Company’s shares have been jointly listed on the Main Board of The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange.

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

This condensed consolidated interim financial information is presented in Renminbi, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 17 August 2016.

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 2016 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), issued by Hong Kong Institute of Certified 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 2015, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ended 31 December 2016.

(a) Amendments to HKFRSs effective for the financial year ended 31 December 2016 are not expected to have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(b) Impact of standards issued but not yet applied by the entity

- 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 standard does not need to be applied until 1 January 2018 but is available for early adoption. The Group is currently assessing whether it should adopt HKFRS 9 before its mandatory date.

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

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 “Revenue from Contracts with Customers”, lease receivables, loan commitments and certain financial guarantee contracts. 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 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.



Notes to the Condensed Consolidated Interim Financial Information (Continued)

3. ACCOUNTING POLICIES (Continued)

(b) Impact of standards issued but not yet applied by the entity (Continued)

- HKFRS 15 “Revenue from Contracts with Customers” has been issued by the HKICPA as 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, and will allow early adoption.

At this stage, the Group is not able to estimate the effect of the new rules on the Group’s financial statements. The Group will make more detailed assessments of the effect over the next twelve months. The Group does not expect to adopt the new standard before 1 January 2018.

- HKFRS 16, “Leases” addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 “Leases”, and related interpretations. An entity shall apply HKFRS 16 for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting HKFRS 15 ‘Revenue from Contracts with Customers’ at the same time.

Management is currently assessing the effects of applying the new standard on the Group’s financial statements and at this stage, the Group is not able to estimate the effect of the new rules on the Group’s financial statements. The Group will make more detailed assessments of the effect over the next twelve months. The Group does not expect to adopt the new standard before 1 January 2019.

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 2015.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5. FINANCIAL RISK MANAGEMENT

5.1. Financial Risk Factors

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

The condensed consolidated interim financial information does 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 2015.

There have been no changes in the risk management policies since the year ended 31 December 2015.

5.2. Liquidity

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 30 June 2016 (Unaudited)					
Borrowings (including interests)	4,425,764	8,122,851	11,956,250	6,126,968	30,631,833
Trade and other payables	5,964,291	–	–	–	5,964,291
Financial guarantees (<i>Note 18</i>)	4,776,631	–	–	–	4,776,631
	<u>15,166,686</u>	<u>8,122,851</u>	<u>11,956,250</u>	<u>6,126,968</u>	<u>41,372,755</u>
At 31 December 2015 (Audited)					
Borrowings (including interests)	6,017,416	4,533,923	10,706,841	5,175,286	26,433,466
Trade and other payables	5,623,682	–	–	–	5,623,682
Financial guarantees (<i>Note 18</i>)	3,424,501	–	–	–	3,424,501
	<u>15,065,599</u>	<u>4,533,923</u>	<u>10,706,841</u>	<u>5,175,286</u>	<u>35,481,649</u>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5. FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation

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

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

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

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:

	30 June 2016 <i>RMB'000</i>	31 December 2015 <i>RMB'000</i>
Non-current	22,707,753	17,364,759
Current	3,149,370	4,650,514
	25,857,123	22,015,273

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 reports reviewed by the Board, being the major body in making operation decisions, for assessing the operating performance and resources allocation.

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

Other operations 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 in the reports provided to the Board.

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

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

Revenue consists of sales from development properties, investment properties and hotels and commercial properties segments. Revenues recognised during the six months ended 30 June 2016 and 30 June 2015 are as follows:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	<i>RMB'000</i>
Revenue		
Development properties	3,049,204	1,985,291
Investment properties and hotels	1,198,393	1,090,232
Commercial properties	102,586	126,521
	4,350,183	3,202,044
All other segments	46,296	47,423
	4,396,479	3,249,467

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6. SEGMENT INFORMATION (Continued)

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

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 properties RMB'000	Investment properties and hotels RMB'000	Commercial properties RMB'000	All other segments RMB'000	Total Group RMB'000
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/(losses) before income tax	404,361	401,076	(11,844)	(9,945)	783,648
Six months ended 30 June 2015 (Unaudited)					
Total segment revenue	1,985,291	1,096,375	126,521	68,994	3,277,181
Inter-segment revenue	–	(6,143)	–	(21,571)	(27,714)
Revenue from external customers	1,985,291	1,090,232	126,521	47,423	3,249,467
Profit/(losses) before income tax	447,281	337,405	(8,065)	(7,847)	768,774

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6. 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 2016 (Unaudited)					
Total segment assets	41,881,493	7,460,597	411,366	90,106	49,843,562
Total segment assets include:					
Investments accounted for using the equity method	63,902	-	-	-	63,902
Additions to non-current assets (other than deferred income tax assets)	<u>18,194</u>	<u>4,629</u>	<u>155</u>	<u>5,085</u>	<u>28,063</u>
As at 31 December 2015 (Audited)					
Total segment assets	34,663,509	7,591,690	442,848	121,006	42,819,053
Total segment assets include:					
Investments accounted for using the equity method	-	-	-	-	-
Additions to non-current assets (other than deferred income tax assets)	<u>6,398</u>	<u>175,961</u>	<u>196</u>	<u>25,729</u>	<u>208,284</u>

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Profit before income tax for reportable segments	783,648	768,774
Corporate overheads	(48,401)	(32,632)
Corporate finance expenses	(225,977)	(221,602)
Corporate finance income	17,842	36,634
Share of loss from investments accounted for using the equity method	(29)	(19)
Fair value gains/(losses) on investment properties (Note 13)	120,773	(22,763)
Reversal of depreciation of investment properties	93,512	85,665
Land appreciation tax (Note 15)	148,773	137,320
Others	1,791	1,791
Profit before income tax	891,932	753,168

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6. SEGMENT INFORMATION (Continued)

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

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 <i>RMB'000</i>
Total segment assets	49,843,562	42,819,053
Deferred income tax assets	220,855	210,306
Corporate cash	6,085,698	3,955,376
Interest in investments accounted for using the equity method	6,399	14,705
Loans granted	280,497	413,697
Aggregated fair value gains on investment properties	5,569,888	5,449,115
Reversal of accumulated depreciation of investment properties	1,763,095	1,669,583
Others	(2,722)	(4,513)
Total assets per balance sheet	63,767,272	54,527,322

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 2016 and 2015.

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 2016 and 31 December 2015, 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 2016 and 2015.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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

	Land use rights <i>RMB'000</i>	Unaudited Property, plant and equipment <i>RMB'000</i>	Investment properties <i>RMB'000</i>
Six months ended 30 June 2016			
Opening net book amount as at 1 January 2016	320,470	2,272,152	12,396,300
Fair value gains (<i>Note 13</i>)	–	–	120,773
Additions	–	16,288	14,927
Disposals	–	(1,899)	–
Amortisation/depreciation	(4,326)	(67,527)	–
Closing net book amount as at 30 June 2016	316,144	2,219,014	12,532,000
Six months ended 30 June 2015			
Opening net book amount as at 1 January 2015	329,122	2,887,656	11,574,900
Fair value losses (<i>Note 13</i>)	–	–	(22,763)
Additions	–	23,250	17,916
Disposals	–	(236)	(234)
Transfer	–	(33,281)	33,281
Amortisation/depreciation	(4,326)	(77,214)	–
Closing net book amount as at 30 June 2015	324,796	2,800,175	11,603,100

The investment properties were revalued at 30 June 2016 by an independent, professionally qualified value, Greater China Appraisal Limited (“GCAL”).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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

(i) 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 As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
Recurring fair value measurements		
Investment properties:		
Office units	5,935,000	5,873,300
Apartments	1,775,000	1,748,000
Convention centers	3,437,000	3,386,000
Shopping malls	1,385,000	1,389,000
	<u>12,532,000</u>	<u>12,396,300</u>

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

(ii) Valuation processes of the Group

The Group's investment properties were valued on 30 June 2016 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 reviews 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 2016 and 31 December 2015, the fair values of the properties have been determined by Greater China Appraisal Limited.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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

(ii) Valuation processes of the Group (Continued)

At each reporting dates, the finance department:

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

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

(iii) Valuation techniques

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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

(iii) Valuation techniques (Continued)

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 investments to maintain functionality of the property for its expected useful life;
Capitalisation rates	Based on actual location, size and quality of the properties and taking into account market data at the valuation date;
Terminal value	Taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

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

8. PROPERTIES UNDER DEVELOPMENT

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
Land use rights	17,594,430	15,287,217
Development costs and capitalised expenditure	4,923,730	5,323,392
Finance expenses capitalized	2,490,472	2,355,690
	25,008,632	22,966,299

Notes to the Condensed Consolidated Interim Financial Information (Continued)

9. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
Trade receivables	112,011	59,075
Less: provision for impairment of receivables	<u>(82)</u>	<u>(78)</u>
Trade receivables – net	111,929	58,997
Other receivables	605,014	154,093
Less: provision for impairment of receivables	<u>(14,610)</u>	<u>(14,836)</u>
Other receivables – net	590,404	139,257
Prepaid tax	1,045,628	789,560
Receivables due from related parties <i>(Note 20(iv))</i>	333,496	413,697
Other prepayments	168,280	218,729
Interest receivables <i>(Note 20(iv))</i>	<u>10,466</u>	<u>31,003</u>
	<u>2,260,203</u>	<u>1,651,243</u>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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 2016 and 31 December 2015, the ageing analysis of the trade based on the date of services provided at the end of reporting period is as follows:

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
Trade receivables		
0-30 days	48,417	18,623
31-90 days	15,755	3,492
Over 90 days	47,839	36,960
	112,011	59,075

10. SHARE CAPITAL

	Audited As at 31 December 2015 RMB'000	Movement RMB'000	Unaudited As at 30 June 2016 RMB'000
Registered, issued and fully paid (a)	3,367,020	-	3,367,020

- (a) Pursuant to the document titled "Implementation Measure for Transfer of Part of the State-owned Shares in Domestic Securities Market to the National Social Security Fund" (Cai Qi [2010] No. 94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企(2010)94號)) and announcement No. 63 of 2010 jointly issued by the Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund ("NCSSF"), a total of 150,000,000 shares in the Company held by BNSIGC should be transferred to NCSSF. On 30 October 2015, 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 150,000,000 shares to be transferred. The BNSIGC has paid the first amount of RMB60,000,000 on 20 November 2015. At present, the 150,000,000 shares held by BNSIGC in the Company are still frozen. Except for this, the lock-up period for remaining shares held by BNSIGC expired, and 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 2016 <i>RMB'000</i>	Audited As at 31 December 2015 <i>RMB'000</i>
Trade payables	2,241,834	2,449,678
Advance from customers	11,548,450	7,018,307
Dividends payable to owners of the Company	6,917	–
Dividends payable to non-controlling interests of a subsidiary	1,162	1,162
Accrued construction costs	950,003	437,472
Accrued interest	245,441	323,042
Amounts due to non-controlling interests	1,719,557	1,651,808
Other payables	1,093,007	1,096,958
	17,806,371	12,978,427

As at 30 June 2016 and 31 December 2015, 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 2016 <i>RMB'000</i>	Audited As at 31 December 2015 <i>RMB'000</i>
Trade payables		
0–180 days	498,779	526,636
181–365 days	123,662	224,662
Over 365 days	1,619,393	1,698,380
	2,241,834	2,449,678

Notes to the Condensed Consolidated Interim Financial Information (Continued)

12. BORROWINGS

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 <i>RMB'000</i>
Non-current		
Long term borrowings		
– Secured bank borrowings	11,897,535	8,639,057
– Other borrowings (<i>Note a</i>)	9,236,300	8,627,300
– Bonds (<i>Note b</i>)	3,968,778	3,977,207
	25,102,613	21,243,564
Less: current portion of long term borrowings	(2,649,370)	(4,158,300)
	22,453,243	17,085,264
Current		
Short term borrowings		
– Secured borrowings	400,000	200,000
– Unsecured borrowings	100,000	292,214
Current portion of long term borrowings	2,649,370	4,158,300
	3,149,370	4,650,514
Total borrowings	25,602,613	21,735,778

Notes to the Condensed Consolidated Interim Financial Information (Continued)



12. BORROWINGS (Continued)

- (a) Other borrowings

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
Loans from other financial institutions	8,686,300	7,927,300
Entrust loans from BNSIGC (<i>Note 20(iv)</i>)	<u>550,000</u>	<u>700,000</u>
	<u>9,236,300</u>	<u>8,627,300</u>

- (b) On 20 January 2015, the Company issued corporate bonds with an aggregate principal amount of RMB2,500,000,000. Among which, RMB1,000,000,000 has a maturity period of 5 years, carries a fixed annual coupon rate of 4.8% and is embedded a put option at the end of the third year. The net proceeds of 5 year bonds were RMB989,926,000 (net of issuance costs of RMB10,074,000). The remaining bonds of RMB1,500,000,000 has a maturity period of 7 years, carries a fixed interest rate of 5.2% and is embedded a put option at the end of the fifth year. The net proceeds of 10 year bonds were RMB1,484,889,000 (net of issuance costs of RMB15,111,000). 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, which has a maturity period of 5 years carries a fixed annual coupon rate of 4.48% and is embedded with a put option at the end of the third year. The net proceeds of this bond were RMB1,488,000,000 (net of issuance costs of RMB12,000,000). The interest of bonds would be paid annually and the principal is fully repayable on 21 April 2021.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

12. BORROWINGS (Continued)

Movements in borrowings are analyzed as follows:

	Unaudited Six months ended 30 June 2016 RMB'000
Six months ended 30 June 2016	
Opening amount as at 1 January 2016	21,735,778
Addition of bank borrowings	5,150,022
Addition of other borrowings	1,560,000
Repayment of borrowings	(2,834,759)
Issuance of bonds	1,488,000
Repayment of bonds	(1,500,000)
Amortisation of issuance costs of bonds	3,572
	<u>25,602,613</u>
Closing amount as at 30 June 2016	

	Unaudited Six months ended 30 June 2015 RMB'000
Six months ended 30 June 2015	
Opening amount as at 1 January 2015	16,109,974
Addition of bank borrowings	2,450,985
Addition of other borrowings	1,582,208
Repayment of borrowings	(3,523,125)
Issuance of bonds	2,474,815
Amortisation of issuance costs of bonds	2,830
	<u>19,097,687</u>
Closing amount as at 30 June 2015	

Interest expense on borrowings and bonds for the six months ended 30 June 2016 is RMB904,922,000 (six months ended 30 June 2015: RMB622,819,000).

Notes to the Condensed Consolidated Interim Financial Information (Continued)



12. BORROWINGS (Continued)

The Group has the following undrawn borrowing facilities:

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
Floating rate:		
– expiring within one year	550,000	300,000
– expiring between two and five years	3,400,670	3,550,692
– expiring beyond five years	437,500	437,500
	4,388,170	4,288,192

13. OPERATING PROFIT

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

	Unaudited Six months ended 30 June 2016 RMB'000	2015 RMB'000
Investment properties at fair value through profit or loss:		
– fair value gains/(losses) (Note 7)	120,773	(22,763)
Reversal/(provision) for impairment of receivables	222	(5)
Loss on disposal of property, plant and equipment	(36)	(44)
	120,759	(61,712)

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 2016 and 2015.

No inventory was written-down as at 30 June 2016 (31 December 2015: nil).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

14. FINANCE INCOME AND EXPENSES

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest expense	(867,148)	(622,819)
Less: amounts capitalised in properties under development at a capitalisation rate of 7.24% (six months ended 30 June 2015: 7.20%) per annum	632,876	401,217
Finance expenses	(234,272)	(221,602)
Bank charges and others	(6,413)	(4,851)
Finance income		
– Interest income	32,026	45,791
Net finance expenses	(208,659)	(180,662)

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 2016 and 2015. 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 2016 and 2015 was 25%.

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	149,561	155,048
– PRC land appreciation tax	148,773	137,320
Deferred income tax	43,470	431
	341,804	292,799

Notes to the Condensed Consolidated Interim Financial Information (Continued)



16. DIVIDEND

A dividend that relates to the year ended 31 December 2015 amounting to RMB202,021,000 was approved at the annual general meeting in May 2016 (dividend related to the year ended 31 December 2014: RMB202,021,000).

The Board resolved that no interim dividend will be declared in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

During the period, total dividend that related to the year of 2015 paid by the Group to the owners of the Company is RMB195,104,000. The remaining was paid in full in July 2016.

17. PLEDGED ASSETS

As at 30 June 2016, certain investment properties with fair value of RMB12,353,000,000 (31 December 2015: RMB12,246,000,000), land use rights with net book value of RMB315,212,000 (31 December 2015: RMB319,523,000), property plant and equipment with net book value of RMB1,761,127,000 (31 December 2015: RMB1,786,464,000), properties under development with net book value of RMB14,363,076,000 (31 December 2015: RMB12,506,205,000) and completed properties held for sales of RMB1,847,684,000 (31 December 2015: 1,229,098,000) were pledged by the Group as securities for borrowings of RMB19,445,535,000 (31 December 2015: RMB15,588,058,000).

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 RMB4,776,631,000 as at 30 June 2016 (31 December 2015: RMB3,424,501,000).

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.

