北辰实业
BEIJING NORTH STAR

HKEx Stock Code: 0588
SSE Stock Code: 601588

2018
ANNUAL REPORT

Contents

Corporate Profile

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

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

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

The development properties business mainly set foot in Beijing aiming to expand beyond Beijing. In recent years, as the Company continued to deepen the regional exploration and development in new cities, a multi-level nationwide development layout covering a number of regions is gradually taking shape. The development properties consist of the development and sales of residential units, apartments, villas, offices and commercial buildings of different classes and features. The development projects are spread in the key cities in 14 hot regions including Northern China, Central China, Eastern China and Southwest China, and there are 45 projects under construction or for sale. Both the development scale and market share of the Company have been continuously enhanced.

Corporate Profile (Continued)

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

While optimising and consolidating traditional properties held, the Company strengthened resources integration and exerted continued efforts on the expansion of new businesses and new technologies of exhibition industry relying on North Star Exhibition Group (北辰會展集團). In recent years, the brand operation and provision of management services for exhibitions and hotels saw significant achievements, and gradually formed a diversified service profit model with entrusted management as the core. At present, North Star Exhibition Group provides entrusted management for up to 26 exhibition and hotel projects, and the total area of the venues of the exhibition under entrusted management is 2.76 million square meters. As a result, it has become the largest exhibition brand enterprise in terms of the total area of venues under management in the PRC and the brand influence of “North Star Exhibition” has been continuously enhanced.

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

Financial Highlights

RESULTS

Year ended 31st December	**2018**	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**17,859,790**	15,303,224	9,642,510	7,185,973	6,233,623
Profit before income tax	**3,860,018**	2,979,513	1,448,024	1,345,150	1,569,370
Income tax expenses	**1,606,703**	1,402,372	703,864	561,098	733,013
Profit for the year	**2,214,119**	1,559,959	730,830	784,052	836,357
Attributable to:					
Ordinary shareholders of the Company	**1,403,430**	1,389,761	806,811	760,687	779,992
Investors of perpetual bonds	**7,059**	–	–	–	–
Non-controlling interests	**803,630**	170,198	(75,981)	23,365	56,365

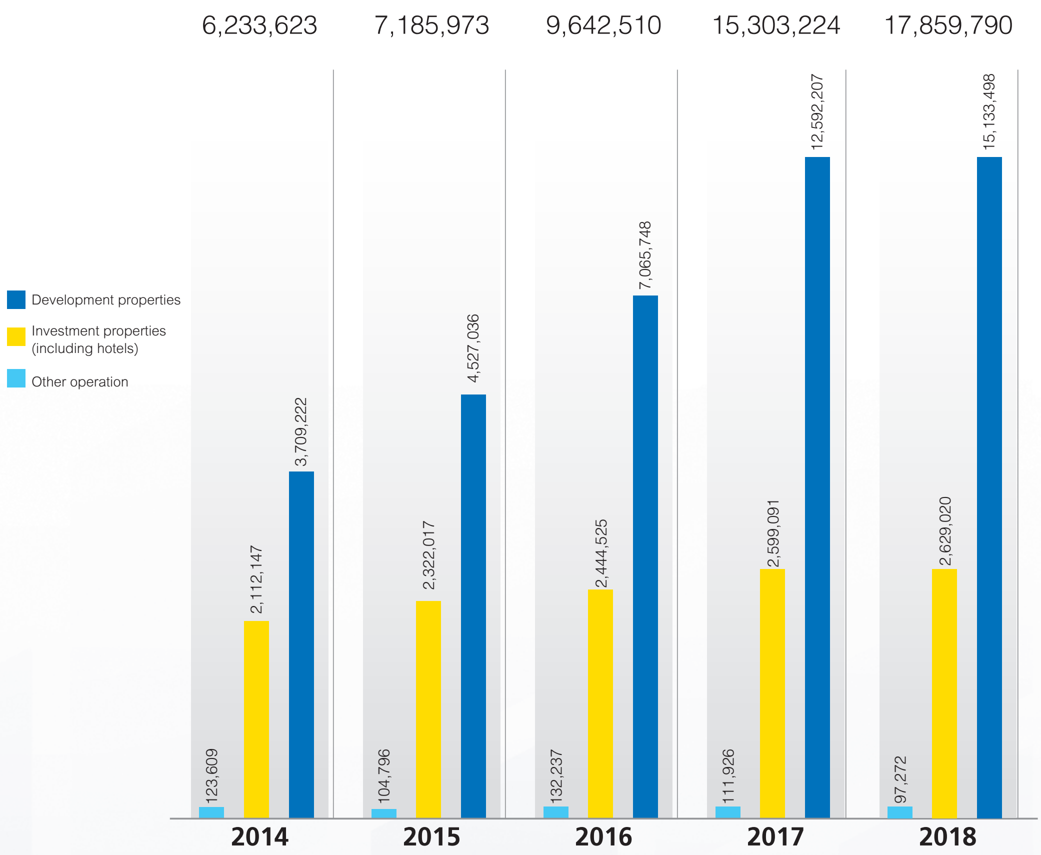
ASSETS AND LIABILITIES

As at 31st December	**2018**	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**99,910,665**	87,701,646	71,730,452	54,527,322	44,474,442
Total liabilities	**77,054,480**	68,548,411	53,939,155	37,322,788	28,307,778
Total equity	**22,856,185**	19,153,235	17,791,297	17,204,534	16,166,664

Financial Highlights (Continued)

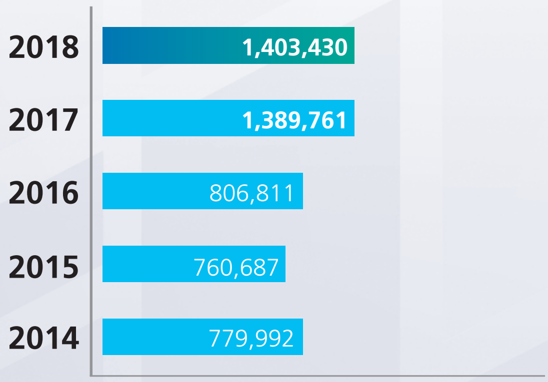
REVENUE BY BUSINESS

RMB'000



PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

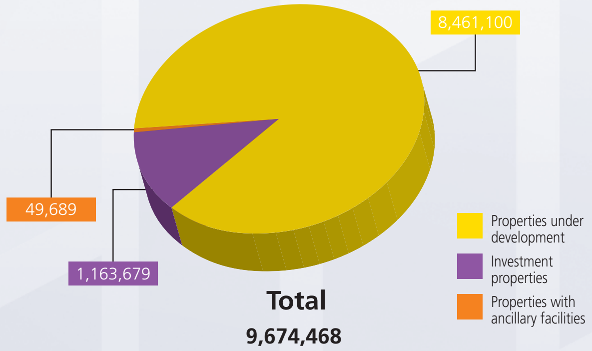
RMB'000



GROSS AREA OF PROPERTY PORTFOLIO

m^2

For the year ended 31 December 2018



Chairman's Report

Dear Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present you the operating results of the Company for the year ended 31 December 2018.

As of 31 December 2018, according to the HKFRSs, during the Reporting Period, as driven by the increase in projects available for settlement and higher proportion of high-priced properties therein, the Company recorded a revenue of RMB17,859,790,000, representing a significant year-on-year increase of 16.71%. Profit before tax amounted to RMB3,860,018,000, representing a year-on-year increase of 29.55%. As there were a number of cooperative projects under the products carried forward, profit attributable to Ordinary Shareholders amounted to RMB1,403,430,000, representing a year-on-year increase of 0.98%.In particular, the after-tax core operating results of the principal businesses of the Company (excluding gains arising from the changes in fair value) were RMB1,319,283,000, representing a year-on-year increase of 3.17%. Gains (after tax) arising from the changes in fair value of investment properties were RMB84,147,000 in the period. Earnings per share were RMB0.42.

In retrospect of 2018, against the complicated and grim domestic and overseas situations, the PRC government adhered to the general working guidelines of making progress while maintaining stability, adopted the new development philosophy, and pushed for high-quality development. The supply-side structural reform was deepened; the economic structure was constantly improved; new development drivers grew rapidly and new breakthroughs have been made in reform and opening-up. The economy operated within a reasonable range. In the face of the complex economic environment at home and abroad, the Company followed the guidance of the three major strategies of low-cost expansion, brand expansion and capital expansion with concerted efforts and innovative endeavours, and has thereby achieved historic breakthroughs in respect of both revenue and profit during the Reporting Period. In terms of development properties, the Company, in adherence to the goal of accelerating the turnover rate of projects, made great efforts to accelerate the de-stocking of projects, replenished the land reserve in a rational manner, consummated the management systems from all perspectives and pushed ahead scaled development progressively, having made impressive achievements in low-cost expansion. As for investment properties, the Company insisted on the development strategies of giving equal weight to synergistic progress in asset-heavy investment business and asset-light service business, pursuing intrinsic growth under the guarantee of services, and the extensional development of the whole industrial chain. Thanks to its energetic endeavour in the brand-based, market-oriented, professional and standardized construction, the industrial chain of its convention and exhibition improved consistently; brand image continued to ramp up; and three convention and exhibition sub-brands, i.e., "service guarantee for state-level high-end governmental affairs", "entrusted operation and management of convention and exhibition venues" and "convention and exhibition industry research and consultation business" sprouted up, which demonstrated fruitful results of brand expansion. With regard to financing, the diversified expansion, growing financing size and further lowered gearing ratio were achieved, which improved the Company's risk-resistant capability effectively and reflected the remarkable effects of capital expansion.

Chairman's Report (Continued)

Looking into 2019, the PRC will press ahead with the "Five-in-One" general layout, coordinate and advance the "Four Comprehensives" strategic layout, focus on the supply-side structural reform, continue to deepen market-oriented reform, expand high-level opening-up, speed up the building of a modern economic system, innovate and improve the macroeconomic regulation, so as to maintain sustainable and healthy economic development. Under such circumstances, the Company will keep abreast of the times and trends, take hold of opportunities, face up to the challenges courageously and take innovation steps bravely. We will insist on our commitment to the strategies on the one hand. To be specific, we will implement the three major strategies of low-cost expansion, brand expansion and capital expansion steadfastly and thoroughly to drive up the high-quality development of the Company's principal businesses at a higher rate and accelerate the pace of strategic expansion. We will innovate our development mode on the other hand. We will strive for the organic integration of development properties with our businesses concerning conventions, health and elderly care and cultural creativity, reinforce the philosophy of comprehensive real estate and establish an integrative development pattern under which a number of businesses support and encourage each other. In terms of investment properties, we will accelerate the pace in promoting the innovative convention business, enhance the brand effects of our convention and exhibition business in virtue of professional and standardized services, boost the synergic development of the upstream and downstream businesses along the convention industrial chain, and take consistent efforts to improve the industrial chain of convention and exhibition so as to cement our leading position in the industry. As to the nurturing business, we will seek for opportunities arising from emerging fields where the economic transformation and consumption upgrade are under way to classify and consolidate industrial resources by various means and accelerate the "sitting and constructing" of projects, thereby providing new growth engines for the development of the Company.

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

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

By Order of the Board

HE Jiang-Chuan
Chairman

Management Discussion And Analysis

I. DISCUSSION AND ANALYSIS ON OPERATION

In 2018, in the face of the intricate and complicated economic environment in mainland China and abroad, the PRC government adhered to the general working guidelines of making progress while maintaining stability, adopted the new development philosophy, and pushed for high-quality development. The supply-side structural reform was deepened; the economic structure was constantly improved; new development drivers grew rapidly and new breakthroughs have been made in reform and opening-up. The economy operated within a reasonable range. The annual GDP growth rate reached 6.6%.

1. Development Properties

In 2018, there was an intensive introduction of regulatory policies in the housing market. Under the policy keynotes of "housing properties for accommodation, not speculation" and "encouragement for both housing rental and purchase", the government continued to build the institutional system combining both long-term mechanisms and short-term interventions, and insisted on implementing the city-specific policies and category-based control to curb speculation in the housing market. In general, the rise in commodity housing sales area lessened for the year. The average transaction price and total sales increased steadily and both sales volume and price in the housing markets across the nation had increased on the whole, yet the performance of housing markets in different cities diverged. In addition, total land area acquired by real estate developers grew at a slower pace, and the increase in total transaction amount shrank notably. According to the statistics provided by the National Bureau of Statistics (the same applied hereinafter), commodity housing sales area in the real estate market of the PRC in 2018 was 1,479,290,000 square metres, representing an increase of 2.2% over the corresponding period last year and the corresponding average sales price of commodity housing was RMB8,544 per square metre, representing an increase of 12.2% over the corresponding period last year.

Among the first-tier cities, commodity housing supply in Beijing surged. Notwithstanding, the transaction volume declined significantly, the average transaction price rose sluggishly, and the growth rate narrowed noticeably, which would result in a longer de-stocking cycle. The overall land market in Beijing was in the doldrums over the year, and the total transaction volume and transaction amount both declined. Land premium rate continued to fall and bidding failures increased. The transaction volume of commodity housing in second-tier cities remained flat as compared with the previous year on the whole, and the differentiation in cities sustained. The third and fourth tier cities contributed most to the total transaction volume of commodity housing, but the growth rate slowed down nonetheless.

North Star Red Oak Villa

Changsha North Star Delta

Management Discussion And Analysis (Continued)

Table 1: A summary of commodity housing sales as at the end of the Reporting Period in the cities where the Company has established presence

City	Sales area *(0'000 square meters)*	Increase compared with the same period last year *(%)*	Sales Amount *(RMB100 million)*	Increase compared with the same period last year *(%)*	Average transaction price *(RMB/ square meter)*	Increase compared with the same period last year *(%)*
Beijing	527	-14.0	1,971	-5.1	37,420	9.7
Changsha	1,973	8.2	1,538	15.8	7,796	7.0
Wuhan	3,230	4.7	4,095	15.9	12,679	10.7
Hangzhou	1,330	-12.5	3,239	0.4	24,360	14.8
Suzhou	1,788	5.9	2,899	11.4	16,212	5.2
Ningbo	1,299	1.2	2,105	15.9	16,202	14.5
Nanjing	983	-18.7	1,937	5.0	19,708	29.2
Hefei	1,104	14.9	1,443	31.3	13,069	14.2
Chengdu	2,660	-10.5	2,602	1.7	9,783	13.8
Chongqing	5,425	-0.5	4,443	23.4	8,190	24.0
Langfang	84	-58.0	110	-47.1	13,180	18.3
Wuxi	1,246	21.8	1,456	34.5	11,687	10.5
Haikou	331	-32.0	419	-26.5	12,645	8.1

Sources: CREIS China Index Database.

Management Discussion And Analysis (Continued)

2. Investment Properties (Including Hotels)

The PRC devoted considerable efforts in adjusting economic structure and accelerating the development of modern service industry and determined the strategic positioning of its capital city. Under such background, the investment properties (including hotels) market showed a stable and positive tendency. Meanwhile, as driven by economic transformation of the PRC, the industrial innovation also gave rise to extra demand in investment properties market. In particular, in the office building market in Beijing in 2018, the additional supply remained low despite of active absorption performance, resulting in a sustained low vacancy rate, while the rent level maintained stable. As convention and exhibition has become the main carrier for China's home-court diplomatic events in recent years, China's convention and exhibition industry has become increasingly specialized, market-oriented and internationalized and has also become an important platform for building a modern market system and an open economic system. China is serving as a hard-core player in the global convention and exhibition industry. Benefiting from the recovery of business activities, mass tourism and other demand sides, the high-end hotels and catering industry recorded a slight increase in the growth rate of profit. With the continuous release of favourable policies in relation to the apartment market, and powerful support provided by the government for the leasing market, especially long-term leasing, demand in the market was growing while supply was slightly inadequate in contrast, and the development prospect has become increasingly promising.

II. BUSINESS REVIEW DURING THE REPORTING PERIOD

In 2018, the Company proactively propelled the three major strategies of low-cost expansion, brand expansion and capital expansion. By leveraging on market opportunities, the Company strengthened scientific management and control and persisted in innovation leading, to promote high-quality development of the Company. As a result, the size of assets increased year after year and income and profit reached record highs. During the Reporting Period, driven by the increase in projects available for settlement and higher proportion of high-priced properties therein, revenue from operations of the Company and profits before tax amounted to RMB17,859,790,000 and RMB3,860,018,000, respectively, representing an increase of 16.71% and 29.55% over the previous year, respectively. Due to nature of certain products carried forward being cooperative development projects, profits attributable to ordinary shareholders amounted to RMB1,403,430,000, representing an increase of 0.98%. In particular, the after-tax core operating results of the principal businesses of the Company (excluding gains arising from the changes in fair value) were RMB1,319,283,000, representing a year-on-year increase of 3.17%. Gains (after tax) arising from the changes in fair value of investment properties were RMB84,147,000 in the period. Earnings per share were RMB0.42, up 0.98% over the same period last year.

Management Discussion And Analysis (Continued)

1. Development Property

Facing the intensive introduction of regulatory policies in the real estate industry and the continuous improvement of the regulatory systems, the Company kept to its consistent operation goal of accelerating turnover rate and managed to remain among China's top 100 rankings in respect of the sales performance of development properties. In 2018, driven by the increase in projects available for settlement and higher proportion of high-priced properties therein, the operating revenue of development property reached RMB15,133,498,000 (including parking space), representing an increase of 20.18% over the same period last year. Although provision for impairment of assets was made in certain projects, thanks to the increase in revenue from settlement and investment income recognized from the projects with associates and joint ventures, the profit before tax was RMB2,697,947,000, representing an increase of 50.42% over the same period last year. During the Reporting Period, the new and resumed construction area of development property was 8.05 million square meters; the completed area was 1.28 million square meters; the contracted sales amount and the sales area were RMB28.2 billion (including parking space) and 1.81 million square meters, respectively.