19. COMMITMENTS

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

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
Properties under development		
Contracted but not provided for	3,742,273	2,378,970
Authorised but not contracted for	9,272,977	12,273,801
	13,015,250	14,652,771

Notes to the Condensed Consolidated Interim Financial Information (Continued)

19. COMMITMENTS (Continued)

- (b) At 30 June 2016 and 31 December 2015, the Group had future aggregate minimum rental receivables and payables under non-cancellable operating leases as follows:

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
As lessor:		
Rental receivables in respect of investment properties		
Not later than one year	713,312	437,903
Later than one year and not later than five years	883,838	574,658
Later than five years	444,279	374,090
	2,041,429	1,386,651

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
As lessee:		
Rental payables in respect of land use rights and buildings		
Not later than one year	17,191	18,474
Later than one year and not later than five years	64,742	66,111
Later than five years	234,671	242,405
	316,604	326,990

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 2016 and 2015, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government mainly include most of its bank borrowings and part of purchases of goods and services. The price and other terms of such transactions are settled in 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.

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 goods and services

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	<i>RMB'000</i>
BNSIGC		
– operating lease payment in respect of land	7,733	7,100
– office lease acceptance	450	450
– brand royalty fee	5	5
	8,188	7,555

Purchases of services and assets 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) Entrust loans from BNSIGC

	Unaudited Six months ended 30 June 2016 RMB'000	Unaudited Six months ended 30 June 2015 RMB'000
At 1 January	701,144	1,102,067
Proceeds from entrust loans	300,000	–
Repayments of entrust loans	(450,000)	(200,000)
Interest accrued	16,504	28,243
Interest paid	(16,806)	(28,845)
At 30 June	550,842	901,465

The borrowing period and interest rate for the entrust loans from BNSIGC is analyzed as below:

Principal RMB'000	Borrowing Date	Maturity Date	Interest Rate
50,000	25 July 2014	24 July 2016	National benchmark interest rate
200,000	15 August 2014	14 August 2016	National benchmark interest rate
300,000	29 April 2016	29 April 2018	Fixed rate 4.75%

Notes to the Condensed Consolidated Interim Financial Information (Continued)

20. RELATED PARTY TRANSACTIONS (Continued)

(iii) Project cooperation funds to joint ventures and associate

The Group has provided project cooperation funds to its joint ventures, including Wuhan Modern Land North Star Real Estate Co., Limited (“WHMLNSRE”) and Hangzhou Jinhu Real Estate Co., Limited (“HZJHRE”), and its associate, Hangzhou Xufa Real Estate Co., Limited (“HZXFRE”).

Six months ended at 30 June 2016 (Unaudited)	WHMLNSRE RMB'000	HZJHRE RMB'000	HZXFRE RMB'000	Total RMB'000
At 1 January/Establishment date	303,876	–	140,824	444,700
Project cooperation funds granted	–	53,000	–	53,000
Repayments of project cooperation funds	(50,400)	–	(82,801)	(133,201)
Interest income accrued	8,593	–	4,445	13,038
Interest income received	(26,376)	–	(7,199)	(33,575)
At 30 June	<u>235,693</u>	<u>53,000</u>	<u>55,269</u>	<u>343,962</u>
<hr/>				
Six months ended at 30 June 2015 (Unaudited)	WHMLNSRE RMB'000	HZXFRE RMB'000	Total RMB'000	
At 1 January/Establishment date	289,739	–	289,739	
Project cooperation funds granted	163,500	69,328	232,828	
Repayments of project cooperation funds	(150,000)	–	(150,000)	
Interest income accrued	11,524	–	11,524	
Interest income received	–	–	–	
At 30 June	<u>314,763</u>	<u>69,328</u>	<u>384,091</u>	

Notes to the Condensed Consolidated Interim Financial Information (Continued)

20. RELATED PARTY TRANSACTIONS (Continued)

(iv) Balances arising from investment and entrust loans

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 <i>RMB'000</i>
Trade and other receivables from related parties		
– WHMLNSRE	227,100	277,500
– HZXFRE	53,396	136,197
– HZJHRE	53,000	–
	333,496	413,697
Entrust loans from related parties		
– BNSIGC	550,000	700,000
Interest payable of entrust loans from related parties		
– BNSIGC	842	1,144
Interest receivables from related parties		
– WHMLNSRE	8,593	26,376
– HZXF	1,873	4,627
	10,466	31,003

At 30 June 2016 and 31 December 2015, 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 2016 and 2015.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

20. RELATED PARTY TRANSACTIONS (Continued)

(v) Key management compensation

	Unaudited	
	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other short-term employee benefits	7,960	6,639
Post-employment benefits	593	329
	8,553	6,968

(vi) Accept financial guarantee

Pursuant to an agreement signed by BNSIGC, as at 30 June 2016, BNSIGC provides joint liability counter-guarantee for the loans from Kunlun Trust Limited Liability Company amounting to RMB700,000,000 (31 December 2015: RMB700,000,000).

Pursuant to an agreement signed by BNSIGC, as at 30 June 2016, 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 2015: RMB1,700,000,000).

Pursuant to an agreement signed by BNSIGC, as at 30 June 2016, BNSIGC provides joint liability counter-guarantee for the loans from Beijing Rural Commercial Bank amounting to RMB1,710,000,000 (31 December 2015: RMB1,540,000,000).

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 2016 in accordance with Chinese Accounting Standards ("CAS") issued by the Ministry of Finance of the PRC. 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		Capital and reserves attributable to owners of the Company	
	For the six months ended 30 June 2016 RMB'000	2015 RMB'000	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
As stated in accordance with CAS	396,233	379,731	11,459,482	11,265,270
Impact of HKFRS adjustments:				
1. Reversal of depreciation of investment properties under CAS	70,134	64,248	1,322,321	1,252,187
2. Fair value adjustment of investment properties under HKFRS	90,580	(17,071)	4,177,416	4,086,836
3. Differences on revaluation of certain assets upon the reorganisation in 1997	1,343	1,343	(2,034)	(3,377)
As stated in accordance with HKFRS	558,290	428,251	16,957,185	16,600,916

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company

I. BUSINESS ENVIRONMENT

In the first half of 2016, confronted with the complicated situations at home and abroad as well as increasing downturn pressure on economy, the PRC government, in accordance with the general working principle of making progress while ensuring stability, focused on de-capacity, de-stocking, deleveraging, reducing costs and shoring up weak spots and accelerated the supply-side structural reform. Meanwhile, it promoted the balanced development among regions and the construction of new-type urbanization, vigorously pressed ahead “mass entrepreneurship and innovation” and insisted on innovation-driven development, aiming to enhance the vitality of micro subjects and endogenous power of economy growth. In the first half of the year, China’s national economy operated smoothly and stably on the whole, with the GDP growth rate reaching 6.7%.

1. Development Properties

At the beginning of 2016, as the central government launched macro-control measures to accelerate destocking, the policies on real estate remained accommodative. Thanks to the measures such as down payment adjustment, tax reduction and lenient credit and loan, the market demand was shored up effectively. Accordingly, the transaction price in the first-tier and popular second-tier cities rose rapidly with significantly increased transaction volume and rapidly shortening deleveraging cycle. The development and investment of commodity housing picked up in an all-round way. Meanwhile, encouraged by quick investment recovery due to sale of properties, the real estate enterprises became very enthusiastic in land purchases. Consequently, the floor price in first-tier cities and popular second-tier cities continued to rise and the premium rate also recorded new highs. In general, notwithstanding that the real estate industry recorded a rapid increase as a whole, regional differentiation was still prominent for the first half of 2016. In the third-tier and fourth-tier cities, in spite of certain turnover increase, real estate investment remained depressed due to high inventory.

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 2016 was 570.84 million square meters, rising 28.6% over the same period last year and the corresponding average sales price of commodity housing was RMB7,322 per square meter, rising 12.3% over the same period last year.

Among first-tier cities, inspired by the lenient financing environment, Beijing real estate market saw a rapid release of house purchasing demands and a rising transaction price of commodity housing. As the urban land resources became increasingly scarce and land supply gradually decreased, the floor price and premium rate in the land market recorded new high. Sales area and the sales amount of commodity housing in Beijing for the first half of 2016 were 3.90 million square meters, down 18.9% and RMB121.7 billion, up 19.5% respectively over the same period last year. The average selling price was RMB31,217 per square meter, up 47.4% over the same period last year.

The real estate market in second-tier and other cities showed a polarized trend, of which typical popular cities such as Nanjing, Suzhou and Hefei experienced brisk trading and ongoing booming in their land markets. However, in general, some second-tier cities and other cities still faced excessive supply because of large inventories, the market priority remained to be de-stocking.