Steady growth in operation results. During the Reporting Period, being market-oriented and customer-centered, the Company accurately grasped the timing of sales, timely adjusted sales strategies, and flexibly controlled sales efforts, to continuously increase de-stocking of projects and improve project turnover rate, thereby achieving the contracted sales amounts for the year of RMB28.2 billion. In particular, Changsha North Star Delta project has been the champion for annual sales of single property in Changsha for consecutive years and contributed contracted sales of RMB5,247 million during the Reporting Period; properties under Wuhan Blue City project and Chengdu North Star South Lake Xianglu project were launched for a number of times in the year and were all sold out at the opening. Such projects were the best-selling properties in the respective region and contributed contracted sales amounts of RMB2,047 million and RMB1,719 million, respectively.

Changsha North Star Delta

Wuhan Blue City

Chengdu North Star South Lake Xianglu

Chengdu North Star South Lake Xianglu

Management Discussion And Analysis (Continued)

Rational expansion of land reserve. Against the circumstances of increasingly scarce land resources and rising land costs, the Company closely followed the strategy of economic development in key areas in China by focusing on diversified urban agglomerations. It paid close attention to the housing demand arising from the population outspread in core cities and continued to deepen its development in the first-tier and second-tier popular core cities bolstered by strong demand by way of bid, auction and listing and joint development, to consistently optimise the land reserve layout of the Company. During the Reporting Period, the Company obtained an aggregate of 8 land parcels in Hangzhou, Wuhan, Changsha, Langfang and Chengdu, with a newly added land reserve of approximately 1,460,000 square meters and an equity land reserve of approximately 1,390,000 square meters. As at the end of the Reporting Period, the Company already established presence in 14 cities, namely Beijing, Changsha, Wuhan, Hangzhou, Chengdu, Nanjing, Suzhou, Hefei, Langfang, Chongqing, Ningbo, Wuxi, Haikou and Meishan, with a total land reserve of approximately 8,460,000 square meters, and possessed a total of 45 projects under construction or for sale, with the planned total floor area of 19,170,000 square meters. Accordingly, the Company established a trans-regional layout covering North China, Central China, East China and the Southwest.

Sichuan Guosongfu

Chengdu North Star Xianglu

Haikou West Coast Project

Hangzhou Jiubao Project

Nanjing North Star CIFI Park Mansion Jin Ling

Ningbo Beichenfu

Suzhou Guanlan Mansion

Chongqing,Yuelai No.1

Continuously promoting systemic construction. North Star Real Estate Group built an institutional system by closely following the three main principles of decision management, function management and business management. It comprehensively implemented information-based cost control and improved product standardization system. Moreover, it increased efforts on collecting customer satisfaction survey feedback, adopted an innovative incentive mechanism, and optimised the talent team. As a result, the overall scientific control was constantly improved.

Management Discussion And Analysis (Continued)

Table 2: Real Estate Projects during the Reporting Period

Unit: RMB 100 million, square meter

No.	Project name	Location	Operating state	Project status	Project interests	Total investment	Actual investment amount during the Reporting Period	Project area	Total floor area	Planned plot ratio-based gross floor area	Equity area	Land area held for development	New construction area during the Reporting Period	Accumulated development area	Floor area under construction during the Reporting Period	Completed area during the Reporting Period	Accumulated completed area	Saleable area during the Reporting Period	Contracted area during the Reporting Period
1	Beijing North Star Red Oak Villa	Changping, Beijing	Villa	Under Construction	100%	34.00	1.75	287,500	213,800	150,000	-	-	-	213,800	69,500	-	144,300	13,310	1,595
2	Beijing Modern Beichen Yue MOMA	Shunyi, Beijing	Owner occupied commercial housing and housing of two limits	Under Construction	50%	23.47	0.98	52,800	132,500	109,300	54,700	-	-	132,500	1,400	-	131,100	5,923	1,020
3	Beijing North Star • Villa 1900	Shunyi, Beijing	Residence	Under Construction	100%	24.45	-	101,200	213,300	140,000	-	-	-	213,300	5,400	-	207,900	51,567	4,340
4	Beijing Beiqijia Project	Changping, Beijing	Residence	Newly acquired land reserve in 2017, (yet to commence construction)	51%	93.09	35.05	86,600	250,000	170,400	87,000	250,000	-	-	-	-	-	-	-
5	Changsha North Star Delta	Changsha, Hunan	Residence, commercial and office building	Under Construction	100%	330.00	18.85	780,000	5,200,000	3,820,000	-	751,000	337,900	4,449,000	1,382,900	443,900	3,510,000	574,492	432,886
6	Changsha North Star Central Park	Changsha, Hunan	Residence	Under Construction	51%	48.00	6.81	336,300	906,300	720,000	367,200	141,100	-	765,200	479,400	169,200	455,000	205,896	166,169
7	Changsha Lot 077 Project ▲	Changsha, Hunan	Residence and commercial	Newly acquired land reserve in 2018, (yet to commence construction)	100%	13.07	2.22	27,700	146,000	107,900	-	146,000	-	-	-	-	-	-	-
8	Wuhan North Star Contemporary Best+	Wuhan, Hubei	Residence and commercial	Under Construction	45%	21.00	2.35	104,700	313,800	241,100	108,500	-	-	313,800	-	-	313,800	8,974	2,771
9	Wuhan North Star Guanggul	Wuhan, Hubei	Commercial Service	Under Construction	51%	33.94	3.46	84,200	492,000	337,000	171,900	134,800	-	357,200	357,200	-	-	78,304	41,374
10	Wuhan Blue City	Wuhan, Hubei	Residence and commercial	Under Construction	100%	86.63	7.16	358,000	976,000	716,000	-	352,000	386,500	624,000	624,000	-	-	186,187	180,754
11	Wuhan North Star • Gemdale • China Chic	Wuhan, Hubei	Residence	Under Construction	51%	22.83	1.43	41,800	182,000	127,000	64,900	-	182,000	182,000	182,000	-	-	28,024	12,266
12	Wuhan North Star Peacock Shoal ▲	Wuhan, Hubei	Residence	Under Construction	60%	12.97	5.09	75,200	220,000	172,800	103,700	-	220,000	220,000	220,000	-	-	22,470	21,959
13	Wuhan Lot P067 Project ▲	Wuhan, Hubei	Residence and commercial	Newly acquired land reserve in 2018, (yet to commence Construction)	100%	20.00	4.77	50,500	177,200	126,200	-	177,200	-	-	-	-	-	-	-

Management Discussion And Analysis (Continued)

No.	Project name	Location	Operating state	Project status	Project interests	Total investment	Actual investment amount during the Reporting Period	Project area	Total floor area	Planned plot ratio-based gross floor area	Equity area	Land area held for development	New construction area during the Reporting Period	Accumulated development area	Floor area under construction during the Reporting Period	Completed area during the Reporting Period	Accumulated completed area	Saleable area during the Reporting Period	Contracted area during the Reporting Period
14	Wuhan Lot P068 Project ▲	Wuhan, Hubei	Residence and commercial	Newly acquired land reserve in 2018, (yet to commence Construction)	100%	16.20	5.99	63,200	223,700	158,100	–	223,700	–	–	–	–	–	–	–
15	Wuhan Lot P164 Project ▲	Wuhan, Hubei	Residence and commercial	Newly acquired land reserve in 2018, (yet to commence Construction)	100%	18.72	7.87	50,500	213,800	151,400	–	213,800	–	–	–	–	–	–	–
16	Hangzhou North Star Shushan Project	Hangzhou, Zhejiang	Residence and commercial	Completed	80%	26.78	1.86	83,900	317,500	235,000	188,000	–	–	317,500	142,900	142,900	317,500	15,764	3,649
17	Hangzhou Honor Mansion	Hangzhou, Zhejiang	Residence and commercial	Completed	35%	14.85	1.10	41,900	108,400	75,000	26,300	–	–	108,400	–	–	108,400	140	140
18	Hangzhou Scenery Mansion	Hangzhou, Zhejiang	Residence and commercial	Completed	35%	4.90	1.25	13,400	32,600	23,000	8,100	–	–	32,600	–	–	32,600	–	–
19	Hangzhou Guosongfu	Hangzhou, Zhejiang	Residence	Under Construction	100%	16.06	2.28	21,900	69,900	48,200	–	–	–	69,900	69,900	–	–	39,019	34,041
20	Hangzhou Jinhu Art Villa of City	Hangzhou, Zhejiang	Residence and commercial	Under Construction	25%	5.50	4.87	57,400	209,700	144,000	36,000	–	–	209,700	209,700	–	–	79,417	78,090
21	Hangzhou Jiubao Project▲	Hangzhou, Zhejiang	Residence	Newly acquired land reserve in 2018, (yet to commence Construction)	100%	11.03	7.02	12,200	44,400	25,700	–	44,400	–	–	–	–	–	–	–
22	Ningbo Beichenfu	Ningbo, Zhejiang	Residence	Under Construction	100%	41.71	3.65	47,300	189,700	137,400	–	–	–	189,700	189,700	–	–	130,443	25,847
23	Ningbo Mansion • Jintian	Ningbo, Zhejiang	Residence and commercial	Under Construction	51%	59.50	2.68	133,000	404,800	292,500	149,200	–	–	404,800	404,800	–	–	208,040	195,759
24	Nanjing North Star CIFI Park Mansion • Jin Ling	Nanjing, Jiangsu	Residence	Completed	51%	29.76	1.33	25,300	105,000	70,700	36,100	–	–	105,000	105,000	105,000	105,000	1,716	1,559
25	Suzhou North Star CIFI No. 1 Courtyard	Suzhou, Jiangsu	Residence and commercial	Under Construction	50%	28.78	0.94	178,700	272,400	180,500	90,300	–	–	272,400	102,500	102,500	272,400	33,627	33,304
26	Suzhou Guanlan Mansion	Suzhou, Jiangsu	Residence and commercial	Under Construction	100%	58.82	4.07	170,000	392,900	268,800	–	–	220,300	392,900	392,900	–	–	37,134	815
27	Wuxi Tianyi Jiuzhu	Wuxi, Jiangsu	Residence	Under Construction	49%	28.60	3.85	88,000	255,400	196,000	96,000	–	129,000	255,400	255,400	–	–	155,068	88,341
28	Wuxi Times City	Wuxi, Jiangsu	Residence	Under Construction	40%	46.79	5.32	137,900	532,600	413,800	165,500	–	343,500	532,600	532,600	–	–	241,007	146,531
29	Chengdu North Star • Landsea Southern Gate Green Shire	Chengdu, Sichuan	Residence and commercial	Under Construction	40%	20.04	0.80	63,600	236,900	158,600	63,400	–	–	236,900	236,900	152,700	152,700	10,512	7,484
30	Chengdu North Star • Xianglu	Chengdu, Sichuan	Residence and commercial	Under Construction	100%	14.71	1.24	40,400	150,800	96,900	–	–	–	150,800	150,800	–	–	2,143	599

Management Discussion And Analysis (Continued)

No.	Project name	Location	Operating state	Project status	Project interests	Total investment	Actual investment amount during the Reporting Period	Project area	Total floor area	Planned plot ratio-based gross floor area	Equity area	Land area held for development	New construction area during the Reporting Period	Accumulated development area	Floor area under construction during the Reporting Period	Completed area during the Reporting Period	Accumulated completed area	Saleable area during the Reporting Period	Contracted area during the Reporting Period
31	Chengdu North Star • South Lake Xianglu	Chengdu, Sichuan	Residence	Under Construction	100%	29.16	3.33	88,000	299,100	210,000	–	–	–	299,100	299,100	–	–	158,457	140,177
32	Chengdu North Star Royal Palace	Chengdu, Sichuan	Residence and commercial	Commenced	100%	15.26	2.17	26,600	120,000	79,800	–	–	120,000	120,000	120,000	–	–	–	–
33	Chengdu Xiehe Lot 017 Project▲	Chengdu, Sichuan	Residence and commercial	Newly acquired land reserve in 2018, (yet to commence Construction)	100%	26.51	3.80	80,100	225,900	160,300	–	225,900	–	–	–	–	–	–	–
34	Sichuan Guosongfu	Meishan, Sichuan	Residence and commercial	Commenced	100%	27.18	0.69	129,800	339,000	233,800	–	139,800	199,200	199,200	199,200	–	–	23,488	9,513
35	Langfang North Star Aoyuan New Town	Langfang, Hebei	Residence and commercial	Under Construction	100%	25.73	2.69	140,700	419,200	296,800	–	141,100	98,000	278,100	278,100	–	–	55,606	31,504
36	Langfang Lot 2018-4 Project▲	Langfang, Hebei	Residence	Newly acquired land reserve in 2018, (yet to commence Construction)	100%	25.31	9.28	82,500	241,600	164,800	–	241,600	–	–	–	–	–	–	–
37	Hefei North Star CIFI Park Mansion • Luzhou	Hefei, Anhui	Residence and commercial	Under Construction	50%	42.14	2.84	141,700	355,700	239,000	119,500	22,200	55,500	333,500	333,500	159,300	159,300	34,036	29,091
38	Chongqing,Yuelai No.1	Yubei, Chongqing	Residence and commercial	Under Construction	100%	100.66	7.27	429,100	1,274,000	918,000	–	685,500	408,500	588,500	588,500	–	–	209,069	122,373
39	Haikou West Coast Project	Haikou, Hainan	Residence and commercial	Under Construction	100%	45.47	2.82	106,800	263,400	206,000	–	149,300	114,100	114,100	114,100	–	–	–	–
	Total	-	-	-	–	1,543.62	180.93	4,840,400	16,721,400	12,121,800	1,936,300	4,039,400	2,814,400	12,682,000	8,047,400	1,275,500	5,910,000	2,609,833	1,813,951

Management Discussion And Analysis (Continued)

Notes:

1. "▲" represents newly added real estate projects for reserve purpose during the Reporting Period.
2. Total investment represents the estimated total investment amounts for each project.
3. Planned plot ratio-based gross floor area and equity area represent the data calculated with reference to the conditions of assignment at the time of project auction.
4. Equity area (i.e., area of cooperative development projects) represents the plot ratio-based gross floor area attributable to the percentage of interest in the Company.
5. Land area held for development represents the gross construction area of undeveloped portion of project land.
6. During the Reporting Period, total land reserve of the Company was 8,461,100 square meters; equity land reserve was 7,530,300 square meters and the newly added real estate reserve was 1,464,000 square meters; new construction area was 2,814,400 square meters, representing a year-on-year decrease of 6.40%; area for new and resumed construction was 8,047,400 square meters, representing a year-on-year increase of 24.22%; the completed area was 1,275,500 square meters, representing a year-on-year decrease of 8.28%; sales area was 1,814,000 square meters, representing a year-on-year increase of 45.82%; sales amount was RMB28,209 million, representing a year-on-year increase of 26.64%; settlement area was 903,100 square meters, representing a year-on-year decrease of 3.62%; the settlement amount was RMB15,134 million, representing a year-on-year increase of 20.18%.

2. Investment Properties (Including Hotels)

In view of the continuous industrial upgrade and innovation under the new economic situation, the Company, based on the functional positioning of Beijing as "Four Centers" and the overall plan of synergetic development of Beijing-Tianjin-Hebei, insisted on the development mode of synergistic progress in asset-heavy investment business and asset-light service business, and gave full play to the development strategy of prioritizing the convention and exhibition and integrating various businesses for reciprocal advancement. With high-quality development as the core principle, professional operation as the service guarantee and innovative expansion as the driving force, the profitability of assets improved comprehensively.

Management Discussion And Analysis (Continued)

In 2018, the Company recorded an operating revenue from investment properties (including hotels) of RMB2,629,020,000, representing a year-on-year increase of 1.15%. Profit before tax amounted to RMB883,711,000, representing a year-on-year increase of 4.27%.The valuation surplus of the segment for this period was RMB112,196,000, representing a decrease of 24.19% as compared with the same period last year.

Further enhanced brand influence of North Star Events. North Star Events Group firmly grasped the development opportunity and successfully completed the important reception tasks for the "Beijing Summit of the China-Africa Cooperation Forum", the "Fifth CIFTIS", the "Qingdao Summit of Shanghai Cooperation Organization", the "first session of United Nations World Geographical Information Congress" and the "Eighth Beijing Xiangshan Forum" with a high degree of political responsibility, considerate professional operations and rigorous and meticulous work style, giving rise to continuous enhancement of the brand value and influence of North Star Events.

North Star Events at the Qingdao Summit of Shanghai Cooperation Organization

The Eighth Beijing Xiangshan Forum held at the Beijing International Convention Centre

China-Africa Forum held at the International Convention Centre

The United Nations World Geographical Information Congress held at the Deqing International Convention Centre

Optimizing and consolidating the held-for-sale asset-heavy business. Leveraging the geographic advantage of the concentration of a large number of properties with core value in the Asian-Olympic core district, the Company took the convention and exhibition as a lead to drive synergetic development of office building, hotel and apartment businesses. For the National Convention Centre and Beijing International Convention Centre, the Company continued to improve the quality and efficiency of asset operation and intensified its efforts to develop the international convention market, resulting in a steady increase in the domestic market share and record-high revenue and profit level. For the office building business, the Company continued to pursue the strategy of synergic marketing for multiple projects, made in-depth analysis of clients' internal demands, continued to level up intelligent service standard, and endeavored to explore the value enhancement potential of projects, thus achieving a relative high occupancy rate and rent level within the region and turning it into a major source of profit for the investment property segment (including hotels). For the hotel and apartment businesses, based on the market demand, the Company sought to identify a more diversified target consumer population via the pointcuts of conference, themed activities and business and tourism groups for whom the Company provides services, so as to maximize the comprehensive income. During the Reporting Period, the occupancy rate of our hotel and apartment segment remained at high level and its average rent increased steadily.