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)

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

City	Sales area (0'000 square meters)	Compared to the same period last year Increase (%)	Sales amount (100 million)	Compared to the same period last year Increase (%)	Average transaction price (RMB/square meter)	Compared to the same period last year Increase (%)
Changsha	973	25.6%	580	36.8%	5,962	8.8%
Wuhan	1,385	41.4%	1,290	61.8%	9,314	14.4%
Hangzhou	935	63.0%	1,478	74.7%	15,811	7.2%
Chengdu	1,424	28.4%	977	39.2%	7,001	8.4%
Suzhou	1,330	76.0%	1,685	120%	12,668	25.0%
Nanjing	761	75.9%	1,290	130.2%	16,952	30.9%
Hefei	853	51.3%	694	71.1%	8,142	13.1%
Langfang	157.9	60.5%	113.8	73.1%	7,208	7.8%

Source: National Bureau of Statistics, CRIC data

2. Investment Properties (including hotels)

Under the favorable circumstance that the country has taken great efforts to adjust the structure of economic growth and develop service industry, the market of investment properties (including hotels) has taken on a stable and promising developing trend. In particular, in respect of the office building market, Beijing government has launched policies to continually promote the transformation of the industry structure towards high-end, service-oriented and clustered structure. As guided by such policies, market demands for office buildings remained stable and the rent level remained high, whereas the vacancy rate saw a slight increase due to increased supply; under the 13th Five Year Plan, service trade (including convention and exhibition industry) was identified as development priority, with the strategic objective of “strengthening the country through trading” being put forward. Under such favourable backdrop, convention and exhibition, as a highly cohesive platform of logistics, people flow, capital flow and information flow, served as key linkage between production and consumption and thus played an increasingly significant role in driving the related service industry and urban economic development; benefiting from rapid development of industries such as tourism, finance and information technology and the enhanced national consumption capability, the high-end hotels and catering industry saw a gradual pickup in performance and recorded growth in both occupation rate and average room price in the second quarter; the apartment market experienced immaterial changes in supply and demand, and a stable growth of rent level.

3. Commercial Properties

Due to combined impact of slowdown in growth of the macro-economy and the gradual emergence of diversified retail models including e-commerce and outlets, traditional commerce was faced with escalating competitions. In response to market changes, traditional commerce made use of its merits of physical environment unrivaled by e-commerce to meet the multi-level consumption demands of consumers such as shopping, relaxation, socializing and entertainment though introducing life experience and multiple recreation patterns.

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)

II. BUSINESS REVIEW DURING THE REPORTING PERIOD

In the first half of 2016, facing the new normal of economic development, the Company further analyzed market situation changes and grasped the market development opportunities. Centered on the three expansion strategies, namely the low-cost expansion, brand expansion and capital expansion, the Company continued to integrate new operation concepts and business models and continually enhanced its operation level.

In the first half of 2016, revenue of the Company increased year on year by 35.30% to RMB4,396.479 million due to the increase in products available for settlement. Due to the significant increase in gains arising from the changes in fair value of investment properties as compared with last year, profits before income tax and profits attributable to the owners of the Company were RMB891.932 million and RMB558.290 million respectively, up 18.42% and 30.37% respectively over the previous year. Among that, the after-tax core operating results of the principal businesses of the Company (excluding gains arising from the changes in fair value) was RMB467.710 million, up 5.03% year on year. Gains (after tax) arising from the changes in fair value of investment properties was RMB90.580 million in the period. Earnings per share was RMB0.17, up 30.37% over the same period last year.



Photo of North Star Delta in Changsha

1. Development Properties

During the reporting period, the Company sped up the development and turnover of projects and grasped the rebound of market to accelerate de-stocking. By carrying out flexible and targeted marketing strategies, it actively launched projects and realized a significant increase in sales performance year on year, ranking among the “top 100 China real estate enterprise by sales”. The Company’s accumulative sales amount was RMB9,410 million, up 350% over the same period. During the Reporting Period, the new and resumed construction area of development properties was 3,780,000 square meters, and the completed area was 500,000 square meters. Meanwhile, the contracted sales amount and the sales area were RMB9,414.37 million (including parking spaces) and 701,000 square meters respectively. Many new features were found in development and construction of projects.

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)



Internal view of semidetached villas of Royal Oak Villa



Visual illustration of Nanjing North Star CIFI Park Mansion • Jin Ling

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)



Sale hall of Suzhou North Star CIFI No. 1 Courtyard

The Company devoted more efforts in promotion of the North Star Royal Oak Villa project by online and offline marketing interactions and achieved a contractual sales amount of RMB440 million. Following the rebound trend of the market in some major second-tier cities, sales of projects continually picked up. In particular, Nanjing North Star CIFI Park Mansion • Jin Ling, Suzhou North Star CIFI No. 1 Courtyard and Wuhan North Star Modern Best+ were all sold out on the opening date with the contractual sales amount of RMB1,180 million (202 sets), RMB1,260 million (375 units) and RMB640 million (774 sets), respectively. Through flexible pricing mechanism and event marketing, Hangzhou Honor Mansion, Phase I and North Star Olympic Garden enjoyed great popularity on the date of opening for sale, realizing the contractual sales amount of RMB1,030 million (240 sets) and RMB520 million (484 sets). North Star Delta project, being the most influential urban complex in Changsha, has been a leader in the region in terms of sales performance due to its stronger commercial atmosphere, comfortable living environment and complete supporting facilities. As at the end of the Reporting Period, the accumulative construction area of North Star Delta project was 3,900,000 square meters and its accumulative completed area was 2,220,000 square meters which account for 72% and 41% of the total gross floor area respectively. During the Reporting Period, the sales area of North Star Delta project was 306,000 square meters (totalling 2,665 sets) and the contract amount was RMB2,760 million, ranking the top both in single project sales amount and sales area in Changsha.

In the first half of 2016, the operating revenue from development properties increased considerably by 53.59% to RMB3,049.204 million (including parking spaces). However, due to the Company's intensified expansion of new projects in the last two years that resulted in increase in the preliminary expenses for project development and changes in the product mix available for settlement, the profit before tax decreased year on year by 9.60% to RMB404.361 million.

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)



Visual illustration of garden house under Wuhan North Star Modern Best+



Visual illustration of Hangzhou Honor Mansion



North Star Delta in Changsha



Visual illustration of Hangzhou North Star Olympic Garden

2. Investment Properties (including hotels)

During the Reporting Period, on the one hand, the Company continually pressed ahead the innovative development and full integration of its exhibition economy and new economy, new business and new technologies by leveraging on North Star Events Group as the platform; on the other hand, by taking the comprehensive commercial advantage of powerful linkage of investment properties (including hotels) and the geographical advantages of location in the core area of Asia Olympic Area, the Company has constantly enhanced the operation vitality, efficiency and anti-risk capacity of its existing held-for-sale assets through such measures as adjusting and shifting business concept, improving quality and enhancing efficiency. In the first half of 2016, due to the improvement of operations of the existing projects and the ramp-up effect of operations of new projects, the Company recorded operating revenue from investment properties (including hotels) of RMB1,198.393 million, representing a year-on-year increase of 9.92%. Without taking into account the amortization of interest expenses, profit before tax amounted to RMB401.076 million, representing a year-on-year increase of 18.87%. The revaluation surplus of the segment for this period was RMB120.773 million, increased by RMB143.536 million as compared with the same period last year.

North Star Events Group, since its inception at the end of 2015, has accurately grasped the development opportunities in the industry and scientifically integrated internal and external industrial resources, enabling its businesses to operate in an active, stable and orderly manner. In particular, it continuously advanced the brand operation and management export of the convention and hotel, and newly signed four consulting projects and one entrusted management project during the Reporting Period. Efforts relating to convention research and

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)

development bore initial fruit and generated certain economic benefits. During the Reporting Period, it has initiated cooperation with the Ministry of Commerce of the PRC and the Commission of Commerce of Beijing Chaoyang District (北京市朝陽區商務委員會) and engaged in the compilation of certain sub-plan of the “13th Five Years” Development Plan for Chinese Exhibition Industry (《中國展覽業“十三五”發展規劃》) and the Proposal on Exhibition Industry Development in Chaoyang District 2016–2020 (《2016–2020年朝陽區會展業發展建議書》). In addition, it has entered into the strategic consulting service contracts with Xi'an Silu International Convention Center (西安絲路國際會議中心), for which the relevant survey, research and demonstration works have progressed orderly. Breakthrough was made in exhibition hosting and organizing. During the Reporting Period, North Star Events Group sponsored the Exhibition Theme Forum of the 3rd China Beijing International Fair for Trade in Services - Exhibition and Mobility (第三屆京交會會展板塊主題論壇 – 會展亦移動) and assisted in organizing the 2016 Global Mobile Internet Conference (GMIC). Works such as convention-related education and training, industrial exchange and the integration of convention and internet economy were also under steady progress.