Management Discussion And Analysis (Continued)

Innovative development of asset-light service business. By capitalizing on the industrial development opportunities arising from the promotion of cooperation initiative of national strategies including the "Belt and Road" initiative, the "Coordinated Development of the Beijing, Tianjin and Hebei Region" and the "Yangtze River Economic Belt" and the functional positioning of Beijing as the "Four Centers", North Star Events took full advantage of its strong brand resources to increase its efforts in market development horizontally and accelerate industrial chain extension vertically. As a result, our asset-light service business flourished in many cities.

Devotions to the operation and management of convention and exhibition venues as well as hotel branding continued to take effects, and the Company has gradually formed a strategic layout featuring business presence in numerous cities across the country, which further cemented its authoritativeness and influence in the industry. During the Reporting Period, North Star Events Group successfully entered into contracts in respect of entrusted management of 3 convention and exhibition venues, including Deqing International Convention Centre, Shijiazhuang International Convention & Exhibition Centre and Nantong International Convention & Exhibition Centre, as well as 3 hotels located in Wanquan, Huai'an and Nanjing, which significantly enhanced its brand awareness in the industry. As at the end of the Reporting Period, North Star Events Group established presence in 19 cities across the country, and had a total of 15 contracted hotels under entrusted management and 11 contracted convention and exhibition venues under entrusted management covering a total floor area of 2.76 million square meters. North Star Events has become a convention and exhibition business that exports and runs the largest number of convention and exhibition venues under its operation and management, is the largest in terms of overall scale and is capable of undertaking the finest conferences in China. In terms of the convention hosting and undertaking businesses, outstanding achievements were made for the smooth progress of the upstream business of the convention industry chain. During the Reporting Period, the first exhibition of "China Animation Comic Game Festival" (中國遊戲節) and the first international exhibition of "China (Chengdu) International Supply Chain and Logistics Technologies and Equipment Expo" (中國(成都)國際供應鏈與物流技術及裝備展覽會) in which North Star Events Group acted as the organizer and the first exhibition of the "18th Smart Security Products and Technologies Expo in Hunan" (第十八屆湖南智慧安防產品與技術博覽會) in which North Star Events Group acted as the contracting party were successfully held. In terms of the convention and exhibition research and development business, North Star Events aligned itself with the positioning as the "government think tank and industry intelligence" and proactively made some meaningful attempts in multiple fields. It carried out 14 pieces of consulting businesses and as well as evaluations for CIFTIS and other national conventions and exhibitions, initiated and set up the Convention and Exhibition Volunteers Committee under China Volunteers Association, and undertook the consulting business for the first China International Import Expo upon invitation, all enhancing its power of discourse and influence in the industry on an ongoing basis. The Internet + business represented by Internet + Convention and Exhibition and North Star Intelligent Community were smoothly promoted.

Deqing International Convention Centre

Shijiazhuang International Convention & Exhibition Center

Nantong International Convention & Exhibition Center

North Star V-Continent Wanquan Hotel

North Star V-Continent Huai'an Garden-style Hotel

Nanjing Wangyudao North Star V-Continent Garden-style Hotel

Management Discussion And Analysis (Continued)

Table 3: Leasing of Real Estate during the Reporting Period

Unit: 0'000 Currency: RMB

No.	Region	Project	Operation format	Construction area of the real estate leased *(square meter)*	Rental income of the real estate leased	Equity of (attributable to) the Company
1	No. 7 Tian Chen Dong Road, Chao Yang District, Beijing	National Convention Centre	Convention and exhibition	270,000	67,318	100%
2	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Beijing International Convention Centre	Convention and exhibition	56,400	12,682	100%
3	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Bin Offices	Office building	37,800	6,509	100%
4	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Xin Offices	Office building	40,900	5,339	100%
5	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	North Star Times Tower	Office building	132,400	20,127	100%
6	No. 8 Bei Chen Xi Road, Chao Yang District, Beijing	North Star Century Center	Office building	149,800	31,666	100%
7	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Zhen Building Property	Office building	4,500	1,611	100%
8	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Beijing Continental Grand Hotel	Hotel	42,613	14,587	100%
9	No. 8 Bei Chen Xi Road, Chao Yang District, Beijing	National Convention Centre Hotel	Hotel	50,200	11,177	100%
10	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	V-Continent Beijing Parkview Wuzhou Hotel	Hotel	60,205	16,316	100%
11	No. 8 Bei Chen Xi Road, Chao Yang District, Beijing	Intercontinental Beijing North Star Hotel	Hotel	60,000	18,069	100%
12	No. 1500, Xiang Jiang Bei Road, Kaifu District, Changsha, Hunan Province	Intercontinental Changsha	Hotel	79,199	20,091	100%
13	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Yuan Apartment	Apartment	179,662	27,448	100%
14	A13 Beiyuan Road, Chao Yang District, Beijing	B5 Commercial Area of North Star Green Garden	Commercial	49,689	3,278	100%

Note:

1. The B5 Commercial Area of North Star Green Garden has been leased to Beijing Shopin Retail Development Co., Ltd. (北京市上品商業發展有限責任公司) since August 2016.
2. Construction area of the real estate leased represents the total construction area of the project.
3. The rental income of real estate leased is the operating income of the projects.
4. Construction area and operating revenue of North Star Times Tower have included the construction area and operating revenue of the Legend Shopping Centre project.
5. The above-mentioned properties items 2, 3, 7, 8, 10 and 13 are erected on land leased from BNSIGC for a rental of RMB16,088,620 for the year 2018 (rentals for future years subject to adjustment). Terms of the leases range from 40 years to 70 years, depending on uses of different parts of the land.

Management Discussion And Analysis (Continued)

Chart 1: Distribution of entrusted management projects of the Company as at the end of the Reporting Period

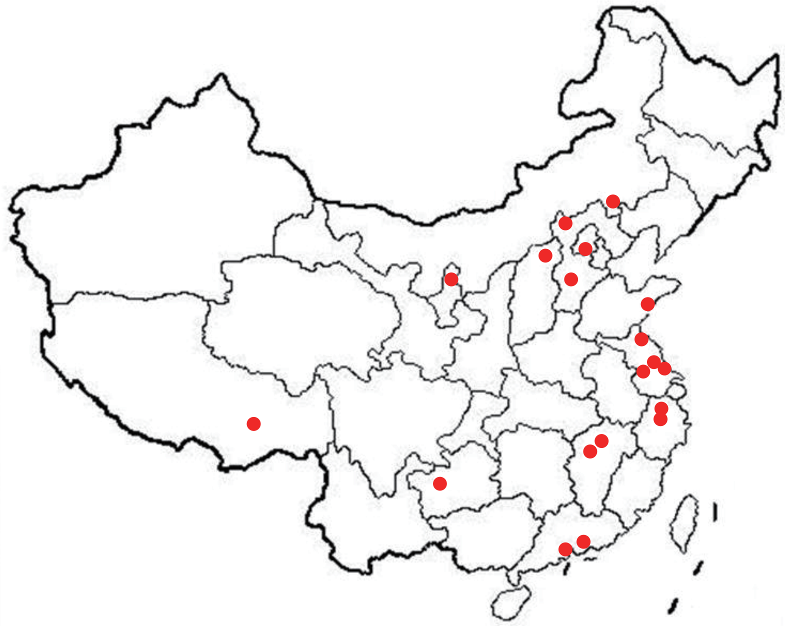


Table 4: Breakdown of entrusted management projects of the Company as at the end of the Reporting Period

No.	Convention center projects under entrusted management	Hotel projects under entrusted management
1.	Zhuhai International Convention & Exhibition Center	V-Continent Nyingchi Hotel
2.	Beijing Yanqi Lake International Convention & Exhibition Center	North Star V-Continent Huidong Executive Apartment
3.	Nanchang Greenland International Expo Center	Jiangxi Hongwei Continental Crown Hotel
4.	Lianyungang Land Bridge International Convention Center and ancillary hotels	Zhangjiakou Continental Crown Hotel
5.	Hangzhou International Expo Center	North Star V-Continent Datong Executive Apartment
6.	Ningxia International Hall	North Star V-Continent Yinfeng Hotel
7.	Taizhou China Medical City Exhibition Center	North Star V-Continent Anshun Garden-style Hotel
8.	Qingdao International Convention Center	North Star V-Continent Chifeng Hotel
9.	Shijiazhuang International Convention & Exhibition Center	North Star V-Continent Wanquan Hotel
10.	Deqing International Convention Center	North Star V-Continent Huai'an Garden-style Hotel
11.	Nantong International Convention & Exhibition Center and ancillary hotels	Nanjing Wangyudao North Star V-Continent Garden-style Hotel
12.		Hangzhou International Expo Center Hotel
13.		Nanchang Greenland Continental Crown Hotel
14.		Land Bridge Crown Business Hotel
15.		Nantong Kechuang Center Hotel

Management Discussion And Analysis (Continued)

3. Nurturing Business

In terms of health and elderly care, North Star ORPEA International Elderly Nursing Center (北辰歐葆庭國際頤養中心) in Changsha, the Company's first health and elderly care project, opened for business officially, marking its debut of tentative business operation in the elderly care industry. The Center is equipped with 224 rooms with more than 400 beds. In respect of cultural creativity, the Company learned extensive knowledge with regard to the most updated industrial developments, and earned the experience of successful projects and cases by actively studying and visiting cultural industry parks with distinctive features, in a bid to realizing integrated development between the cultural & creative industry and principal business of the Company.

4. Financing Work

Against the backdrop of deepened financial reform featuring financial deleveraging to prevent risks and promote the sound and sustainable development of enterprises, the Company furthered the implementation of its capital expansion strategy by leveraging the platform of "headquarters financing", developed new ways of financing, expanded the financing channel and adjusted its liability structure. During the Reporting Period, the Company, after integrating its quality assets, successfully achieved financing through the securitization of its own property leveraging its Intercontinental Changsha for the first time, and obtained proceeds of RMB1,050 million successfully therefrom, which further optimized and enriched the existing financing system of the Company.

Table 5: Financing of the Company during the Reporting Period

Unit: 0'000 Currency: RMB

Total financing amount at the end of the period	Overall average financing cost (%)	Interest capitalised
2,926,056	5.87	148,342

5. Comprehensive Strength and Brand Building

The Company firmly believes that the "North Star" brand is the most powerful endorsement for the Company's development, and is also the performance guarantee and driving force for sustainable development. Over time, the Company, centering on the objective of being China's top-tier complex estate brand and China's top influential exhibition brand, insists on building good brand image, wins the respects and praises from shareholders, customers, business partners and peers in the process of development and was awarded various prizes. During the Reporting Period, the Company has been awarded with "Professional Leading Brand of China in Comprehensive Development" (中國複合地產專業領先品牌) by China Real Estate Top 10 Research Group for twelve consecutive years, and was awarded with "China Top 100 Real Estate Developers (中國房地產開發企業100強)" in the appraisal on China Top 500 Real Estate Developers in 2018 organized by Chinese Real Estate Industry Association. Meanwhile, it was awarded with "Top 10 Real Estate Enterprises in China by Comprehensive Development" (中國房地產開發企業綜合發展10強), "Top 100 Listed Real Estate Enterprises in China" (中國上市房企百強) at the Summit of Top 100 Listed Real Estate Enterprises in China in 2018 jointly hosted by Yihan Think Tank (億翰智庫) and china.com.cn and "Top 10 Brands in Real Estate by Influence" (領袖地產十大影響力品牌) for three consecutive years in the selection of leading property developers held by Beijing Evening.

Management Discussion And Analysis (Continued)

6. Investor Relations

By means of on-site road show, investors research, teleconference, special column on the website of the Company and telephone hotline, the Company strengthened two-way communication with its investors, made its information disclosure more transparent, improved corporate governance constantly and enabled investors to gain more knowledge and better recognition of the Company, in this way it has built up an investor base with stable and quality investors. While practically safeguarding the interests of its investors, it sought to maximize the Company's value and shareholders' interests.

7. Fulfill social responsibility and promote sustainable development of enterprises

The Company actively fulfills its social responsibility, combines reform with innovation and development, and promotes the sustainable development of the enterprise. The Company has disclosed the "Social Responsibility Report" (《社會責任報告》) and the Environmental, Social and Governance Report respectively in mainland China and Hong Kong for ten years in a row. During the Reporting Period, the Company actively carried out public welfare activities. It has made donations to the Beijing Chunmiao Charity Foundation (春苗基金會) for the sixth consecutive year, aiming at helping abandoned, handicapped and impoverished children; It carefully implemented targeted poverty alleviation and provided paired support for Baihutou Village in Zhaitang Town of Mentougou District (Beijing). With focuses on industry development and employment in its poverty alleviation work, the Company helped the target area to build up its own economic drivers, and achieve satisfactory results in the critical battle against poverty. Furthermore, it made greater efforts to prevent and control pollution to promote green development, and cut emissions of nitrogen oxides and sulfur dioxide by 10% and 59% respectively as compared with the same period last year.

Management Discussion And Analysis (Continued)

III. INDUSTRY LANDSCAPE AND TREND

2019 is the critical year in completing the goal of building a moderately prosperous society in all respects, the PRC will press ahead with the “Five-in-one” general layout, coordinate and advance the “Four Comprehensives” strategic layout, focus on the supply-side structural reform, continue to deepen market-oriented reform, expand high-level opening-up, speed up the building of a modern economic system, innovate and improve the macroeconomic regulation, so as to ensure stable operation of the economy.

As for development properties, the construction required for new urbanization in China will be further pushed forward and improved approach will be adopted to address issues of housing in 2019, with an objective to reform and revamp the market system and guarantee system for housing with the main responsibility assumed by the local governments. In the medium and long term, China will continue to advance the establishment and improvement of long-term mechanisms, including the housing system reform, the building of a housing rental system and the optimization of the supply structure for housing and land, and establish a comprehensive set of policies progressively, including policies on finance, land, taxes, housing security, market management, etc., to ensure that the policies are effective, stable, and reasonable, thereby building a sound environment for the long-term development of the housing industry.

As for investment properties (including hotels), due to the fact that the great power diplomacy with Chinese characteristics and the “One Belt, One Road” cooperation initiative are exerting increasing impact, the convention and exhibition industry will be provided with broader space for development and new opportunities, which will in turn drive the development of relevant industries. Second, in the “Certain Opinions on Improving the Consumption Mechanism to Further Boost the Consuming Capacity of the Population” issued by the State Council (《國務院關於完善促進消費體制機制進一步激發居民消費潛力的若干意見》), it is proposed that the government will make great efforts to develop the housing rental market, especially long-term leasing, speed up the improvement of the consumption mechanism and promote the upgrading of consumption. Such policies will lead to the enhancement of apartment, hotel and catering business.

Management Discussion And Analysis (Continued)

IV. DEVELOPMENT STRATEGY OF THE COMPANY

The Company will seize the opportunities for development, orient itself towards "operation with light asset, support by new economy, expansion at low cost and development of high-end service industry", speed up the real estate development and maintain stable operation of the convention and exhibition industry, on top of these, it will promote upgrading of its existing businesses and the development of innovative business, continue to advocate quality development, and expedite building the Company into a first-class composite real estate brand enterprise and the most influential exhibition brand enterprise in the PRC.

1. Development Properties

In respect of development strategies, based on thorough researches on urban and social development as well as the real estate market economy, it will replenish project reserves and resources in a scientific and prudent manner through public tender, cooperative development, acquisition and merger as well as other approaches, so as to achieve gradual scale development through vertical and horizontal expansion; In terms of project operation, while paying equal attention to the development and risk control and in compliance with the policy orientation and market demands, it will exert greater effort on FMCG allocation, practice standard product and process construction systems in a broad range and in turn accelerate the project development pace and the investment turnover rate. As for innovation in the development model, the Company will, taking real estate as the carrier, make full use of the operational strengths of comprehensive real estate and establish an integrated development pattern under which a number of businesses support and encourage each other through close integration with conventions, health and pensions, culture and innovation and other businesses.

2. Investment Properties (Including Hotels)

The Company will further accelerate the upgrade of industrial services and its own innovation-driven development and put outpouring efforts on the improvement of the convention and exhibition ecological chain so as to cement its leading position in the industry. On the one hand, it will continue to optimize and strengthen the held-for-sale asset-heavy business. Based on the routine quality and efficiency improvement, it will continuously enhance professionalism and service ability and improve the comprehensive operation efficiency. Meanwhile, it will strengthen the linkage and integration of various businesses and strive to build a modern comprehensive property service cluster characterized by the linkage of brands and various businesses. On the other hand, it will speed up in advancing and innovating asset-light service business. It will vigorously promote professional and standard services, consistently expand the market share of entrusted hotel and exhibition management projects and strives to achieve stable growth in the convention hosting business and make the brand of exhibition and consultancy stronger and better-known.

Management Discussion And Analysis (Continued)

3. Nurturing Business

In terms of health and elderly care, the Company will, leveraging the opening and operation of North Star ORPEA International Elderly Nursing Center and the North Star International Healthcare Town project, introduce international and standard elderly care and nursing systems, continue to accumulate project management experience of elderly care institution projects, and intensify the establishment of a professional personnel system, with the view to fostering a elderly care brand with North Star characteristics. Meanwhile, the Company will emphasize studies and analysis on the status quo and prospects of the elderly care industry, proactively explore sustainable North Star the aged-targeted real estate development mode that is in line with China's national situations and take pains to create a nationwide top-notch elderly nursing service brand. As for cultural creativity, the Company will enhance the scientific analysis on and systematic arrangement for the cultural creativity industry, learn from the successful cases in the areas where cultural creativity businesses gather and accelerate the launch and implementation of projects.

4. Financing and Capital Expenditure

The Company will pay close attention to the movements of financing policies in the capital market, fully utilize the advantages of the "headquarters financing" mode and proactively develop fundraising channels. Leveraging such approaches as asset securitization, perpetual mid-term notes, etc., the Company will take effective measures to control the gearing ratio, further decrease finance costs, increase capital utilization efficiency and guarantee the capital needs in the project construction and operation of each segment.

In 2019, the Company's investment in fixed assets is expected to be approximately RMB200 million, which will be paid according to project progress and funded by internal resources.

V. SCHEME OF OPERATIONS

In 2019, it is estimated that new construction area of the Company's development properties will be 1,960,000 square meters, area for new and resumed construction will be 8,880,000 square meters and the completed area will be 2,460,000 square meters. Overcoming the impact of the regulation policy on real estate industry, the Company will strive to achieve sales of 1,600,000 square meters with contracts signed (including parking spaces) amounting to RMB25.3 billion in 2019.

As for investment properties, the Company will innovate the business development models while upgrading the existing operation service abilities, strengthen the brand impact on upstream and downstream industry chain, and actively cultivate new performance growth point.

In 2019, the Company will strengthen budget rigidity and implement the budget in a standard way and strictly control costs and expenditures.

Management Discussion And Analysis (Continued)

VI. POTENTIAL RISKS FACED BY THE COMPANY

1. Policy Risks in Development Properties

As the development of real estate industry is closely related to national policy directions, any significant adjustment to policies may pose certain risks to real estate companies regarding aspects such as land acquisition, project development and construction, sales and receivables collection, and fundraising.

In response to the aforesaid risks, the Company will conduct further policy-related analysis, improve the responsiveness to the policies and market changes and place equal importance on risk management and control during the fast development of real estate business, so as to minimize the risk of project development and sales resulting from policy uncertainty. Meanwhile, it will continuously optimize the direction of business development to make for the rapid turnover of projects based on policy directions in compliance with the market trends.

2. Market Risks

The differentiation in real estate market continues to sustain and competition for popular cities and certain prime land parcels among real estate enterprises has become intensively fierce, and the profit margin of enterprises is likely to be narrowed by the increase of costs, which will impose risks on enterprises in operation and sale, land reserve, finance and capital as well as operation stability.

In response to the aforesaid risks, the Company will pay close attention to the development trend of the market, strengthen the evaluation on the newly entered cities, and select relatively developed cities and regions in which market is mature with favorable investment atmosphere, a net inflow of population and a relatively rational housing-price-to-income ratio. At the same time, the Company will continue to strengthen professional management and deepen systemic construction, so as to shorten the development cycle and speed up the turnover of its projects, improve the cash recovery rate and avoid market risks.

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

As the Company has continuously strengthened its national business layout for real estate development in recent years, rapid increase was witnessed in entrusted hotel or exhibition management projects and reception projects in regard of state-level high-end governmental affairs, which has led to soaring demands for all kinds of talents, especially people with expertise and senior management personnel, hence the Company may be exposed to the risk of talent shortage in the near future.

To tackle the aforementioned risks, the Company organized internal trainings for directors, supervisors and senior management, medium management and professional and technical staff to enhance the professional competency of talents from corporate culture, management concept, professional skills and other aspects. It will also establish cross-training platforms among enterprises to actively cultivate talents, and speed up the expansion of talent reserve.

Management Discussion And Analysis (Continued)

VII. CORE COMPETITIVENESS ANALYSIS

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

As for the future development of the PRC's real estate industry, under the PRC's economic keynote of seeking improvement in stability, the golden fast-growing age of real estate market has come to an end, and it has entered into the silver age of relatively stable development at medium and high speed, and differentiated development of cities has become a new normal. At the same time, the government adheres to the category-based control, city-specific policy, curbing housing price from excessive growth and financial risk control. Under such circumstances, the real estate industry is situated in a policy period that gives rise to new development opportunities featuring the integration of various industries and capital sources driven by innovation, transformation and evolution.

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

On the one hand, the Company has the ability to develop and operate composite real estate and brand advantage. Property types developed by the Company include luxury homes, villas, apartments, affordable housing, office buildings, commercial properties, etc. In addition, it also has strong professional competence and competitiveness in the development of large-scale and comprehensive real estate projects. Since 2007, it has been awarded with the title of "Professional Leading Brand of China Complex Estate" by China TOP10 Real Estate Research Group for eleven consecutive years. Besides, in recent years, the Company sticks to the strategy of low-cost expansion and has taken various measures to advance regional expansion with balanced regional layout. As at the end of the Reporting Period, it has launched real estate development business in 14 cities, namely Beijing, Changsha, Wuhan, Hangzhou, Chengdu, Nanjing, Suzhou, Hefei, Langfang, Chongqing, Ningbo, Wuxi, Haikou and Meishan, representing the Company's foundations and professional capability for nationwide development.

Management Discussion And Analysis (Continued)

On the other hand, as one of the PRC's largest exhibition operators, the Company boasts the ability in high-end exhibition and hotel operation and services, and enjoys high brand awareness and influence in the industry. The Company holds and operates more than 1.2 million square meters of investment properties (including hotels) in the Asian-Olympic core district. With more than 20 years of experience in exhibition and hotel operation and the ability in providing internationalized professional operation services, it has successfully delivered hosting services for an array of national, integrated and international conferences such as the Olympic Games, APEC summit, Beijing Fair, G20 Hangzhou Summit, the "Belt and Road" Summit Forum for International Cooperation, BRICS Xiamen Summit, China-Arab States Expo, the Qingdao Summit of Shanghai Cooperation Organization, Beijing Summit of the Forum on China-Africa Cooperation, the first session of United Nations World Geospatial Information Congress and the eighth Beijing Xiangshan Forum, creating a globally renowned service brand of North Star. In addition, the Company has intensively pushed ahead with exhibition brand expansion in the past two years, making remarkable achievements in the promotion of its exhibition brand throughout the country. In the meantime, the Company takes the opportunity of the establishment of the North Star Events Group to scientifically integrate its industrial resources such as exhibitions, hotels, and information services, thereby carrying out exploration and practice for the whole value chain covering operation of convention and exhibition venues, sponsoring and undertaking of conventions and exhibitions, informationization of convention and exhibition, and research and development and education on exhibitions, creating huge rooms for the Company's innovative development and full integration of its exhibition economy and new economy, new technologies and new business.

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

Li Wei-Dong
General Manager

Beijing, the PRC, 20 March 2019

Report on Corporate Governance

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

Throughout the course of 2018, the Company complied with the requirements of the Corporate Governance Code of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"). The following is an outline of the Corporate Governance Code adopted by the Company.

THE BOARD

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

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

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

In 2018, in order to ensure the directors being fully informed and accommodate to the needs for their contribution to the Board, all the directors of the Company actively participated in continuing professional development and participated in the themed training relevant to corporate governance organised by the domestic regulatory authorities, and timely studied the laws, regulations and documents issued by regulatory authorities.

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

The Board should meet regularly and the Board meetings should be held at least 4 times a year. The Board had met 36 times in total during 2018.

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

Report on Corporate Governance (Continued)

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

Directors	No. of meetings attended in person/ No. of meetings held	No. of meetings attended by proxy *(Note)*/ No. of meetings held
Executive directors		
Mr. HE Jiang-Chuan	36/36	0/36
Mr. LI Wei-Dong	36/36	0/36
Ms. LI Yun (appointed on 28 May 2018)	20/20	0/20
Mr. CHEN De-Qi (appointed on 28 May 2018)	20/20	0/20
Ms. ZHANG Wen-Lei (appointed on 28 May 2018)	20/20	0/20
Mr. GUO Chuan (appointed on 28 May 2018)	20/20	0/20
Mr. LI Chang-Li (retired on 28 May 2018)	15/16	1/16
Ms. ZHAO Hui-Zhi (retired on 28 May 2018)	15/16	1/16
Mr. LIU Jian-Ping (retired on 28 May 2018)	15/16	1/16
Mr. LIU Huan-Bo (retired on 28 May 2018)	16/16	0/16
Independent non-executive directors		
Mr. FU Yiu-Man	36/36	0/36
Mr. WU Ge	36/36	0/36
Mr. DONG An-Sheng	36/36	0/36

Note: Pursuant to Article 152 of the Articles of Association of the Company, a director can delegate in writing another director to attend Board meetings on his or her behalf if that director cannot attend the meetings for any reason.

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

In January 2005, the Board adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as the disciplinary rules governing securities dealings by the relevant directors of the Company. During the year of 2018, none of the directors and supervisors of the Company had dealt in securities of the Company.

THE CHAIRMAN AND GENERAL MANAGER

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

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

Report on Corporate Governance (Continued)

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

ACCOUNTABILITY OF DIRECTORS ON COMPANY'S FINANCIAL STATEMENTS

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

The statement issued by the auditor on its reporting responsibilities is set out in the Independent Auditor's Report on pages 58 to 64 of this annual report.

FUNCTIONS OF CORPORATE GOVERNANCE

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

In the year of 2018, the Board has fulfilled the aforesaid functions of corporate governance.

AUDIT COMMITTEE

The Company has established an audit committee since September 2004. The audit committee comprises three independent non-executive directors, namely Mr. WU Ge as the chairman, Mr. FU Yiu-Man and Mr. DONG An-Sheng. Their duties include reviewing and supervising the Company's financial reporting process, risk management and internal control systems. The audit committee and the management have jointly reviewed the accounting principles and major policies adopted by the Group and have discussed matters on auditing, risk management, internal control and financial reporting, as well as reviewing the unaudited interim financial report and the audited annual financial statements of the Group. The audit committee has also reviewed the annual results and draft financial statements of the Group for the year ended 31 December 2018.

Report on Corporate Governance (Continued)

In accordance with the stipulations in the Rules of Procedures of Meetings of the Audit Committee of the Board of Directors of the Company, the audit committee of the Board of the Company performed their duties of due diligence. During the Reporting Period, the audit committee held four meetings, at which, they mainly considered the audit opinion of the external auditors on the financial report and internal control for the year of 2017 of the Company, and the review results of the external auditors on the interim report for the year of 2018 of the Company. In addition, the audit committee of the Company gave full play to their functions as a professional committee and proactively promoted the establishment of the internal control system of the Company. Moreover, the committee guided the internal audit work of the Company in real earnest and coordinated the communication and cooperation between the Company and the external auditors, so as to improve the relevant work efficiency.

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

Members	**No. of meetings attended/ No. of meetings held**
Mr. WU Ge	4/4
Mr. FU Yiu-Man	4/4
Mr. DONG An-Sheng	4/4

REMUNERATION AND EVALUATION COMMITTEE

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

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

In accordance to the stipulations in the Rules of Procedures of Meetings of the Remuneration and Evaluation Committee of the Board of Directors of the Company, the remuneration and evaluation committee diligently performed their duties in due assiduity. During the Reporting Period, the remuneration and evaluation committee of the Board of the Company held one meeting to consider the total remuneration budget proposal for 2018 and recommend the Company to further optimise relevant work taking into account of the actual circumstance of the Company.

Report on Corporate Governance (Continued)

For the year ended 31 December 2018, the remuneration of the members of the senior management by band is set out below:

Remuneration band *(RMB)*	**Number of persons**
Less than 1,000,000	5

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

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

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

Members	**No. of meetings attended/ No. of meetings held**
Mr. WU Ge	1/1
Mr. FU Yiu-Man	1/1
Mr. DONG An-Sheng	1/1

NOMINATION COMMITTEE

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

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

BOARD DIVERSITY POLICY

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

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

Report on Corporate Governance (Continued)

NOMINATION POLICY

In accordance with the nomination policy of the Company (the "Nomination Policy"), in evaluation and selection of candidates for the directors, the nomination committee will:

1. review the structure, size and composition (including the gender, age, cultural and educational background, race, term of service, skills, knowledge and experience) of the Board at least once a year and make recommendations to the Board regarding any proposed changes to the Board with reference to the Company's strategies;

2. identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. assess the independence of independent non-executive directors;

4. make recommendations to the Board in respect of the appointment or re-appointment of and succession planning for directors, in particular the Chairman and the chief executive;

5. study and make recommendations on the selection standards and procedures of directors and managers;

6. identify individuals suitably qualified to be managers;

7. conduct vetting of candidates of directors and managers and make recommendations thereon;

8. in performance of the duties under the above items 1 to 7, consider individuals on merit, contributions to the Board and suggestions to the Board based on measurable objectives including adoption of a series of diversity categories as selection basis and against the objective criteria, with due regard for the benefits of diversity on the Board; and

9. review the Board Diversity Policy, as appropriate, and review the measurable objectives under the policy and the progress on achieving the objectives and make disclosure of review results in the Corporate Governance Report annually to ensure the effective implementation of the policy.

Directors of the Company shall be elected at the shareholders' general meeting for a term of three years. Upon expiry of the term, a director shall be eligible for re-election.

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

Report on Corporate Governance (Continued)

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

Members	No. of meetings attended/ No. of meetings held
Mr. HE Jiang-Chuan	1/1
Mr. LI Wei-Dong	1/1
Mr. FU Yiu-Man	1/1
Mr. DONG An-Sheng	1/1
Mr. WU Ge	1/1

STRATEGIC COMMITTEE

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

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

In accordance with the stipulations in the Rules of Procedures of Meetings of the Strategic Committee of the Company, during the Reporting Period, the strategic committee of the Board of the Company held two meetings, at which, the members of the strategic committee earnestly performed their duties in due diligence. On the basis of analysis of the external environment faced by the Company and research of development path of model enterprises in the industry, and taking into account of the actual operation and management of the Company, they studied the material investments of the Company and its scheme for targeted poverty alleviation of the Company, fully tapping into the potential of a professional committee.

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

Members	No. of meetings attended/ No. of meetings held
Mr. HE Jiang-Chuan	2/2
Mr. LI Wei-Dong	2/2
Mr. FU Yiu-Man	2/2
Mr. DONG An-Sheng	2/2
Mr. WU Ge	2/2

Report on Corporate Governance (Continued)

SUPERVISORY COMMITTEE

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

The supervisory committee is chaired by Mr. WANG Jian-Xin and the other four members are Mr. ZHANG Jin-Li, Mr. LIU Hui, Mr. YAN Jing-Hui and Mr. ZHANG Wei-Yan.

During 2018, the supervisory committee of the Company exercised its monitoring authority according to the law and protected the legal interests of the shareholders, the Company and the staff. For details of the supervisory committee's works, please refer to Report of the Supervisory Committee in this annual report.

The supervisory committee held five meetings in 2018.

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

Supervisors	No. of meetings attended/ No. of meetings held
Mr. WANG Jian-Xin (appointed on 28 May 2018)	3/3
Mr. ZHANG Jin-Li	5/5
Mr. LIU Hui (appointed on 28 May 2018)	3/3
Mr. YAN Jing-Hui	5/5
Mr. ZHANG Wei-Yan	5/5
Mr. ZHAO Chong-Jie (retired on 28 May 2018)	2/2
Ms. SONG Yi-Ning (retired on 28 May 2018)	2/2

In accordance with the provisions of the Company's Articles of Association, the term of office for the supervisors shall be three years, upon expiry of the term and they shall be eligible for re-election.

COMPANY SECRETARY

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

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

EXTERNAL AUDITOR AND ITS REMUNERATION

The external auditor currently appointed by the Company is PricewaterhouseCoopers. The work which the external auditor is engaged to perform must produce measurable benefits and added-values to the Company and should not cause adverse effects on the independence or independent standing of its audit function. The fees paid to the Company's auditor, PricewaterhouseCoopers, for the year of 2018 was RMB7,240,000, all of which were related to auditing services.

Report on Corporate Governance (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

In 2018, pursuant to the requirements in the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) in Mainland China and the supporting guidelines and the stipulations in other internal control supervisions, the Company conducted self-assessment on the effectiveness of the internal control of the Company and issued the Internal Control Evaluation Report. Through implementation of timely update and improvement of internal control system, self-assessment of the management, independent assessment of the audit department, immediate improvement on internal control issues and other internal control work, the Company effectively guarantees the reasonableness of design and effectiveness of operation of the internal control system of the Company. Meanwhile, PricewaterhouseCoopers Zhong Tian LLP carried forward audit on the effectiveness of the internal control in relation to the financial report of the Company and issued the Audit Report on Internal Control with unqualified opinions.

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

The audit department and the management of the Company regularly reviewed the effectiveness of risk management and internal control and reported to the Board after being considered by audit committee. As of 31 December 2018, the Board was of the view that the Company did a fruitful job in risk management and internal control during the Reporting Period, and no significant events which may affect the shareholders were identified.

Besides, the Board has conducted review of the effectiveness of the risk management and internal control system of the Company and its subsidiaries for 2018 and considered the adequacy of resources, qualifications and experience of staff in respect of the Company's accounting and financial reporting function, and their training programs and budget in accordance with code provisions C.2.1 and C.2.2 of the Corporate Governance Code of the Listing Rules.