Integrated services properties of Asian Games Village

As the core of the functional areas of North Star Convention and Exhibition, National Convention Centre and Beijing International Convention Centre received 896 conventions and exhibitions in total during the Reporting Period, representing an increase of 30 as compared with the same period last year. In particular, the National Convention Centre focused on improvement of the quality and efficiency of asset operation while reducing the cost by control of resource consumption. Moreover, it constantly screened out high quality customers to foster new customer bases, and proactively introduced a series of popular industry exhibitions (including large TMT conferences and photography equipment exhibitions). It made breakthrough in off-season sales by further tapping into the potential needs of customers and reinforcing optimization and configuration of the scheduled resources. Accordingly, it successfully undertook a series of conference such as Chinese Conference of Residency Education and Asia-Pacific Nuclear Conference. By virtue of the sound operation capacity and wide public recognition, it rapidly expanded in large-scale international conferences and reached a record high in the number of agreements concluded for holding conferences. Beijing International Convention Centre gave priority to customer satisfaction survey and improved the quality of conference services, while continually making innovations in marketing methods and expanding in the small and medium conference markets. As a result, favourable results were achieved in improvement of quality and efficiency in respect of the asset operation and steady growth was seen in the operating results.

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)

As for the office building business, the Company comprehensively consolidated and deepened the relationship with customers, optimized the customer structure on an ongoing basis, and enhanced the communication with property owners for feedbacks. The property management capability and customer service quality were both improved. The rent increased steadily, becoming an important source of profits of investment properties (including hotels).

As for hotel business, the Company flexibly used the holiday promotion strategy to continuously introduce commercial interactive activities, mass catering and wedding feasts, gradually increasing hotel popularity. Meanwhile, the Company further tapped into the potential needs of customers and fostered new growth driver of businesses through Internet marketing mode. Its room rate and occupancy rate were higher than the industry average.

As for apartment business, the Company continuously enhanced the promotion of the membership system, carried out differentiated services and precise marketing strategies. A dynamic adjustment mechanism for the price has taken shape. It succeeded in the goal of consolidation of extended stay market, enhancement of individual customer market and expansion of the new conference market. The occupancy rate stayed at high level while the average price rose steadily.



Integrated services properties of National Convention Centre

3. Commercial Properties

In terms of commercial properties, faced with fierce market competition, the Company continued to strengthen the optimization of product portfolio, gradually explored an innovative business service model, enhanced customers' service experience while solidifying Internet awareness in an effort to constantly improve marketing precision and enhance asset operation capability.

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)



North Star Shopping Centre (Asian Games Village Branch)

4. Implementation of the Development Strategy of the Company

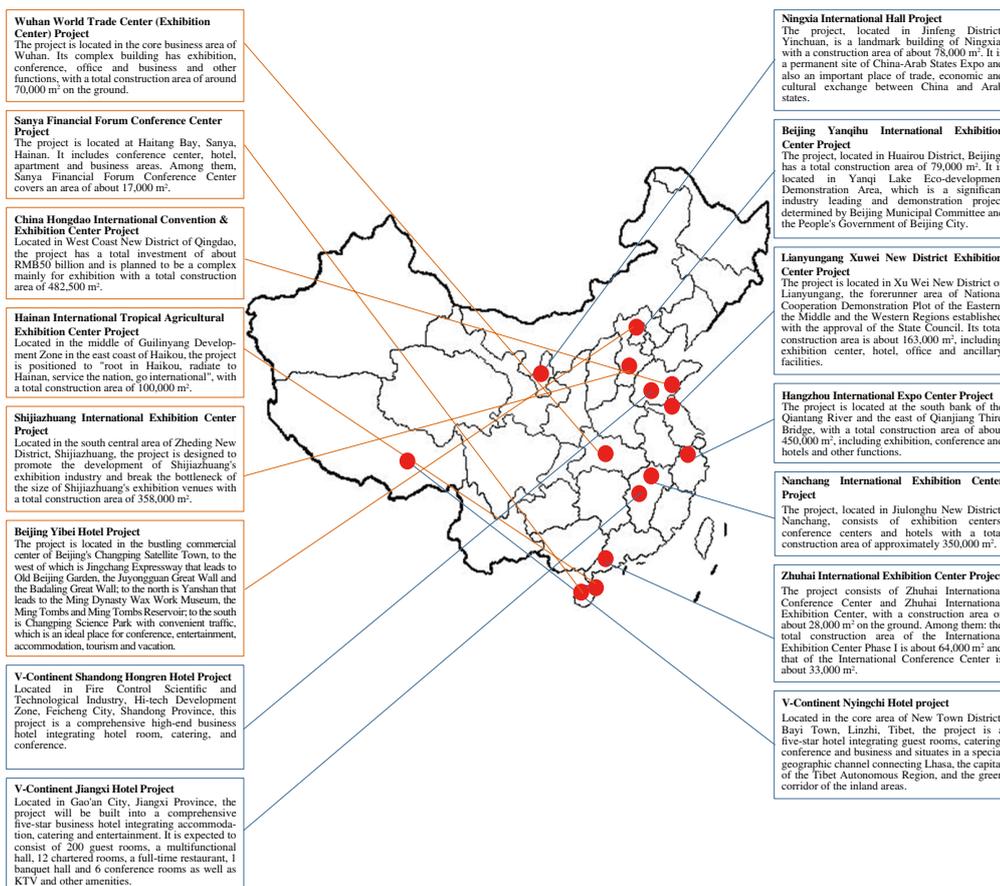
During the Reporting Period, the Company firmly grasped the new opportunities arising from industrial development and transformation and constantly reinforced the strong impetus of innovative ideas for corporate development to consistently implement the three expansion strategies of low-cost expansion, brand expansion and capital expansion.

As for the strategy of low cost expansion, through cooperative development and mergers and acquisitions, the Company continuously optimized the strategic layout in cities in popular regions such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the central region and the Sichuan-Chongqing Economic Circle. During the Reporting Period, the Company yielded fruitful results in the ongoing exploration of the Chengdu and Hangzhou markets by acquiring 4 new land parcels in such markets with a total construction area of approximately 540,000 square meters .

As for brand expansion strategy, the Company continued to advance the work on entrusted management of convention venues and hotels by virtue of the growing influence of “North Star Events Group”. During the Reporting Period, the Company successfully signed contracts on entrusted management of V-Continent Jiangxi Hotel and preliminary consulting services for four projects, i.e. Hainan International Tropical Agriculture Exhibition Center, China Hongdao International Convention & Exhibition Center, Shijiazhuang International Exhibition Center and Beijing Yibei Hotel. As such, it gradually achieved fine management of various consulting sub-brands including engineering consulting, purchase consulting and operation consulting, and extended the business landscape in respect of entrusted management of convention venues and hotels to many cities throughout the country. In addition, a total of 79 conventions and exhibitions were held at Zhuhai International Convention & Exhibition Center which had opened for business during the Reporting Period. During the Reporting Period, a total of 62 events of various type were held at Beijing Yanqi Lake International Convention & Exhibition Center which opened for business in 2016. With the contracted entrusted management projects opened for business one after another, the number of conventions and exhibitions held rose month by month and the Company thus received extensive recognition and appreciation in the industry for its capabilities in operation and management of conventions and hotels.

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)

Table 1: Summary table of the entrusted operation projects and consulting projects of the Company in the First Half of 2016



Note: Projects in yellow boxes are consulting projects; and those in blue boxes are entrusted operation projects.

In terms of capital expansion strategy, the Company made use of the platform of headquarters financing, actively developed various financing channels such as bank facilities, public offering of bonds, private offering of bonds and trust to achieve diversification of financing channels while constantly optimizing its debt structure. During the Reporting Period, the Company completed the non-public offering of RMB1.5 billion corporate bonds (first tranche in 2016) with a relatively low interest rate of 4.48%, thereby further reducing the comprehensive costs of its interest-bearing debts.

III. COMPETITION PATTERN AND DEVELOPMENT TREND IN THE INDUSTRY

In the second half of 2016, amid the complicated and challenging international economic situation and the slower growth in domestic economy, China will keep insisting on the general working principle of making progress while ensuring stability and boost the development concept of innovation, coordination, green, openness and sharing. Besides, it will carry forward the proactive fiscal policy and prudent monetary policy to ensure reasonable and sufficient liquidity, improve supply quality and expand consumption needs, devoted more efforts in enhancing economic growth quality and resource allocation efficiency with an aim to maintain stable and healthy development momentum of China's economy.

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)

As for development property, with the increasing differentiation among cities, the “classification-based, local conditions-oriented” macro regulatory policy will set the keynote for the second half of 2016, the enthusiasm in the overall market will also cool down. Since the beginning of the year, local governments have successively implemented regulatory policies in response to housing price surge in popular cities such as Shanghai, Shenzhen, Suzhou, Nanjing, which cooled down the regional markets and to some extent depressed transaction volume. In addition, the previous stimulus policies have been gradually digested, with the marginal effect of such policies decreasing progressively, especially, the rapid increase in price brought adverse impact on the demand. Therefore, in the short term, austerity measures in the popular first and second-tier cities will progressively take effect to stabilize market expectation while relative relaxation of regulation policies will continue in the third and fourth-tier cities where inventory is still high to address the “de-stocking” pressure. In the medium to long term, with the progress of urbanization, reform on land system and establishment of the longstanding mechanism for macro control, supply and demand in the real estate market will become more rational, which will provide strong support for the sustainable and healthy development of the real estate industry.

In terms of investment properties (including hotels), under the guidance of the Certain Opinions on Further Promoting the Reform and Development of the Exhibition Industry, State Council Inter-Ministerial Joint Conference System for Service Trade Development and other reform and developmental measures promulgated by the State Council to facilitate the professionalization, internationalization and brand recognition of convention and exhibition industry in China, China will take advantage of the convening of G20 Summit, the significant foreign activity, to accelerate the integration of convention and exhibition with the internet, big data and other new economy and new technology, so as to broaden the development space for the convention and exhibition industry. Furthermore, the State Council issued the Certain Opinions on Accelerating Cultivation and Development of the Housing Rental Market (the “Opinions”) on 3 June 2016 to speed up the cultivation and development of the housing rental market from overall perspective. The Opinions specify that by 2020, a housing renting market system featuring multiple suppliers, standard service scope as well as stable leasehold relationship will be basically established, which will provide a sound policy environment for the development of apartments. In terms of commercial properties, with ongoing economic reform, continuous and rapid growth of resident income and continuous optimization of allocation structure, together with the promotion for supply-side structural reform, 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

Facing the new normal of China’s economic development, the Company will regard innovation as the primary driver behind development, proceed with three major strategies, namely low cost expansion, brand expansion and capital expansion, and forge ahead under the direction of “expansion at low cost , operation with light asset, support by new economy and development of high-end service industry” so as to improve the Company’s development speed and scale, quality and efficiency in an all-round way. Through continually strengthening the Company’s sustainable development capacity, the Company aims to build itself into a nationally leading composite real estate enterprise and China’s most influential exhibition-brand enterprise. In the second half of 2016, 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

The Company will adhere to the active but prudent land acquisition principle, and closely follow up the dynamics of the land market. Focusing on key cities and regions, it will continue to tap potentials in the cities already with presence by various methods such as public bidding, cooperative development, and merger and acquisition. Meanwhile, the Company will increase its coverage of new cities in an orderly manner, so as to accelerate its strategic layout of nationwide expansion.

In face of the current real estate policy environment, the Company will attach more importance to the impact brought by the policy of classified control and city-oriented implementation, take advantage of the favorable situation in the current market, speeding up development and construction and enhancing turnover of the existing projects, strengthening the efforts in project launch and sales, with a view to fuel another excellent sales performance in the second half of the year.

In the second half of 2016, it is estimated that new construction area of the Company will be 1,050,000 square meters, area for new and resumed construction will be 4,340,000 square meters and the completed area will be 390,000 square meters with targeted sales of 330,000 square meters and the amount for contract signed (including parking spaces) being RMB5,800 million.

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)

2. Investment Properties (including hotels)

On the basis of bettering and perfecting the existing properties and striving to improve the quality and efficiency of assets operation, the Company will cultivate its advantages in services guarantee, spare no effort to deliver reception service for significant events such as the G20 summit, ISO conference, the first Winter Expo, etc. In terms of innovation business, the Company will leverage on North Star Events Group, carrying forward its four major business systems including “accelerating brand management and management output of conventions and exhibitions and hotels”, “pushing forward R&D, education, training, and industrial communication of convention and exhibition”, “realizing the integrative development of convention and exhibition + internet economy” and “expanding the sponsoring and undertaking of conventions and exhibitions” through the six entity companies under North Star Events Group. At the same time, it will actively explore nurturing businesses of health and elderly-care and cultural creation, etc. to facilitate balanced development of both the asset-heavy investment business and the asset-light service business of the Company.



Beijing Yanqihu International Exhibition Center

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)



Visual illustration of Hangzhou International Expo Center

3. Commercial properties

As for commercial properties, in response to the changes in the retail market, the Company will further intensify the investment attraction and marketing efforts, enhance integration and utilization of its existing resources, actively address the deficiencies existing in the traditional commerce modes, and establish a marketing channel integrating on-line and off-line modes, thus endeavoring to improve asset operation efficiency and comprehensive service ability of the Company.

4. Financing and Capital Expenditure

Leveraging on the “headquarters financing” mode, the Company will enhance optimization of capital allocation to continuously expand the enterprise direct financing channel. Meanwhile, it will innovate in multiple financing modes based on the actual operation of projects of the Company to further improve the capital utilization efficiency.

The Company is expected to make fixed asset investment of RMB140 million in the second half of 2016, which will be paid on the basis of work progress. The capital is planned to be sourced from the internal fund.



Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)

V. POTENTIAL RISKS FACED BY THE COMPANY

1. Market Risks

Due to the severe differentiation of real estate market, real estate enterprises have generally tightened their layouts and focused on core cities with buoyant prospect of economic development and net inflow of population, which would result in fierce competition for some prime sites and the persistently high floor price and transaction premium rate, even displaying a phenomenon of “land prices above house prices”. Thus, the development costs of the Company may be increased accordingly, which may in turn pose risks to the Company in its stable operation, land reservation and sales of real estate products.

In response to the aforesaid risks and in terms of development properties, the Company will pay close attention to the development trend of the market and the change of customers' demand. The Company will also strengthen the study and prediction on the newly entered cities, and adopt flexible business partnerships, so as to enhance quality and speed up the turnover of its products, to further improve its ability of project development and management, and to reinforce its core competitiveness while avoiding market risks.

2. Policy Risks in Development Properties

The development of real estate industry is closely related to the national policy directions. Under the stimulation of favorable policies such as lowering of benchmark rate and the ratio of down payment by the government during the first half of the year, housing prices of some key cities rocketed and the land market continued to warm up. If the momentum of rising housing prices and land prices goes unabated, the government may make adjustment of policies in respect of land, credit or taxation, which may cause uncertainties in the short- and mid-term development of the real estate market. Due to relatively long cycle of real estate projects, real estate enterprises risks may expose to certain risks in acquisition of land, construction and development, sales and financing of projects as long as significant fluctuation occurs in the market.

In response to the foresaid risks and in terms of development properties, the Company will pay close attention to market changes, improve the response ability to the policies and market changes, and take better advantages of national macro policies and continuously optimize 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.

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

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

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)

To tackle the aforementioned risks, the Company organized a range of training courses, including training class for general managers of real estate projects and training class for senior managers of exhibition projects, 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, standardize recruitment procedures, constantly optimize personnel structure and stimulate internal organizational vitality, so as to provide strong talent guarantee for its stable and long-term development

VI. CORE COMPETITIVENESS ANALYSIS

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

As for the future development of China's real estate industry, under China's economic keynote of seeking improvement in stability, the golden fast-growing age of real estate market has come to an end, and it has entered the phase of long-term healthy and stable development at medium and high speed, and the differentiated development of cities has become a new normal. At the same time, under the background that the government adheres to classified guidance, policy implementation according to different situation and active destocking of housing, the real estate market has ushered in a loose policy period that gives rise to new development opportunities featuring the integration of various industries and capital sources driven by revolution and innovation.

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

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

On the other hand, as one of China's largest exhibition operators, the Company boasts the ability in high-end exhibition and hotel operation and services and enjoys high brand awareness and influence in the industry. The Company holds and operates more than 1.2 million square meters of investment properties (including hotels) in Asian-Olympic core district. With more than 20 years of experience in exhibition and hotel operation and the ability in internationalized professional operation services, it has successfully delivered reception services for an array of national, integrated and

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)

international conferences represented by Olympic Games, APEC summit and Beijing Fair, creating a globally renowned service brand of North Star. In addition, the Company has intensively pushed ahead with exhibition brand expansion in the past two years, making remarkable achievements in the promotion of its exhibition brand throughout the country. In the meantime, the Company takes the opportunity of establishment of the North Star Exhibition Group to scientifically integrate its industrial resources such as exhibitions, hotels, and information services, thereby carrying out exploration and practice in aspects such as sponsoring and undertaking of conventions and exhibitions, R&D, education and training of exhibitions and the exhibition + internet business, creating huge rooms for the Company's innovative development and full integration of its exhibition economy and new economy, new business and new technologies.