Report on Corporate Governance (Continued)

MANAGEMENT OF INSIDE INFORMATION

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

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

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

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

INVESTOR RELATIONS AND SHAREHOLDER’S INTEREST

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

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

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

GENERAL MEETINGS

In 2018, the Company held two general meetings, including the first extraordinary general meeting of 2018 and 2017 annual general meeting.

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

Report on Corporate Governance (Continued)

Directors	Annual general meeting	Extraordinary general meeting	Attendance rate
Executive directors			
Mr. HE Jiang-Chuan	0/1	0/1	0
Mr. LI Wei-Dong	1/1	1/1	100%
Ms. LI Yun (appointed on 28 May 2018)	0/0	0/0	0
Mr. CHEN De-Qi (appointed on 28 May 2018)	0/0	0/0	0
Ms. ZHANG Wen-Lei (appointed on 28 May 2018)	0/0	0/0	0
Mr. GUO Chuan (appointed on 28 May 2018)	1/1	1/1	100%
Mr. LI Chang-Li (retired on 28 May 2018)	0/1	0/1	0
Ms. ZHAO Hui-Zhi (retired on 28 May 2018)	0/1	0/1	0
Mr. LIU Jian-Ping (retired on 28 May 2018)	0/1	0/1	0
Mr. LIU Huan-Bo (retired on 28 May 2018)	1/1	1/1	100%
Independent non-executive directors			
Mr. FU Yiu-Man	0/1	1/1	50%
Mr. DONG An-Sheng	0/1	1/1	50%
Mr. WU Ge	1/1	1/1	100%

CONSTITUTION

At the 2017 annual general meeting, the Company considered and approved the amendments to the Articles of Association of the Company, and in the principle of further enhancement of corporate governance and taking into consideration the requirements of the relevant laws and regulations in the PRC such as the Guidelines for the Articles of Association of Listed Companies (2016 Revision) as well as the Company's actual situation, the amendments to relevant provisions under the Articles of Association in relation to separate vote counting for minority shareholders at the shareholder's general meeting and powers of the Board were made.

RIGHTS OF SHAREHOLDERS

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

Pursuant to Article 98 of the Articles of Association, shareholders holding more than 10% of the shares of the Company individually or in aggregate may propose the convening of an extraordinary general meeting or a class shareholders' meeting in accordance with the procedures stipulated in Article 98 of the Articles of Association. Shareholders can submit a written requisition to the Board to convene an extraordinary general meeting or a class shareholders' meeting. The written requisition shall state the objects of the meeting and shall be signed by the shareholders and submitted to the secretariat of the Board of the Company.

Article 98 of the Articles of Association is set out in the Articles of Association of the Company.

PUTTING FORWARD PROPOSALS TO THE GENERAL MEETINGS

According to Article 72 of the Articles of Association, shareholders solely or collectively holding more than 3% of the shares of the Company may submit in writing interim proposals to the convener ten (10) days before the date of the convening of the shareholders' general meeting.

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

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

Report on Corporate Governance (Continued)

The proposals that have not been listed in the notice of the shareholders' general meeting or that are not in compliance with Article 72 of the Articles of Association shall not be voted and resolved on at the shareholders' general meeting.

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

PROCEDURES FOR DIRECTING PROPOSALS, ENQUIRIES OF SHAREHOLDERS TO THE BOARD

Shareholders can at any time send their proposals, enquiries and concerns to the Board in writing through the secretariat of the Board of the Company. The contact details of the secretariat of the Board are set out in Corporate Information on page 178 of this annual report.

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

In 2019, the Company will continue to dedicate itself to improving the standards of its corporate governance according to changing regulatory requirements, the Company's latest development and feedbacks from shareholders, so as to ensure stable and healthy growth of the Company while enhancing shareholders' value.

By Order of the Board
GUO Chuan
Executive Director, Deputy General Manager and Company Secretary

Beijing, the PRC, 20 March 2019

Profile of Directors, Supervisors and Senior Management

CHAIRMAN

HE Jiang-Chuan, aged 54, is the chairman of the Board of the Company and a representative of the fifteenth Beijing People's Congress. Mr. HE graduated from the Tianjin University and Capital University of Economics and Business with a bachelor's degree in engineering and a master's degree in economics and is qualified as a senior economist. Mr. HE was the deputy director of the Beijing Municipal Housing Reform Office and the chief of the Beijing Municipal Housing Fund Management Centre. Mr. HE joined BNSIGC in November 1994 as the deputy general manager. Mr. HE became an executive director, deputy general manager and company secretary of the Company in 1997. He has been the general manager of the Company since February 2004. He was appointed as chairman of the Company in April 2007 and was re-elected as an executive director and chairman of the Company in May 2018. Mr. HE has 30 years of experience in housing reform, real estate finance, property development and management and innovation and management of convention and exhibition business. Mr. HE was awarded the gold prize of the 4th Beijing Outstanding Young Entrepreneurs (北京市第四屆優秀青年企業家) and one of the Top Ten Most Influential Entrepreneurs (最具影響力十大企業家) in the Sixth Beijing Influence Selection (第六屆北京影響力評選活動).

EXECUTIVE DIRECTORS

LI Wei-Dong, aged 50, is an executive director and the general manager of the Company. He graduated from Renmin University of China with a master's degree in management. He is an engineer. Mr. LI served as the mechanical workshop director, deputy manager and manager of Beijing Yanshan Cement Factory (北京市燕山水泥廠), the chief of the real estate division and the assistant to the general manager of BBMG Group Company Limited* (北京金隅集團有限責任公司) and the manager of Tengda Plaza (騰達大廈), manager of BBMG Property Management Co., Ltd. (北京金隅物業管理有限責任公司), chairman of Beijing Dacheng Property Development Co., Ltd. (北京大成房地產開發有限責任公司), deputy general manager and executive director of BBMG Corporation* (北京金隅股份有限公司). Mr. LI joined the Company in 2016 and was appointed as an executive director and the general manager of the Company. Mr. LI was re-elected as an executive director and the general manager of the Company in May 2018. Mr. LI possesses extensive experience in real estate development and property management.

LI Yun, aged 51, is an executive director of the Company. Ms. LI graduated from the Beijing Institute of Technology with the degree of Master of Business Administration. She is qualified as a senior economist and a senior political work specialist. Ms. LI joined BNSIGC in 1990 and successively served as the sales manager of the public relations department of Hui Yuan Apartment, deputy general manager and general manager of Hui Bin Offices, deputy general manager and general manager of Beijing International Convention Centre and the deputy general manager of the Company. Mr. LI was elected as an executive director of the Company in May 2018. Ms. LI has profound experience in operation and management of hotels, convention centre and investment property.

CHEN De-Qi, aged 55, is an executive director and a deputy general manager of the Company. Mr. CHEN graduated from Chinese Academy of Sciences with a master's degree in science. He is qualified as a senior economist. Mr. CHEN joined BNSIGC in 1993 and successively served as the deputy head of the Development Department of BNSIGC, deputy general manager and general manager of Beijing North Star Real Estate Development Co., Limited and general manager of the branch company of Beijing North Star Property of the Company. Mr. CHEN has become the deputy general manager of the Company since 2015 and was elected as an executive director of the Company in May 2018. Mr. CHEN possesses profound experience in real property development and management.

ZHANG Wen-Lei, aged 51, is an executive director and a deputy general manager of the Company. Ms. ZHANG graduated from the School of Economics and Management of Northern Jiaotong University and has received postgraduate education and is a senior economist as well as a senior accountant. Ms. ZHANG served as the chief economist of the Fourth Office of China Railway 18th Engineering Bureau (中鐵第十八工程局四處) and the deputy-chief economist of China Railway 18th Engineering Bureau. She joined BNSIGC in 2001. She was the chief economist and the chief legal advisor of BNSIGC. Ms. ZHANG has become the deputy general manager of the Company since 2012 and was elected as an executive director of the Company in May 2018. Ms. ZHANG has extensive experience in construction engineering, tendering, works pricing and works supervision.

Profile of Directors, Supervisors and Senior Management (Continued)

GUO Chuan, aged 50, is an executive director, a deputy general manager, the secretary to the Board and the chief legal advisor of the Company. Mr. GUO graduated from the Capital University of Economics and Business and the University of International Business and Economics with an LLB degree in economic law and an EMBA degree, and is a qualified lawyer. Mr. GUO joined BNSIGC in 1991, and was consecutively deputy director and director of the Secretariat of the Board of the Company. In February 2004, Mr. GUO was appointed as secretary to the Board of the Company and was appointed as the chief legal advisor of the Company in July 2008. He has served as a deputy general manager of the Company since March 2017 and was elected as an executive director of the Company in May 2018. Mr. GUO has extensive experience in corporate governance, legal affairs, corporate branding and strategic management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

FU Yiu-Man, aged 63, is an independent non-executive director of the Company. Mr. FU graduated from the University of Pennsylvania in the U.S. Mr. FU had successively served in ABN AMRO HG Asia, Peregrine Group, Vickers Ballas, UBS New York, Barings Securities and CCB International Securities in Hong Kong. Mr. FU has become the chairman of the board of directors of Value Convergence Holdings Limited since March 2018. Mr. FU was re-elected as an independent non-executive director of the Company in May 2018. Mr. FU has extensive experience in terms of financial management and securities business.

DONG An-Sheng, aged 67, is an independent non-executive director of the Company. Mr. DONG graduated from the Northwest University of Political Science and the Renmin University of China, and holds a doctoral degree in law. He currently serves as a professor instructor for doctoral candidates at the School of Laws of the Renmin University of China, the deputy director of Research Center of Civil and Commercial Law of the Renmin University of China, a researcher at the Financial and Fiscal Policy Research Centre (金融與財政政策研究中心) and Finance and Securities Research Institute (金融與證券研究所) of the Renmin University of China, the vice chairman of China Institution of Securities Law (中國證券法研究會), and a council member of the Society of China Comparative Law (中國比較法學會), Chinese Society of Private International Law (中國國際私法學會) and the Society of Beijing International Law (北京國際法學會), an arbitrator of Shenzhen Arbitration Committee (深圳仲裁委員會). Mr. DONG also serves as an independent director of Shanghai New Huangpu Real Estate Co., Ltd. (上海新黃浦置業股份公司), Wangfujing Group Co., Ltd. (王府井集團股份公司) and Wasu Media Holding Co., Ltd. (華數傳媒控股股份公司). Mr. DONG was re-elected as an independent non-executive director of the Company in May 2018. Mr. DONG has extensive experience in the fields including company law, securities law as well as financial law.

WU Ge, aged 51, is an independent non-executive director of the Company. Mr. WU consecutively obtained a bachelor's degree in science, master's degree in accounting and doctoral degree in economics from Nanjing Normal University (南京師範大學), Nankai University (南開大學) and the University of International Business and Economics (對外經貿大學). He is currently a professor of the Accounting Department of the International Business School of the University of International Business and Economics, and an instructor for doctoral candidates. He was a council member of the fourth session of the Financial Accounting Society of China (中國金融會計學會), council member of the sixth and seventh sessions of the Finance and Cost Sub-society of the Accounting Society of China (中國會計學會財務成本分會). Mr. WU also serves as an independent director of Yunnan Bowin Technology Industry Co. Ltd. (雲南博聞科技實業股份有限公司), Tianhe Oil Group HSBC Petroleum Equipment Co., Ltd. (天合石油集團滙豐石油裝備股份有限公司) and Beijing Mass Data Technology Co., Ltd. (北京海量數據技術股份有限公司). Mr. WU was re-elected as an independent non-executive director of the Company in May 2018. Mr. WU has rich experience in areas such as financial management, corporate practical accounting, cost management and international accounting.

CHAIRMAN OF SUPERVISORY COMMITTEE

WANG Jian-Xin, aged 57, is a supervisor representing the shareholders of the Company. Mr. WANG graduated from China Beijing Municipal Communist Party School, has a master's degree in economic management and is a senior accountant. Mr. WANG has served as the deputy general manager of Beijing Grain Industry Company (北京市糧食工業公司) and Beijing Guchuan Flour Group (北京市古船麵粉集團), the general manager and chairman of Beijing Guchuan Food Co., Ltd. (北京市古船食品有限公司), and the deputy general manager, director and general manager of Beijing Grain Group Co., Ltd. (北京糧食集團有限責任公司). Mr. WANG served as the chairman of the bureau-level supervisory committee of Beijing Municipal State-owned Enterprises Supervisory Board. Mr. WANG has served as a supervisor of the Company since 2018. Mr. WANG has extensive experience in corporate management and the work of the supervisory committee.

Profile of Directors, Supervisors and Senior Management (Continued)

SUPERVISORS

ZHANG Jin-Li, aged 55, is a supervisor representing the shareholders of the Company. Mr. ZHANG graduated from Beijing Normal University and Beihang University with as a master's degree in science and a doctoral degree in management. Mr. ZHANG served as the Secretary of Party Committee of Hekou Town of Huairou District in Beijing, the assistant to the district major of the Huairou District government, director of the District Housing and Urban-Rural Development Committee, head of the Liaison Office of the Key Construction under the Housing and Urban-Rural Development Committee, Urban-Rural Development Committee of Beijing and the deputy commander of the Tibet Lhasa Commander Headquarters of the Beijing Counterpart Support and Economic Cooperation Leading Group. Mr. ZHANG joined the Company in 2015, and has served as a supervisor of the Company since 2018 and has been in charge of disciplinary inspection. Mr. ZHANG possesses extensive work experience in administrative management and supervision.

LIU Hui, aged 55, is a supervisor representing the shareholders of the Company. Mr. LIU graduated from Renmin University of China with a bachelor's degree and is an economist. Mr. LIU has served as the deputy director of the Tax Office and the head of the inspection team of Beijing Fengtai Taxation Bureau (北京市豐台區稅務局稅務所), and the assistant researcher of Beijing Municipal Office of the State Administration of Taxation (北京市國家稅務局). Mr. LIU served as a division-head-level full-time supervisor of Beijing Municipal State-owned Enterprises Supervisory Board. Mr. LIU has served as a supervisor of the Company since 2018. Mr. LIU has extensive experience in taxation and the work of the supervisory committee.

YAN Jing-Hui, aged 58, is a supervisor representing staff and workers of the Company. Mr. YAN graduated from Beijing Municipal Communist Party School with a post-graduate degree. Mr. YAN joined BNSIGC in 1990. He served as a party branch secretary and general manager of Beijing Theatre, the president and vice chairman of Beijing Chen'ao Coffee & Food Co., Ltd. (北京辰奧咖啡有限公司) and a vice general manager of North Star Asian Games Village Auto Trade Market Center (北辰亞運村汽車交易市場中心). He is currently serving as vice chairman of the trade union of the Company, and was re-elected as a supervisor representing staff and workers of the Company in March 2018. Mr. YAN has ample working experience in administration management and trade union work.

ZHANG Wei-Yan, aged 59, is a supervisor representing staff and workers of the Company. Mr. ZHANG graduated Beijing Municipal Communist Party School with an undergraduate diploma. He is a senior accountant. Mr. ZHANG joined BNSIGC in 1990 and currently serves as the head of the audit department of the Company. He was re-elected as a supervisor representing staff and workers of the Company in March 2018. Mr. ZHANG has extensive experience in corporate financial management and corporate audit.

Profile of Directors, Supervisors and Senior Management (Continued)

DEPUTY GENERAL MANAGER

DU Jing-Ming, aged 54, is a deputy general manager of the Company. He graduated from Beijing Normal University with a doctor's degree in law. Mr. DU served as the deputy director of the General Office of the Beijing Municipal Government and deputy director of the Information Network Office of the Beijing Municipal Government. He joined BNSIGC in 2004. He was the deputy general manager of BNSIGC. Mr. DU has become the deputy general manager of the Company since 2012. Mr. DU has extensive experience in corporate administration and management, enterprise culture and publicity work.

LIU Tie-Lin, aged 56, is a deputy general manager of the Company. Mr. LIU graduated from Tsinghua University with a postgraduate degree. Mr. LIU joined BNSIGC since 1990 and served as the general manager of North Star Shopping Centre. Mr. LIU was appointed as the deputy general manager of the Company in 2002. Mr. LIU has extensive experience in commercial property operation management.

SUN Dong-Fan, aged 56, is a deputy general manager of the Company. Mr. SUN graduated from Beijing Jiaotong University with an EMBA degree. He is senior economist. Mr. SUN joined BNSIGC in 1988 and successively served as a deputy general manager, general manager of Hui Yuan Apartment and general manager of Office Building Operation and Management Branch of the Company. Mr. SUN has served as an assistant to general manager of the Company and standing deputy general manager of Beijing North Star Convention Group Co., Limited. He is currently the chairman of Beijing North Star Convention Group Co., Limited, and has served as a deputy general manager of the Company since March 2017. Mr. SUN has extensive experience in investment properties management.

FINANCIAL CONTROLLER

CUI Wei, aged 45, is the financial controller of the Company. Mr. CUI graduated from Central University of Finance and Economics and obtained a master's degree in management. She is a senior accountant. Ms. CUI was a deputy chief accountant and chief accountant of Beijing No. 1 Municipal Co., Ltd. (北京市市政一有限責任公司) and the chief accountant of Beijing Municipal Construction Co., Ltd. Ms. CUI joined the Company in 2013 and became the financial controller of the Company. Ms. CUI has rich experiences in company financial management.