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

VII. ANALYSIS OF OPERATING INFORMATION OF THE COMPANY DURING THE REPORTING PERIOD

1. Real Estate Reserve during the Reporting Period

No.	Region(s) of the land held for development	Land area held for development <i>(square meter)</i>	Planned plot ratio-based gross floor area <i>(square meter)</i>	Whether cooperative development project is involved	Area of cooperative development <i>(square meter)</i>	Percentage of interest in cooperative project <i>(%)</i>
1	North Star Delta	1,586,000	3,920,000	No	–	100
2	North Star Central Park	621,000	720,000	Yes	367,000	51
3	North Star • Landsea Southern Gate Green Shire (北辰•朗詩南門綠郡)	83,000	159,000	Yes	64,000	40
4	Suzhou North Star CIFI No. 1 Courtyard	98,000	181,000	Yes	91,000	50
5	Nanjing North Star CIFI Park Mansion • Jin Ling	5,000	71,000	Yes	36,000	51
6	North Star • Guangguli (北辰光谷里)	477,000	337,000	Yes	172,000	51
7	North Star • South Lake Xianglu (北辰南湖香麓)	294,000	210,000	No	–	100
8	Langfang Longhe New District Project	419,000	297,000	No	–	100
9	Hangzhou Shanyin Road Project (杭州山陰路項目)	69,000	48,000	No	–	100
10	Hangzhou Xianghu Project (杭州湘湖項目)	177,000	144,000	Yes	36,000	25
	Total	3,829,000	6,087,000	–	766,000	–

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)

Notes:

1. Planned plot ratio-based gross floor area and area of cooperative development represent the data calculated with reference to the conditions of assignment at the time of project auction;
2. Land area held for development represents the gross construction area of land held for development;
3. Planned plot ratio-based gross floor area represents the total plot ratio-based gross floor area of the planned projects;
4. Area of cooperative development projects represents the plot ratio-based gross floor area attributable to the percentage of interest in the cooperative development projects;
5. Total land reserve of the Company is 7,362,600 m², equity land reserve is 6,042,800 m². The above land reserve doesn't include the projects that are under construction and unsold.

2. 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 meter)	Planned plot ratio-based gross floor area (square meter)	Total floor area (square meter)	Floor area under construction (square meter)	Completed area (square meter)	Total investment	Actual investment amount during the Reporting Period
1.	Chaoyang, Beijing	North Star Green Garden	Residence and supporting facilities	Completed	870,000	1,210,000	1,600,200	0	1,600,200	90.60	0.07
2.	Chaoyang, Beijing	Bihai Fangzhou Garden	Villa, apartment and residence	Completed	119,500	55,000	77,100	0	77,100	17.43	0.04
3.	Changping, Beijing	North Star Red Oak Villa	Villa	Under Construction	287,500	150,000	213,700	116,800	97,000	27.58	1.31
4.	Haidian, Beijing	North Star • Xianglu	Residence	Completed	142,400	230,000	312,100	0	312,100	28.51	0.29
5.	Chaoyang, Beijing	North Star • Fudi	Commercial residence and supporting facilities	Completed	161,600	390,000	459,300	0	459,300	27.54	0.59
6.	Shunyi, Beijing	North Star • Villa 1900	Residence	Under Construction	101,200	140,000	213,300	137,100	207,900	24.45	0.53
7.	Shunyi, Beijing	Modern Beichen Yue MOMA	Owner occupied commercial housing and housing of two limits	Under Construction	52,800	109,000	132,500	132,500	0	23.47	1.48
8.	Changsha, Hunan	North Star Delta	Residence, commercial and office building	Under Construction	780,000	3,920,000	5,490,000	1,865,800	2,217,200	330.00	9.11
9.	Changsha, Hunan	North Star Central Park	Residence	Under Construction	336,300	720,000	906,300	285,800	184,700	48.00	2.19
10.	Wuhan, Hubei	North Star Contemporary Best+	Residence and commercial	Under Construction	104,700	240,000	313,800	313,800	0	21.00	1.72

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)

No.	Location	Project	Operating state	Under construction/newly commenced/completed projects	Project area (square meter)	Planned plot ratio-based gross floor area (square meter)	Total floor area (square meter)	Floor area under construction (square meter)	Completed area (square meter)	Total investment	Actual investment amount during the Reporting Period
11.	Hangzhou, Zhejiang	North Star Olympic	Residence and commercial	Under Construction	83,900	230,000	317,500	317,500	0	28.30	2.37
12.	Hangzhou, Zhejiang	Hangzhou Shunfa CIFI Honor Mansion, Phase I	Residence and commercial	Under Construction	41,900	75,000	108,400	108,400	0	14.85	1.07
13.	Hangzhou, Zhejiang	Hangzhou Shunfa CIFI Honor Mansion, Phase II	Residence and commercial	Commenced	13,400	23,000	32,600	32,600	0	4.90	0.08
14.	Nanjing, Jiangsu	Nanjing North Star CIFI Park Mansion • Jin Ling	Residence	Commenced	25,300	71,000	105,300	100,800	0	27.00	17.10
15.	Chengdu, Sichuan	North Star • Landsea Southern Gate Green Shire	Residence and commercial	Commenced	63,600	159,000	234,300	151,000	0	25.26	1.76
16.	Chengdu, Sichuan	Chengdu North Star • Xianglu	Residence and commercial	Commenced	40,400	97,000	151,700	5,100	0	13.59	7.43
17.	Suzhou, Jiangsu	Suzhou North Star CIFI No. 1 Courtyard	Residence and commercial	Commenced	178,700	181,000	267,500	170,000	0	25.00	12.00
18.	Hefei, Anhui	Hefei North Star CIFI Park Mansion • Luzhou	Residence and commercial	Commenced	141,700	239,000	328,600	41,500	0	42.14	25.40
Total					<u>3,544,900</u>	<u>8,239,000</u>	<u>11,264,200</u>	<u>3,778,700</u>	<u>5,155,500</u>	<u>819.62</u>	<u>84.54</u>

Note:

- Total investment amount represents the estimated total investment amounts for the project.

3. Real Estate Sales during the Reporting Period

No.	Location	Project	Operation format	Saleable area (square meter)	Pre-sold area (square meter)	Sold area (square meter)
1.	Chaoyang, Beijing	North Star Green Garden	Residence and supporting facilities	3,375	–	993
2.	Changping, Beijing	North Star Red Oak Villa	Villa	67,265	13,399	13,399
3.	Haidian, Beijing	North Star • Xianglu	Residence	31,988	–	17,516
4.	Chaoyang, Beijing	North Star • Fudi	Commercial, residence and supporting facilities	27,729	–	11,754
5.	Shunyi, Beijing	Modern Beichen Yue MOMA	Owner occupied commercial housing and housing of two limits	36,187	4,908	4,908
6.	Shunyi, Beijing	North Star • Villa 1900	Residence	49,630	12,835	12,835
7.	Changsha, Hunan	North Star Delta	Residence, commercial and office building	779,310	306,089	306,089
8.	Changsha, Hunan	North Star Central Park	Residence	125,963	63,586	63,586
9.	Wuhan, Hubei	North Star Contemporary Best+	Residence and commercial	84,361	79,999	79,999
10.	Hangzhou, Zhejiang	North Star Olympic Garden	Residence and commercial	129,919	46,858	46,858
11.	Hangzhou, Zhejiang	Hangzhou Shunfa CIFI Honor Mansion, Phase I	Residence and supporting commercial	42,809	33,743	33,743
12.	Suzhou, Jiangsu	Suzhou North Star CIFI No. 1 Courtyard	Residence and commercial	69,821	67,812	67,812
13.	Nanjing, Jiangsu	Nanjing NorthStar CIFI Park Mansion • Jin Ling	Residence	26,911	26,574	26,574
14.	Chengdu, Sichuan	North Star • Landsea Southern Gate Green Shire	Residence and commercial	44,618	15,143	15,143
Total				<u>1,519,886</u>	<u>670,945</u>	<u>701,208</u>

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)

Notes:

1. The pre-sold area is the pre-sold construction area for the pre-sold property of the project;
2. The sold area is the total construction area of the pre-sold property and completed property;
3. From January to June 2016, the sold area is 701,200 m², the sales amount is RMB9,414 million, the settlement area is 268,900 m², and the settlement amount is RMB3,049 million.