COMPANY SECRETARY

LEE Ka Sze, Carmelo, aged 57, is company secretary of the Company and such office is served by him as a representative of external service provider. He is responsible for ensuring the Company has been in compliance with the regulations of Hong Kong. Mr. LEE graduated from the University of Hong Kong with a bachelor's degree in law. He is a practicing solicitor in Hong Kong and a partner of Woo Kwan Lee & Lo, the Company's legal adviser on Hong Kong laws. Mr. LEE was appointed as the company secretary of the Company in 1997.

Report of the Directors

The Board of the Company is pleased to present to the shareholders its report together with the audited financial reports of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in development properties and investment properties (including hotels). The subsidiaries are mainly engaged in property development and property investment within the territory of the PRC.

BUSINESS REVIEW

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

The Group's business performance, principal risk and uncertainties and future development for the year ended 31 December 2018 are discussed in the section "Chairman's Report" on pages 6 to 7 and the section "Management Discussion and Analysis" on pages 8 to 28 of this annual report.

2. Significant subsequent events

As considered and approved at the 25th meeting of the eighth session of the Board of Directors of the Company, the proposed amendments to the existing Articles of Association of Beijing North Star Company Limited (the "Articles of Association") were passed. The proposal regarding the amendments to the Articles of Association is subject to the approval by the shareholders at the annual general meeting.

3. Environmental policies and performance

The environmental policy and its performance of the Group for the year ended 31 December 2018 is set out in the sub-section "Fulfill social responsibility and promote sustainable development of enterprises" paged 22 of the section "Management Discussion and Analysis" of this annual report and the separately published "2018 Environmental, Social and Governance Report" of the Company.

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

The Company has strictly complied with the Listing Rules, the SFO, the Company Law, Securities Law, the Rules for Governance of Securities Companies and other relevant laws and regulations and industry rules which had significant influence on the business and operation of the Company during the year, which promoted the Company to operate in a regulated way and was helpful to protect the interests of our shareholders and other stakeholders.

5. Key relationships

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

6. Financial key performance indicators

The financial performance of the Group for the year ended 31 December 2018 analysed based on the financial key performance indicators is set out in the section "Financial Summary" on pages 4 to 5, the section "Chairman's Report" on pages 6 to 7 and the section "Management Discussion and Analysis" on pages 8 to 28 of this annual report.

Report of the Directors (Continued)

RESULTS AND PROFIT DISTRIBUTION

The results of the Group for the year ended 31 December 2018 and the financial positions of the Group and the Company as at 31 December 2018 prepared in accordance with HKFRS are set out on pages 65 to 68 of this annual report.

DIVIDEND

The Board recommends the payment of a final dividend of RMB0.12 per share for the year ended 31 December 2018, totalling RMB404,042,400.

FIVE YEAR FINANCIAL SUMMARY

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

Details of movements of the reserves of the Group and the Company during the year are set out in note 19 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

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

Distributable reserves of the Company as at 31 December 2018 amounted to RMB2,439,041,208 (2017: RMB2,161,429,071).

Report of the Directors (Continued)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CONTINUING DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 18 September 2018, the Company (as borrower) entered into a trust loan agreement (the "Loan Agreement") with Beijing International Trust Co., Ltd. (as lender) (the "Lender") for up to RMB1 billion of loans under the Beijing Trust-Wisdom Capital Collective Fund Trust Plan (北京信托•盈瑞資本集合資金信托計劃貸款) (the "Loans"). The term of each Loan shall be 10 years from the date of drawdown. BNSIGC, the controlling shareholder of the Company, has provided guarantee to the Lender in respect of the Loan Agreement. Pursuant to the Loan Agreement, an event of default shall occur if (i) the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality (the "Beijing SASAC") directly or indirectly holds less than 51% of the shares of BNSIGC or Beijing SASAC loses the de-facto control over BNSIGC; and/or (ii) BNSIGC loses the de-facto control over the Company. In the event of default under the Loan Agreement, the Lender may unilaterally and unconditionally cancel the undrawn Loans under the Loan Agreement and/or declare that all or a part of the Loans under the Loan Agreement, together with the interests accrued thereon and all other monies accrued or payable to be immediately due and payable, and demand immediate repayment by the Company through legitimate means.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Executive Directors

HE Jiang-Chuan	*Chairman*
LI Wei-Dong	*Director*
LI Yun (appointed on 28 May 2018)	*Director*
CHEN De-Qi (appointed on 28 May 2018)	*Director*
ZHANG Wen-Lei (appointed on 28 May 2018)	*Director*
GUO Chuan (appointed on 28 May 2018)	*Director*
LI Chang-Li (retired on 28 May 2018)	*Director*
ZHAO Hui-Zhi (retired on 28 May 2018)	*Director*
LIU Jian-Ping (retired on 28 May 2018)	*Director*
LIU Huan-Bo (retired on 28 May 2018)	*Director*

Independent Non-Executive Directors

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

Report of the Directors (Continued)

Supervisors

WANG Jian-Xin (appointed on 28 May 2018)	*Chairman of Supervisory committee*
ZHANG Jin-Li	*Supervisor*
LIU Hui (appointed on 28 May 2018)	*Supervisor*
YAN Jing-Hui	*Supervisor*
ZHANG Wei-Yan	*Supervisor*
ZHAO Chong-Jie (retired on 28 May 2018)	*Chairman of Supervisory committee*
SONG Yi-Ning (retired on 28 May 2018)	*Supervisor*

Senior Management

LI Wei-Dong	*General Manager*
CHEN De-Qi	*Deputy General Manager*
ZHANG Wen-Lei	*Deputy General Manage*
GUO Chuan	*Deputy General Manager, Company Secretary, Chief Legal Advisor*
DU Jing-Ming	*Deputy General Manager*
LIU Tie-Lin	*Deputy General Manager*
SUN Dong-Fan	*Deputy General Manager*
CUI Wei	*Financial Controller*
LEE Ka Sze, Carmelo	*Company Secretary – served as a representative of external service provider*

The biographical details of directors, supervisors and senior management are set out on pages 41 to 44 of this annual report.

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

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

ELECTION OF DIRECTORS AND SUPERVISORS

All incumbent directors and supervisors of the Company were elected at the 2017 annual general meeting convened on 28 May 2018. Mr. HE Jiang-Chuan, Mr. LI Wei-Dong, Mr. FU Yiu-Man, Mr. DONG An-Sheng and Mr. WU Ge, directors of the last session, were re-elected, and Mr. HE Jiang-Chuan was re-elected as the chairman of the Company. Mr. LI Chang-Li, Ms. ZHAO Hui-Zhi, Mr. LIU Jian-Ping and Mr. LIU Huan-Bo retired as executive directors. Ms. LI Yun, Mr. CHEN De-Qi, Ms. ZHANG Wen-Lei and Mr. GUO Chuan were elected as new executive directors of the Company. Mr. ZHANG Jin-Li, Mr. YAN Jing-Hui and Mr. ZHANG Wei-Yan, supervisors of the last session, were re-elected, and Mr. ZHAO Chong-Jie and Ms. SONG Yi-Ning retired as supervisors representing the shareholders. Mr. WANG Jian-Xin and Mr. LIU Hui were elected as new supervisors representing the shareholders of the Company, and Mr. WANG Jian-Xin was elected as the chairman of the supervisory committee of the Company.

PERMITTED INDEMNITY PROVISIONS

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

EQUITY-LINKED AGREEMENTS

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

DIRECTORS AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of directors, supervisors and senior management's emoluments are set out in notes 28 and 40 to the consolidated financial statements.

INDIVIDUALS WITH THE HIGHEST PAY

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

MANAGEMENT CONTRACTS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2018, none of the directors, supervisors and chief executives of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (as defined under Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company or Hong Kong Stock Exchange pursuant to the Model Code. None of the directors, supervisors and chief executives of the Company, their spouses or children under the age of 18 had been granted any rights to subscribe for shares in or debentures of the Company or its associated corporations, nor has any of them exercised such rights during the year.

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

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

Report of the Directors (Continued)

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

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

DETAILS OF SHARE OFFERING AND LISTING

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

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

SHARE CAPITAL

The Company's total number of issued shares as at 31 December 2018 was 3,367,020,000, comprising:

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

Details of the movements in share capital of the Company are set out in note 18 to the consolidated financial statements.

Report of the Directors (Continued)

SUBSTANTIAL SHAREHOLDERS' INTEREST

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 31 December 2018, the Company had been notified of the following substantial shareholders' interests or short positions, being 5% or more of the relevant class of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Long positions in the shares of the Company:

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

Save as disclosed above, the register required to be kept under Section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 31 December 2018.

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

The Company completed the initial public offering for A shares and was listed in October 2006 with an issue size of 1.5 billion shares. Pursuant to No. 94 document and the announcement No. 63 of 2009 jointly issued by the Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund, BNSIGC froze the 150,000,000 shares it held as BNSIGC was a state-owned shareholder prior to the listing of the Company. On 30 October 2015, the BNSIGC has issued a guarantee to National Council for Social Security Fund, undertaking to perform its share transfer obligation through cash contribution and fully contributed to the national treasury with RMB360,000,000 in cash from the 150,000,000 shares to be transferred. The BNSIGC has fully paid the said RMB360,000,000 by three installments on 20 November 2015, 18 November 2016 and 17 November 2017, respectively, and unfroze the 150,000,000 shares it held in the Company on 25 January 2018.

Report of the Directors (Continued)

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

As at 31 December 2018, the shareholders as recorded in the registers of holders of A shares and H shares kept by the Company are as follows:

As at the end of the Reporting Period, the total number of shareholders is:	163,797 holders

Shareholdings of top ten shareholders of the Company as at 31 December 2018

Name of shareholders	**Class of shares**	**Total number of shares held at the end of the period** *(shares)*	**Percentage of shares held** *(%)*
Beijing North Star Industrial Group Limited Liabilities Company	A share	1,161,000,031	34.482
HKSCC NOMINEES LIMITED	H share	686,642,199	20.393
Wangfujing Group Co.,Ltd. (王府井集團股份有限公司)	A share	125,300,000	3.721
Foresea Life Insurance Co., Ltd. – Ju Fu Product (前海人壽保險股份有限公司－聚富產品)	A share	102,883,233	3.056
Zhong Hang Xin Gang Guarantee Co., Ltd. (中航鑫港擔保有限公司)	A share	73,573,353	2.185
Hong Kong Securities Clearing Company Limited	A share	26,624,235	0.791
Zhong Yan (鐘燕)	A share	23,500,000	0.698
National Social Security Fund 116 Package (全國社保基金一一六組合)	A share	19,995,651	0.594
Taikang Life Insurance Co., Ltd. -Investment Link- Multi-strategy optimization (泰康人壽保險有限責任公司－投連－多策略優選)	A share	18,697,987	0.555
China Construction Bank Corporation – China-Europe Value Discovery Equity Securities Investment Fund (中國建設銀行股份有限公司－中歐價值發現股票型證券投資基金)	A share	17,200,697	0.511

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

DESIGNATED DEPOSITS AND OVERDUE FIXED DEPOSITS

As at 31 December 2018, the Group had no designated deposits placed with financial institutions in the PRC. All of the Group's cash deposits are placed with commercial banks in the PRC and are in compliance with applicable laws and regulations. The Group has not experienced any incidents of not being able to withdraw bank deposits upon maturity.

STAFF RETIREMENT SCHEME

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

Report of the Directors (Continued)

EMPLOYEES

As at 31 December 2018, the Company had 5,167 employees. The employee remuneration policy of the Company is that the total salary is paid with reference to its economic efficiency. Save for the remuneration policy disclosed above, the Company did not provide any share option scheme for its employees. The Company regularly provides its management personnel trainings on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. The trainings are provided in different forms, such as seminars, site visits, study tours and survey tours.

STAFF HOUSING QUARTERS

During the year, the Group did not provide any housing quarters to its staff.

CONNECTED TRANSACTIONS

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

(1) Interest Expense for Shareholder Loans

During the Reporting Period, the interest on shareholder loans payable by the Company to BNSIGC amounting to RMB30,800,000 was repaid in full.

(2) Use of Authorised Logo and Signage Usage

Pursuant to the "Contract of Authorised Logo and Signage Usage" entered into with BNSIGC on 18 April 1997, the Company paid RMB10,000 of authorised logo and signage usage fee to BNSIGC during the Reporting Period, representing 0.01% of the leases of the Company. Such transaction was settled by cash.

(3) Land Rental

According to a lease agreement dated 11 April 1997 entered into between the Company and BNSIGC, BNSIGC leased to the Company a piece of land on which the Company's investment properties and their ancillary facilities are located for its use. With an area of approximately 167,000 m^2, the piece of land is leased for terms of 40 years to 70 years, subject to the type of usage of different portions of the piece of land. The rental for the Reporting Period was RMB16,088,620, representing 31.18% of the leases of the Company. Such transaction was settled by cash. The rentals for future years will be adjusted with reference to the percentage increase of the previous year's consumer price index as announced by the National Bureau of Statistics.

(4) Renting Properties from Others

In 2018, the Company's subsidiary, Beijing North Star Xin Cheng Property Management Co., Limited (hereafter called "Xin Cheng Property"), entered into a property rental agreement with Chen Yun Property, a subsidiary of BNSIGC. Pursuant to the agreement, Xin Cheng Property leased certain properties from Chen Yun Property as office properties. The term of the lease is one year, starting from 1 January 2018 and ended at 31 December 2018. The rental for the Reporting Period was RMB900,000, representing 1.74% of the leases of the Company. Such transaction was settled by cash.

Report of the Directors (Continued)

(5) Provision of Guarantee for an Investee

On 15 June 2018, the Company and Wuxi Huishan Sub-branch of Agricultural Bank of China Limited ("ABC") entered into the guarantee agreement, pursuant to which the Company agreed, as the guarantor, to provide guarantee for the Loan agreement entered into by Wuxi Shengyang Real Estate Co., Ltd. ("Wuxi Shengyang") and ABC in proportion to its 40% indirect shareholding in Wuxi Shengyang. The amount of guarantee shall be RMB545 million and the term of the guarantee shall be two years from the date of expiry of the discharge term of each debt under the loan agreement.

CIFI Holdings (Group) Co. Ltd. ("CIFI Group") is a substantial shareholder of certain subsidiaries of the Company, therefore CIFI Group is a connected person at subsidiary level of the Company under the Listing Rules. Wuxi Shengyang is held as to 30% ultimately by CIFI Group, and is an associate of CIFI Group, and is therefore also a connected person at subsidiary level of the Company. Therefore, the guarantee constitutes a connected transaction of the Company.

The independent non-executive directors of the Company have reviewed the transactions set out in the above paragraphs (1) to (5), and confirmed in accordance with the Listing Rules that, such transactions were conducted on normal commercial terms and the terms of relevant agreements in the ordinary and usual course of business of the Company, if applicable, and such terms were fair and reasonable to all the shareholders of the Company.

PricewaterhouseCoopers, the auditor of the Company, has reviewed the transactions in the above paragraphs (2), (3) and (4), which have constituted the continuing connected transactions for the year ended 31 December 2018, and has advised in its letter to the Company pursuant to the Listing Rules that, (i) such transactions have been approved by the Board of the Company; (ii) the pricing of such transactions was in line with the pricing policy of the Company based on a sample basis; and (iii) such transactions were conducted under relevant agreements governing such transactions. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the continuing connected transactions in the above paragraphs (2), (3) and (4).

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2018, the bank loans and other borrowings of the Group are set out in note 23 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES

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

MAJOR LITIGATION OR ARBITRATION

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

Report of the Directors (Continued)

POLICIES ON INCOME TAX

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

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2018, the equity attributable to ordinary shareholders of the Company increased by 6.67% compared to 31 December 2017. The increase was mainly due to profit attributable to ordinary shareholders of the Company of RMB1,403,430,000 during the Reporting Period.

The Group's bank and other borrowings as at 31 December 2018 amounted to RMB23,363,179,000. As at the end of the year, net values of the Group's 5-year corporate bonds, 7-year corporate bonds, 5-year medium-term notes were RMB2,092,124,000, RMB1,492,715,000 and RMB1,312,544,000, respectively. Property securitization financing was RMB1,000,000,000 at the end of the year.

Current assets of the Group, which mainly comprised cash at bank and on hand, completed properties held for sale and properties under development, amounted to RMB82,976,771,000, whereas the current liabilities amounted to RMB50,112,769,000. As at 31 December 2018, balances of cash at bank and on hand amounted to RMB11,851,788,000 (excluding restricted bank deposits) and none of the bonds in issue were exposed to redemption and payment risks. During the year, the Company did not engage in any transaction on financial products or derivative instruments.

As at 31 December 2018, the Group had secured borrowings from banks and other financial institutions of RMB21,563,179,000 with certain investment properties, hotels, properties under development and completed properties held for sale as the collaterals. The asset-liability ratio calculated by total liabilities divided by total assets for the Group was 77% as at the end of the Reporting Period (31 December 2017: 78%).

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

The Company did not have any contingent liabilities during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all directors and supervisors of the Company, the Company confirms that its directors and supervisors have complied with the required standards as set out in the Model Code during the year.

CORPORATE GOVERNANCE CODE

The Company strives to maintain and establish a high level of corporate governance and has fully complied with the codes and provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange during the year.

REVIEW ON ANNUAL RESULTS

The audit committee has reviewed the annual results and the financial statements of the Group for the year ended 31 December 2018 according to its terms of reference.

Report of the Directors (Continued)

PUBLIC FLOAT

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

AUDITOR

The accounts of the Company have been audited by PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP who retire and being eligible, offer themselves for re-appointment as auditors of the Company. A resolution re-appointing PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company's PRC and international auditors will be proposed at the 2018 annual general meeting.

By Order of the Board

HE Jiang-Chuan
Chairman

Beijing, the PRC, 20 March 2019

Report of the Supervisory Committee

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

In 2018, the Supervisory Committee met 5 times in total and the supervisors attended the Board meetings, 2017 annual general meeting as well as the extraordinary general meetings of 2018 held during the reporting period. During the course of preparation of 2018 Annual Report, the Supervisory Committee has seriously reviewed and agreed to the audited financial reports, profit appropriation proposal and the self-assessment report of the Board on internal control of the Company to be proposed by the Board for presentation at the 2018 annual general meeting. It also strictly and effectively monitored and supervised the Board and management of the Company in making significant policies and specific decisions to ensure that they were in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of its shareholders and employees. It is of the opinion that in 2018, the Board and management of the Company were able to make decision in lawful procedures, strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the shareholders in accordance with the laws and regulations and the Articles of Association.

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

The Supervisory Committee is satisfied with the achievement and economic effects of the Company in 2018 and has great confidence to the future of the Company.

In 2019, the Supervisory Committee of the Company will continue to strictly comply with the Articles of Association and the relevant regulations, so as to safeguard shareholders' interests and fulfill all its duties.

By Order of the Supervisory Committee
WANG Jian-Xin
Chairman of the Supervisory Committee

Beijing, the PRC, 20 March 2019

Independent Auditor's Report

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Beijing North Star Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 65 to 175, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Independent Auditor's Report (Continued)

羅兵咸永道

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

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

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

Independent Auditor's Report (Continued)

羅兵咸永道

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

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 7 to the consolidated financial statements As at 31 December 2018, the Group's investment properties were measured at fair value and carried at 12,868 million. The fair value was determined by management with reference to the valuations performed by an independent professional valuer engaged by the Group (the "Valuer"). The Group's investment property portfolio mainly included office units, apartment units, shopping malls and convention centres. • Office units, apartment units and shopping malls: the valuation was derived using the income capitalization approach (term and reversionary method), the relevant key assumptions included adjustment on term yield and reversionary yield. • Convention centres: the valuation was derived using the discounted cash flow approach, the relevant key assumptions included rental value and discount rate. All the relevant key assumptions were influenced by the prevailing market conditions and characteristics of individual property such as location, size and age of the properties. We focus on this area due to the significant quantum to the consolidated financial statements, and key assumptions in valuation involved significant judgements and estimates.	We assessed the competence, capabilities and objectivity of the Valuer. We obtained and read the valuation reports for all investment properties and held discussion with the Valuer to understand the valuation approach and key assumptions. We checked property specific information such as location, building age, occupancy status and rental value used by the Valuer with management's records. We assessed the reasonableness of the valuation method applied based on our knowledge of the business and industry. We assessed the reasonableness of the changes in fair value by analysing the 2018 operating performance of the Group's properties. We also involved our internal valuation specialists, on a sample basis, to assist on assessing the methodologies used by the Valuer and compared the valuations of investment properties to our independently formed market expectations. In light of the above, we found the significant judgements and estimates applied by management were supportable in light of available evidence.

Independent Auditor's Report (Continued)

羅兵咸永道

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

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of net realisable value of properties under development and completed properties held for sale	
Refer to note 13 "properties under development" and 14 "completed properties held for sale" to the consolidated financial statements The properties under development ("PUD") and completed properties held for sale ("PHS") amounted to RMB60,347,148,000 as at 31 December 2018 which represented 60% of the Group's total assets. The continuous control in real estate industry by the government had negative impact on the industry in year 2018. The management assessed the net realisable value ("NRV") of PUD and PHS as at 31 December 2018, and the carrying amounts of PUD and PHS were stated at the lower of cost and NRV. Management determined the NRV based on estimated selling price less the estimated costs to completion, selling expenses and related taxes. Such determination of NRV of PUD and PHS involved significant judgements and estimates on selling prices, selling expenses and, for PUD, the costs to completion which were influenced by prevailing market conditions and adjusted in consideration of the characteristics of the properties. We focus on this area due to the significant quantum to the consolidated financial statements, and significant management's judgements and estimates were involved in the assessment.	We understood and evaluated the design of and tested the key controls on the assessment of NRV. We obtained management's NRV assessment on PUD and PHS, and on a sample basis, performed audit procedures as follows: • compared the estimated selling prices to those of the recent market transactions, including the same project's pre-sale units of the Group or comparable properties with similar size, usage and location. • compared the estimated percentage of selling expenses to selling price to the actual ratio of average selling expenses to revenue of the Group in recent years. • assessed the reasonableness of the transaction taxes through recalculation in line with relevant tax rules. • compared the estimated costs to completion to budgets approved by management and compared estimated total costs to the actual costs of similar type of completed properties of the Group. Based on the procedures performed above, we found the significant judgements and estimates applied by management were supportable in light of available evidence.

Independent Auditor's Report (Continued)

pwc 羅兵咸永道

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

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Independent Auditor's Report (Continued)

羅兵咸永道

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

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

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

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

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

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

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

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

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

Independent Auditor's Report (Continued)

pwc 羅兵咸永道

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2019

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

Consolidated Balance Sheet

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Land use rights	6	**294,514**	303,166
Investment properties	7	**12,867,800**	12,753,600
Property, plant and equipment	8	**2,324,215**	2,305,110
Investments accounted for using the equity method	10	**327,773**	301,699
Deferred income tax assets	24	**864,640**	621,436
Trade and other receivables and prepayments	12	**254,952**	1,506,726
		16,933,894	17,791,737
Current assets			
Properties under development	13	**51,244,333**	44,604,365
Completed properties held for sale	14	**9,102,815**	7,898,454
Other inventories	15	**47,552**	48,095
Trade and other receivables and prepayments	12	**8,825,465**	6,464,581
Restricted bank deposits	16	**1,904,818**	1,047,706
Cash and cash equivalents	17	**11,851,788**	9,846,708
		82,976,771	69,909,909
Total assets		**99,910,665**	87,701,646
LIABILITIES			
Non-current liabilities			
Long term borrowings	23	**19,768,944**	25,889,695
Trade and other payables	21	**5,031,574**	1,579,476
Long term payables	36	**137,127**	139,237
Deferred income tax liabilities	24	**2,004,066**	1,930,407
		26,941,711	29,538,815

Consolidated Balance Sheet (Continued)

	Note	As at 31 December **2018** ***RMB'000***	2017 *RMB'000*
Current liabilities			
Trade and other payables	21	**10,848,489**	31,258,635
Contract liabilities	5	**28,444,766**	–
Current income tax liabilities	22	**2,327,896**	1,743,380
Current portion of long term borrowings	23	**7,391,618**	5,307,581
Short term borrowings	23	**1,100,000**	700,000
		50,112,769	39,009,596
Total liabilities		**77,054,480**	68,548,411
Net assets		**22,856,185**	19,153,235
EQUITY			
Share capital	18	**3,367,020**	3,367,020
Other reserves	19	**4,501,602**	4,432,663
Retained earnings	19	**11,747,590**	10,590,512
Capital and reserves attributable to ordinary shareholders of the Company		**19,616,212**	18,390,195
Perpetual bond	20	**1,613,451**	–
Non-controlling interests		**1,626,522**	763,040
Total equity		**22,856,185**	19,153,235

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 65 to 71 were approved by the Board of Directors on 20 March 2019 and were signed on its behalf.

He Jiang Chuan	**Li Wei Dong**
Director	*Director*

Consolidated Income Statement

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Continuing operations			
Revenue	5	**17,859,790**	15,303,224
Cost of sales	25	**(12,375,886)**	(10,669,859)
Gross profit		**5,483,904**	4,633,365
Selling and marketing expenses	25	**(496,103)**	(461,806)
Administrative expenses	25	**(884,902)**	(868,994)
Fair value gains on investment properties	7	**112,196**	147,993
Net impairment losses on financial assets		**(6,458)**	–
Other income	26	**73,970**	17,176
Other gains/(losses) – net	27	**2,614**	(43,133)
Operating profit		**4,285,221**	3,424,601
Finance income	29	**124,612**	103,729
Finance expenses	29	**(665,350)**	(594,904)
Finance expenses – net	29	**(540,738)**	(491,175)
Share of net profit of investments accounted for using the equity method	10	**115,535**	46,087
Profit before income tax	5	**3,860,018**	2,979,513
Income tax expense	30	**(1,606,703)**	(1,402,372)
Profit from continuing operations		**2,253,315**	1,577,141
Loss from discontinued operation (attributable to owners of the company)	37	**(39,196)**	(17,182)
Profit for the year		**2,214,119**	1,559,959
Attributable to:			
Ordinary shareholders of the Company	31	**1,403,430**	1,389,761
Holders of perpetual bond	20	**7,059**	–
Non-controlling interests		**803,630**	170,198
		2,214,119	1,559,959
Earnings per share attributable to ordinary shareholders of the Company (basic and diluted) *(expressed in RMB cents per share)*			
From continuing operations	31	**42.84**	41.79
From discontinued operations	31	**(1.16)**	(0.51)
		41.68	41.28

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Profit for the year		**2,214,119**	1,559,959
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligations	19	**(3,844)**	–
Other comprehensive income for the period, net of tax		**(3,844)**	–
Total comprehensive income for the year		**2,210,275**	1,559,959
Attributable to:			
Ordinary shareholders		**1,399,586**	1,389,761
Holders of perpetual bond		**7,059**	–
Non-controlling interests		**803,630**	170,198
		2,210,275	1,559,959
Total comprehensive income for the year attributable to ordinary shareholders of the Company arises from:			
Continuing operations		**1,438,782**	1,406,943
Discontinued operations		**(39,196)**	(17,182)
		1,399,586	1,389,761

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

		Attributable to ordinary shareholders of the Company						
	Note	Share capital *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Perpetual bond *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2018		3,367,020	4,432,663	10,590,512	18,390,195	–	763,040	19,153,235
Adjustment on adoption of HKFRS15, net of tax	2	–	1,632	195,171	196,803	–	27,102	223,905
Restated balance at 1 January 2018		3,367,020	4,434,295	10,785,683	18,586,998	–	790,142	19,377,140
Comprehensive income								
Profit for the year		–	–	1,403,430	1,403,430	7,059	803,630	2,214,119
Other comprehensive income	19	–	(3,844)	–	(3,844)	–	–	(3,844)
Total comprehensive income		–	(3,844)	1,403,430	1,399,586	7,059	803,630	2,210,275
Transactions with owners in their capacity as owners								
2017 final dividends		–	–	(370,372)	(370,372)	–	–	(370,372)
Transfer from retained earnings	19	–	71,151	(71,151)	–	–	–	–
Issue of perpetual bond	20	–	–	–	–	1,606,392	–	1,606,392
Distribution relating to non-controlling interest		–	–	–	–	–	(16,000)	(16,000)
Proceeds from capital injection from non-controlling interests		–	–	–	–	–	48,750	48,750
Total transactions with owners in their capacity as owners		–	71,151	(441,523)	(370,372)	1,606,392	32,750	1,268,770
Balance at 31 December 2018		3,367,020	4,501,602	11,747,590	19,616,212	1,613,451	1,626,522	22,856,185

Consolidated Statement of Changes in Equity (Continued)

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

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	33	**4,707,852**	(76,805)
Interest received		**124,844**	104,141
Interest paid		**(1,951,189)**	(1,783,299)
Income tax paid		**(2,299,787)**	(1,655,610)
Net cash generated from/(used in) operating activities		**581,720**	(3,411,573)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(118,816)**	(47,093)
Increase in investment properties		**(3,954)**	(61,954)
Loans granted to associates and joint ventures		**(120,000)**	(1,557,356)
Loan repayments from associates and joint ventures		**1,409,000**	213,721
Interests received on loans granted	38(iii)	**81,348**	77,440
Proceeds from sale of property, plant and equipment	33(a)	**2,086**	9,273
Investments in an associate and joint venture		**–**	(22,700)
Dividends from associates and joint ventures		**100,087**	–
Purchases of available-for-sale financial assets		**–**	(3,400,000)
Proceeds from disposal of available-for-sale financial assets		**–**	3,417,176
Net cash generated from/(used in) investing activities		**1,349,751**	(1,371,493)
Cash flows from financing activities			
Proceeds from borrowings and issuance of bonds		**5,894,214**	16,918,784
Proceeds from borrowings from Beijing North Star Industrial Group Limited Liabilities Company ("BNSIGC")	38(ii)	**3,000,000**	–
Proceeds from borrowings from issuance of Tianfeng-North Star Changsha Intercontinental Hotel Commercial Mortgage Backed Securities ("CMBS")	21(d)	**1,000,000**	–
Repayments of borrowings		**(9,540,427)**	(8,832,683)
Proceeds from borrowings from non-controlling interests		**4,944,944**	2,208,501
Repayments of borrowings from BNSIGC	38(ii)	**(3,700,000)**	–
Proceeds from borrowings from associates and joint ventures	38(v)	**372,000**	–
Repayments of loans from and funds to non-controlling interests		**(2,994,773)**	(2,946,286)
Repayment of borrowings from associates and joint ventures	38(v)	**(172,759)**	–
Proceeds from capital injection from non-controlling interests		**48,750**	4,000
Dividends paid to company's shareholders	32	**(370,372)**	(202,021)
Proceeds from issuance of perpetual bond	20	**1,606,392**	–
Pledged deposit		**(14,360)**	(40,883)
Net cash generated from financing activities		**73,609**	7,109,412
Net increase in cash and cash equivalents		**2,005,080**	2,326,346
Cash and cash equivalents at beginning of year		**9,846,708**	7,520,362
Cash and cash equivalents at end of year	17	**11,851,788**	9,846,708

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statement

1. GENERAL INFORMATION

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

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

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

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

These consolidated financial statements are presented in Renminbi, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 20 March 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) Compliance with HKFRS

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

The operation of retail business in supermarkets and shopping centers has been eventually ceased on 8 January 2018. The retail business has been presented as discontinued operations in the consolidated financial statements.

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(ii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- HKFRS 9 *Financial Instruments*
- HKFRS 15 *Revenue from Contracts with Customers*
- *Annual Improvements 2014–2016 cycle*
- *Transfers to Investment Property – Amendments to HKAS 40*
- *Interpretation 22 Foreign Currency Transactions and Advance Consideration*

The Group had to change its accounting policies and make certain modified retrospective adjustments following the adoption of HKFRS 15. Most of the other amendments listed above did not have any significant impact on the amounts.

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 16 Leases

Nature of change

HKFRS 16 will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and lease liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB278,009,000, see note 35. The Group expects total assets and total liabilities will increase appropriately 0.2% as at 1 January 2019, and adoption of HKFRS 16 has no material impact on the net profit after tax and operating cash flow outflows for 2019.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iii) New standards and interpretations not yet adopted (Continued)

HKFRS 16 Leases (Continued)

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(a) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies, comparative figures have not been restated.

The Group has undertaken a detailed assessment of the classification and measurement of financial assets, 'trade and other receivables' met the conditions for classification as at amortized cost. Accordingly, HKFRS 9 has no significant impact on the classification and measurement of its financial assets.

Impairment of financial assets

The Group has below three types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Cash and cash equivalents
- Trade receivables
- Other financial assets at amortized cost

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The adoption of HKFRS 9 has no material impact to the Group on 1 January 2018.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policy (Continued)

(b) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group elected to use a modified retrospective approach for transition which allows the Group to recognize the cumulative effects of initially applying HKFRS15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. In summary, the following adjustments were made to the amounts recognized in the balance sheet at the date of initial application (1 January 2018):

	HKAS 18 carrying amount 31 December 2017 *RMB'000*	Remeasurements *RMB'000*	Reclassification *RMB'000*	**HKFRS 15 carrying amount 1 January 2018** ***RMB'000***
Properties under development	44,604,365	(33,035)	–	**44,571,330**
Completed properties held for sale	7,898,454	(571,413)	–	**7,327,041**
Trade and other receivables and prepayments	7,971,307	87,121	–	**8,058,428**
Investments accounted for using the equity method	301,699	64,627	–	**366,326**
Deferred income tax assets	621,436	(25,601)	–	**595,835**
Contract liabilities	–	(840,031)	22,276,669	**21,436,638**
Trade and other payables	32,838,111	91,018	(22,276,669)	**10,652,460**
Current Income tax liabilities	1,743,380	46,807	–	**1,790,187**
Other reserves	4,432,663	1,632	–	**4,434,295**
Retained earnings	10,590,512	195,171	–	**10,785,683**
Non-controlling interests	763,040	27,102	–	**790,142**

(i) Presentation of assets and liabilities related to contracts with customers

The Group has also voluntarily changed the presentation of certain items in the balance sheet to reflect the terminology of HKFRS 15 and HKFRS 9:

- Contract liabilities in relation to properties contracts were previously included in trade and other payables (RMB21,436,638,000 as at 31 December 2017).

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries

2.3.1 Consolidation

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

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (Continued)

2.3.1 Consolidation (Continued)

(a) Business combinations (Continued)

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

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

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

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

(c) Disposal of subsidiaries

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

2.3.2 Separate financial statements

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Associates

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

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

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

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

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Joint arrangements

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

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

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

2.6 Segment reporting

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

2.7 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings, the cost of plant and machinery, installation, testing and other direct costs incurred during the development period. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. The carrying amount of a construction-in-progress is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10). When the assets concerned get ready for their intended use, the costs are depreciated in accordance with the policy as stated above.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Properties

(a) Land use rights

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

Land use rights which is held for development for sales are inventories (Note 2.14) and measured at lower of cost and net realizable value. Land use rights which are held for long-term rental yields are investment properties (Note 2.9(b)) and measured at fair value. Land use rights for own use are stated at cost and amortized over the use terms of 40 to 50 years using the straight-line method.