4. Leasing of Real Estate during the Reporting Period

Unit: 0'000 Currency: RMB

No.	Region	Project	Operation format	Construction area of the real estate leased (square meter)	Rental income of the real estate leased
1	Beijing	National Convention Centre	Convention and exhibition	270,000	29,000
2	Beijing	Beijing International Convention Centre	Convention and exhibition	56,400	5,665
3	Beijing	Hui Bin Building	Office building	37,800	3,069
4	Beijing	Hui Xin Building	Office building	38,000	3,394
5	Beijing	North Star Times Tower	Office building	139,367	11,360
6	Beijing	North Star Century Center	Office building	149,800	15,606
7	Beijing	Beijing Continental Grand Hotel	Hotel	42,613	6,080
8	Beijing	National Convention Centre Hotel	Hotel	50,200	4,690
9	Beijing	V-Continent Beijing Parkview Wuzhou Hotel	Hotel	60,205	8,914
10	Beijing	Intercontinental Beijing North Star Hotel	Hotel	60,000	8,508
11	Changsha	Intercontinental Changsha	Hotel	79,199	8,250
12	Beijing	Hui Yuan Apartment	Apartment	179,662	11,260
13	Beijing	North Star Shopping Centre (Asian Games Village Branch (亞運村店))	Commercial	30,463	9,053
14	Beijing	North Star Shopping Centre (Beiyuan Store (北苑店))	Commercial	49,689	3,198

Discussion and Analysis on the Business Condition by the Board of Directors During the Reporting Period of the Company (Continued)

Notes:

1. The commercial operation modes of North Star Shopping Centre (Asian Games Village Branch) are dominated by joint operation and subordinated by lease and proprietary operation;
2. The commercial operation modes of North Star Shopping Centre (Beiyuan Store) are dominated by lease and subordinated by joint operation and proprietary operation;
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.

5. 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 capitalized
2,560,261	6.55	63,288

Discussion and Analysis of Financial Performance



FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2016, the capital and reserve attributable to the Company's owners increased by 2.15% compared to 31 December 2015. The increase was primarily attributable to additional profit attributable to the owners of the Company of RMB558,290,000 during the Period.

The Group's borrowings as at 30 June 2016 amounted to RMB21,633,835,000, among which the Group had long-term borrowings of RMB16,646,165,000 secured by certain investment properties, properties, plants and equipment, properties under development and completed properties held for sale. As at 30 June 2016, the Group's closing balances of corporate bonds amounted to RMB3,968,778,000. The gearing ratio of the Group was 72.43% (calculated by dividing total liabilities by total assets) as at the end of the Reporting Period (31 December 2015: 68.45%).

Current assets of the Group, which mainly comprise cash at bank and on hand, trade and other receivables, completed properties held for sale and properties under development, amounted to RMB48,408,958,000 as at 30 June 2016, whereas the Group's current liabilities amounted to RMB21,894,008,000. As at 30 June 2016, the balance of cash at bank and on hand amounted to RMB10,530,900,000 (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 2016, the outstanding amount of financial guarantees provided in phases was RMB4,776,631,000 (31 December 2015: RMB3,424,501,000).

The Company proposed to issue Corporate Bonds with an aggregate face value of up to RMB6 billion (inclusive) in one or multiple tranches to qualified investors that meet the requirements under the Administrative Measures for the Issuance and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》) within the PRC territory. The Corporate Bonds will have a term to maturity not exceeding 7 years (inclusive). The proceeds raised (after deducting the issuance expenses) are proposed to satisfy the Company's demand for medium and long-term funding, repay the Company's borrowings, adjust the debt structure of the Company and supplement the liquidity of the Company. The Corporate Bonds will be unsecured bonds. The above proposal has been considered and passed at the 15th and 19th meetings of the seven session of the Board of the Company, and has been considered and approved at the third extraordinary general meeting of 2015 of the Company. On 13 April 2016, the Company received the Letter of No Objection Concerning the Listing and Transferring of Non-public Issued Corporate Bonds of Beijing North Star Company Limited (關於對北京北辰實業股份有限公司非公開發行公司債券掛牌轉讓無異議的函) (Shang Zheng Han [2016] No. 670) from Shanghai Stock Exchange (the "SSE"), stating that the non-public issuance of corporate bonds with an aggregate amount of no more than RMB6 billion to qualified investors was in compliance with the listing and transfer conditions of SSE, and there was no objection from SSE for the listing and transfer. On 20 April 2016, the Company completed the bookkeeping of the first tranche of the corporate bonds with an issue size of RMB1.5 billion. The interest rate was 4.48% and the term was 5 years with options for the issuer to raise the coupon rate and for investors to sell back at the end of the 3rd year. Subscription payment has been completed on 22 April 2016. The amount of net proceeds mentioned above has been deposited to the capital formation account of the Company. On 11 May 2016, the first tranche of corporate bonds was listed on the fixed income electronic platform of the SSE.

Discussion and Analysis of Financial Performance (Continued)

SHARE CAPITAL AND SHAREHOLDERS

SHARE CAPITAL

The Company's registered capital as at 30 June 2016 totaled 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 2016, 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 1}	Corporate interest	Beneficial owner	A shares	1,352,140,653 ^{Note 2}	50.832%	40.158%

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 2016.

Note 1: 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.

Discussion and Analysis of Financial Performance (Continued)

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 has paid the first amount of RMB60,000,000 on 20 November 2015. At present, the 150 million shares held by BNSIGC in the Company are still frozen.

Note 2: BNSIGC beneficially held 1,161,000,031 A shares as of 30 June 2016, representing 43.647% of total A shares issued by the Company and 34.482% of total shares issued by the Company. In addition, BNSIGC signed a conditional subscription agreement with respect to the subscription of A shares by BNSIGC on 16 April 2015, pursuant to which BNSIGC agreed to subscribe in cash and the Company agreed to place shares to BNSIGC corresponding to approximately 34.482% of total A shares finally issued under the Non-public Issuance (as defined below) (the number of shares being rounded down to the nearest integer without decimal). For details of the Non-public Issuance, please refer to the section titled "IMPORTANT EVENTS AFTER THE REPORTING PERIOD" of this announcement.

INTERESTS OF DIRECTORS AND SUPERVISORS OF THE COMPANY

As at 30 June 2016, 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 2016.

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 2016 have been reviewed by the Audit Committee and the Board. The Audit Committee comprises three independent non-executive directors of the Company.

Mr. GUO Li resigned and ceased to be independent non-executive director and member of the Audit Committee at the annual general meeting on 25 May 2016.

Mr. DONG An-Sheng was appointed as an independent non-executive director and member of the Audit Committee on 25 May 2016.

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.



Discussion and Analysis of Financial Performance (Continued)

DESIGNATED DEPOSITS AND DUE FIXED DEPOSITS

As at 30 June 2016, 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 2016, the Company had 5,164 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.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Reference is made to the announcement of the Company dated 3 February 2016 in relation to the Company's receipt of the "Approval in relation to the Non-public Issuance of Shares by Beijing North Star Company Limited" (Zheng Jian Xu Ke [2016] No. 204) on 3 February 2016 issued by the CSRC, pursuant to which the Company is approved to make non-public issuance of no more than 561,790,000 new shares. The approval is valid for a period of six months from the issuance approval date (i.e. 28 January 2016) (the "Non-public Issuance").

Due to the changes in the capital market, the Company has not managed to complete the Non-public Issuance within six months from the date on which the issuance was approved by the CSRC (i.e. prior to 28 July 2016). Therefore, the approval for the Non-public Issuance lapsed automatically upon expiry. In accordance with the relevant regulations, for any subsequent equity financing plan of the Company, it is required to re-convene a Board meeting and a general meeting to consider the relevant issuance scheme and submit the same to the CSRC for approval upon making a disclosure in accordance with relevant regulations.

On 5 August 2016, due to work rearrangement, Mr. ZENG Jin ("Mr. ZENG") tendered his resignation as the executive director, a member of the Nomination Committee and Strategic Committee under the Board and the general manager of the Company to the Board. The resignation application of Mr. ZENG came into effect when it was delivered to the Board. On even date, having been endorsed by the independent opinions of the independent non-executive directors of the Company, the Board resolved to nominate Mr. LI Wei-Dong ("Mr. LI"), as the candidate for executive director of the seventh session of the Board of the Company and agreed to appoint Mr. LI as the general manager of the Company. The appointment of Mr. LI as an executive director is subject to approval by the Shareholders at the general meeting of the Company. The term of office of Mr. LI for the proposed positions will take effect from the date of approval by the shareholders at the general meeting and will expire at the date of the 2017 annual general meeting.

Discussion and Analysis of Financial Performance (Continued)



PUBLICATION OF INTERIM REPORT

The Company's 2016 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 2016 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
Room 707, 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
17 August 2016



Corporate Information

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

COMPANY INFORMATION ENQUIRY

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

REGISTRATION

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

AUDITORS

PRC auditor:	PricewaterhouseCoopers Zhong Tian LLP
Address:	11/F, PricewaterhouseCoopers Centre 2 Corporate Avenue 202 Hu Bin Road, Huangpu District 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 Central, Hong Kong
Telephone:	(852) 2289 8888
Fax:	(852) 2810 9888



Corporate Information (Continued)

LEGAL ADVISERS

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Fax:	86 (10) 5813 7788
Hong Kong lawyer:	Woo Kwan Lee & Lo
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HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

H share:	0588
A share:	601588