(b) Investment properties

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

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

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of non-financial assets

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

2.11 Discontinued operations

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

2.12 Financial assets

(a) Classification

From 1 January 2018, the Group classifies its financial assets as amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are subsequently measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

(d) *Impairment*

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see note 12 for further details.

(e) *Accounting policies applied until 31 December 2017*

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017 the Group classifies its financial assets in the following category: trade and other receivables.

Until 31 December 2017, the Group's financial assets comprise "trade and other receivables", "cash and cash equivalents" and "restricted bank deposits" in the consolidated balance sheet. Trade and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

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

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

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

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

Such financial guarantees are given to banks on behalf of certain purchasers of the Group's properties to secure mortgage loans. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognized.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

Accounting policies applied until 31 December 2017

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Inventories

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

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

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

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

(b) Other inventories

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

2.15 Trade receivables

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

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See note 12 for further information about the Group's accounting for trade receivables and note 2.12 for a description of the Group's impairment policies.

2.16 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Share capital

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

2.18 Perpetual bond

Perpetual bond with no contractual obligation to deliver cash or another financial asset is classified as equity.

2.19 Trade and other payables

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

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

2.20 Borrowings

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

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

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

2.21 Borrowing costs

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

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

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

(b) Deferred income tax

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Employee benefits

(a) *Pension obligations*

The Group has only defined contribution plans.

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

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

(b) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(c) *Early retirement benefits*

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Employee benefits (Continued)

(d) Bonus plans

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

(e) Employee leave entitlements

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

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

2.24 Provisions

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

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies.

(a) *Sales of properties*

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

- provides all of the benefits received and consumed simultaneously by the customer; or

- creates and enhances an asset that the customer controls as the Group performs; or

- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognized when the customer obtains the physical possession or the legal title of the completed property, and there is no unfulfilled obligation.

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

(b) *Rental income*

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition (Continued)

(c) Provision of services

Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labor hours spent relative to the total expected labor hours.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

Accounting policies applied until 31 December 2017

Sales of properties

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

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

Sales of services

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

Sales of goods – retail

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

2.26 Accounting for costs incurred to obtain a contract

Costs such as stamp duty and sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalized and recorded in other non-current assets.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Contract assets and contract liabilities

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

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

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

2.28 Interest income

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in the consolidated income statement as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.29 Operating leases

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

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

2.30 Government Grants

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

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

Government grants relating to property, plant and equipment deducts the grant in calculating the carrying amount of the assets. The grant is recognized in profit or loss over the life of a depreciable assets as a reduced depreciation expense.

2.31 Dividend distribution

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

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

(ii) Cash flow and fair value interest rate risk

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

At 31 December 2018, if interest rates of borrowings obtained at variable rates had increased/decreased by 10% with all other variables held constant, the Group's post-tax profit for the year, after taking into account the impact of interest capitalization, would have decreased/increased by approximately RMB18,749,000 (2017:RMB16,290,000).

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

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

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

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

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

Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables
- other financial assets at amortized cost

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss also incorporate forward looking information.

Notes to the Consolidated Financial Statement (Continued)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

As at 31 December 2018, the loss allowance was determined as follows for trade receivables:

31 December 2018	Current	More than 30 days past due	More than 90 days past due	Total
Property development				
Expected loss rate	1%	25%	100%	
Gross carrying amount	1,531	–	5	1,536
Loss allowance	15	–	5	20
Property management fee				
Expected loss rate	1%	20%	100%	
Gross carrying amount	6,992	–	–	6,992
Loss allowance	70	–	–	70
Hotel				
Expected loss rate	1%	30%	100%	
Gross carrying amount	17,997	125	930	19,052
Loss allowance	180	38	930	1,148
Conference and exhibition-state-owned enterprise				
Expected loss rate	0.50%	2%	10%	
Gross carrying amount	–	6,375	14	6,389
Loss allowance	–	128	1	129
Conference and exhibition-other enterprise				
Expected loss rate	0.50%	5%	50%	
Gross carrying amount	739	1,768	539	3,046
Loss allowance	4	88	270	362
Leasing-shopping mall				
Expected loss rate	–	–	50%	
Gross carrying amount	–	–	26,547	26,547
Loss allowance	–	–	13,273	13,273
Leasing-others				
Expected loss rate	0.20%	1%	20%	
Gross carrying amount	143	19,988	2,105	22,236
Loss allowance	–	200	421	621

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for trade receivables during the year ended 31 December 2018.

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Other receivables

The Group uses three categories for other receivables, which reflect their credit risk, and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected losses
Stage three	Receivables for which there is a credit loss sine initial recognition	Lifetime expected losses

The Group accounts for its credit risk by appropriately providing for expected losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

Since credit risk has not significantly increased after initial recognition, the loss allowance recognized was therefore limited to 12 months expected losses.

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Other receivables (Continued)

As at 31 December 2018, the loss allowance was determined as follows for other receivables:

	Deposit	Engineering fund	Due from related parties	Due from non-controlling interests	Disbursements	others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Closing loss allowance as at 31 December 2017 (calculated under HKAS 39)	–	–	–	–	(2,338)	(12,280)	(14,618)
Amounts restated through opening retained earnings	–	–	–	–	(2,338)	(12,280)	(14,618)
Increase in the allowance recognized in profit or loss during the period	(577)	(13)	(1,556)	(1,743)	(426)	(38)	(4,353)
Closing loss allowance as at 31 December 2018	(577)	(13)	(1,556)	(1,743)	(2,764)	(12,318)	(18,971)

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for other receivables during the year ended 31 December 2018.

Financial guarantee

The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors consider that the Group's credit risk is very immaterial.

The Group also provides guarantees to certain related parties of the Group to obtain borrowings after assessing the credit history of these related parties. The Group closely monitors the repayment progress of the relevant borrowings by these related parties. In the opinion of the directors of the Group, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties. The directors consider that the likelihood of default in payments is minimal, therefore, the expected losses for financial guarantee is close to zero.

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
At 31 December 2018					
Borrowings (including interest)	**9,923,591**	**9,901,369**	**8,024,716**	**5,255,615**	**33,105,291**
Trade and other payables (including interest) *(Note 11)*	**10,419,934**	**4,187,806**	**218,232**	**1,495,154**	**16,321,126**
Financial guarantee *(Note 34)*	**19,118,450**	**–**	**–**	**–**	**19,118,450**
Total	**39,461,975**	**14,089,175**	**8,242,948**	**6,750,769**	**68,544,867**
At 31 December 2017					
Borrowings (including interest)	6,942,648	7,531,695	15,907,434	7,399,725	37,781,502
Trade and other payables (including interest) *(Note 11)*	8,471,433	1,637,943	–	–	10,109,376
Financial guarantee *(Note 34)*	11,461,988	–	–	–	11,461,988
Total	26,876,069	9,169,638	15,907,434	7,399,725	59,352,866

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

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

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

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

The asset-liability ratios at 31 December 2018 and 2017 were as follows:

	As at 31 December	
	2018	2017
Asset-liability ratio	**77%**	78%

3.3 Fair value estimation

Other than investment properties, the Group has no other assets that carried at fair value as at 31 December 2018 and 2017. The different levels regarding fair value determination have been defined as follows:

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

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

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

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

Notes to the Consolidated Financial Statement (Continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

(a) Estimate of fair value of investment properties

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

(b) Estimate of impairment of properties under development

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

(c) Income taxes

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

(d) Land appreciation taxes

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

(e) Estimate of construction cost of completed properties held for sale

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

Notes to the Consolidated Financial Statement (Continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Critical judgements in applying the entity's accounting policies

(a) Revenue recognition

The Group has recognized revenue from the sale of properties held for sale as disclosed in note 2.25. The assessment of when an entity has transferred the control of the properties to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of control of the properties coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

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

(b) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in note 3.1.

5. SEGMENT INFORMATION

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

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

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

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

The Board assesses the performance of the operating segments based on a measure of adjusted profit before income tax based on assumptions that investment properties are measured at cost. This measurement basis excludes discontinued operations. This measurement basis also excludes the fair value gains on investment properties and includes land appreciation taxes and the depreciation of investing properties. Other information provided, except as noted below, to the Board is measured in a manner consistent with that in the consolidated financial statements.

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

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

Revenue consists of sales from development properties and investment properties and hotels. Revenues recognized during the years ended 31 December 2018 and 31 December 2017 are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue		
Development properties	**15,133,498**	12,592,207
Investment properties and hotels	**2,629,020**	2,599,091
	17,762,518	15,191,298
All other segments	**97,272**	111,926
	17,859,790	15,303,224

In 2018, the Group derives revenue from the transfer of properties, goods and services over time and at a point in time in the following major product lines:

	At a point in time	**Over time**
Development properties	14,183,487	950,011
Investment properties and hotels	800,870	–
All other segments	22,906	74,366
	15,007,263	1,024,377

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

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Board for the reportable segments for the year ended 31 December 2018 is as follows:

Business segment	**Development properties** *RMB'000*	**Investment properties and hotels** *RMB'000*	**All other segments** *RMB'000*	**Total** *RMB'000*
Total revenues	**15,133,498**	**2,680,031**	**136,178**	**17,949,707**
Inter-segment revenues	**–**	**(51,011)**	**(38,906)**	**(89,917)**
Revenues (from external customers)	**15,133,498**	**2,629,020**	**97,272**	**17,859,790**
Profit/(loss) before income tax	**2,697,947**	**883,711**	**(54,400)**	**3,527,258**
Depreciation and amortization	**9,194**	**296,550**	**6,353**	**312,097**
Finance income	**50,710**	**5,591**	**193**	**56,494**
Finance expenses	**34,435**	**–**	**–**	**34,435**
Share of net profit from investments accounted for using the equity method	**115,535**	**–**	**–**	**115,535**
Adjusted income tax expenses	**1,448,351**	**222,828**	**–**	**1,671,179**

The segment information provided to the Board for the reportable segments for the year ended 31 December 2017 is as follows:

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

Sales between segments are mutually agreed. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated income statement.

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

The segment information as at 31 December 2018 and 31 December 2017 is as follows:

Business segment	Development properties *RMB'000*	Investment properties and hotels *RMB'000*	All other segments *RMB'000*	Total *RMB'000*
As at 31 December 2018				
Total segments' assets	**77,978,639**	**7,188,818**	**90,223**	**85,257,680**
Total assets include:				
Investments accounted for using the equity method	**327,773**	**–**	**–**	**327,773**
Additions to non-current assets (other than deferred tax assets)	**18,227**	**123,682**	**15,311**	**157,220**
Total segments' liabilities	**66,236,832**	**1,342,924**	**190,042**	**67,769,798**
Contract liabilities	**28,329,022**	**85,173**	**2,742**	**28,416,937**
As at 31 December 2017				
Total segments' assets	65,663,848	7,266,981	126,113	73,056,942
Total assets include:				
Investments accounted for using the equity method	301,699	–	–	301,699
Additions to non-current assets (other than deferred tax assets)	6,836	75,997	11,941	94,774
Total segments' liabilities	58,917,268	980,598	95,466	59,993,332

The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the assets.

Certain interest-bearing liabilities are not considered to be segment liabilities but rather are managed by the treasury function.

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December 2018 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	
Development properties	**13,434,735**
Investment properties and hotels	**44,368**
All other segments	**8,150**
	13,487,253

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

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Profit before income tax for reportable segments	**3,527,258**	2,641,754
Corporate overheads	**(206,839)**	(286,755)
Corporate finance costs	**(624,261)**	(590,307)
Corporate finance income	**68,120**	46,403
Other income	**73,970**	17,176
Other gains/(losses)	**1,267**	(1,208)
Fair value gains on investment properties	**112,196**	147,993
Reversal of depreciation of investment properties	**182,441**	184,475
Land appreciation tax	**725,866**	819,982
Profit before income tax	**3,860,018**	2,979,513

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Total segments' assets	**85,257,680**	73,056,942
Deferred income tax assets	**573,430**	415,724
Corporate cash	**6,034,756**	6,301,086
Aggregated fair value gains on investment properties	**5,793,814**	5,681,618
Reversal of accumulated depreciation of investment properties	**2,222,454**	2,040,013
Assets of discontinued segment	**28,531**	206,263
Total assets per balance sheet	**99,910,665**	87,701,646
Total segments' liabilities	**67,769,798**	59,993,332
Deferred income tax liabilities *(Note 24)*	**2,004,066**	1,930,407
Corporate borrowings	**6,247,383**	5,601,806
Other corporate liabilities	**1,006,230**	869,033
Liabilities of discontinued segment	**27,003**	153,833
Total liabilities per balance sheet	**77,054,480**	68,548,411

The reconciliation between the Group's depreciation and amortization for reportable segments and corresponding amount per disclosure for property, plant and equipment (Note 8) and land use rights (Note 6) are mainly reversal of depreciation of investment properties and other related adjustments amounting to RMB174,096,000 (2017: RMB152,056,000).The Company and its subsidiaries were incorporated in the PRC and all the revenue from external customers of the Group are derived in the PRC for the year ended 31 December 2018 and 2017.

The reconciliation between reportable segments' income tax expenses and total income tax expenses is amounting to RMB64,476,000 (2017:RMB121,230,000), impacted by aforementioned reconciliation items including corporate overheads, corporate financial costs, corporate financial income, fair value gains on investment properties and reversal of depreciation of investment properties.

At 31 December 2018 and 31 December 2017, all the Group's non-current assets other than deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) are located in the PRC.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the year ended 31 December 2018 and 2017.

Notes to the Consolidated Financial Statement (Continued)

6. LAND USE RIGHTS

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

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**303,166**	311,818
Amortization	**(8,652)**	(8,652)
At 31 December	**294,514**	303,166

As at 31 December 2018, certain land use rights with net book value of RMB293,662,000 (2017: 302,282,000) are pledged as securities for bank and other borrowings (Note 23).

7. INVESTMENT PROPERTIES

	2018	2017
	RMB'000	*RMB'000*
At fair value		
At 1 January	**12,753,600**	12,550,400
Additions	**3,954**	61,951
Disposal	**(1,950)**	(6,744)
Fair value gains	**112,196**	147,993
At 31 December	**12,867,800**	12,753,600

(a) Amounts recognized in income statement for investment properties

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Rental income	**1,750,003**	1,727,269
Direct operating expenses arising from investment properties that generate rental income	**(573,270)**	(513,682)
Direct operating expenses that did not generate rental income	**(210,785)**	(284,365)
	965,948	929,222

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

As at 31 December 2018, the Group had no unprovided contractual obligations for future repairs and maintenance (2017: nil).

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis

An independent valuation of the Group's investment properties was performed by the valuer, Greater China Appraisal Limited ("GCAL"), to determine the fair value of the investment properties as at 31 December 2018 and 2017. The following table analyses the investment properties carried at fair value, by valuation method.

(i) Fair value hierarchy

	Fair value measurements at 31 December using significant unobservable inputs (Level 3)	
	2018	2017
	RMB'000	*RMB'000*
Recurring fair value measurements		
Investment properties:		
Office units	**6,086,900**	5,952,100
Apartments	**1,891,000**	1,867,000
Convention centers	**3,599,000**	3,543,000
Shopping malls	**1,290,900**	1,391,500
	12,867,800	12,753,600

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

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

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

(ii) Valuation processes of the Group

The Group's investment properties were valued on 31 December 2018 by the independent professionally qualified valuer who holds a recognized relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

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

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

(ii) Valuation processes of the Group (Continued)

At each financial year end, the finance department:

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

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

(iii) Valuation techniques

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

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

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

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

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

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

Description	Fair value at 31 December 2018 *(RMB'000)*	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Investment properties-office units, apartments, and shopping malls	**9,268,800**	Income approach (term and reversionary method)	term yield	0.5% to 1.5% downward adjustment on the reversionary yield	The higher the term yield, the lower the fair value
			Reversionary yield	From 5% to 13%	The higher the reversionary yield, the lower the fair value
Investment properties-convention centers	**3,599,000**	Discounted cash flow	Rental value	For Year 1 to 5 RMB5.68–7.12/sq.m./day	The higher the rental value, the higher the fair value
			Discount rate	12.5%–16.5%	The higher the discount rate, the lower the fair value

Description	Fair value at 31 December 2017 *(RMB'000)*	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Investment properties-office units, apartments, and shopping malls	9,210,600	Income approach (term and reversionary method)	Adjustment on term yield	1% to 3% downward adjustment on the reversion yield	The higher the term yield, the lower the fair value
			Reversionary yield	From 5% to 13%	The higher the reversionary yield, the lower the fair value
Investment properties-convention centers	3,543,000	Discounted cash flow	Rental value	For Year 1 to 5 RMB 5.60–6.95/sq.m./day	The higher the rental value, the higher the fair value
			Discount rate	13%–17%	The higher the discount rate, the lower the fair value

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

(c) Non-current assets pledged as security

As at 31 December 2018, certain investment properties with fair value of RMB12,672,900,000 (2017: RMB12,587,500,000) were pledged as securities for bank and other borrowings (Note 23).

Notes to the Consolidated Financial Statement (Continued)

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Hotel properties RMB'000	Plant and machinery RMB'000	Furniture, fixtures, equipment and motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2017						
Cost	362,472	2,354,714	499,069	595,497	5,430	3,817,182
Accumulated depreciation	(263,241)	(616,337)	(366,137)	(401,608)	–	(1,647,323)
Net book amount	99,231	1,738,377	132,932	193,889	5,430	2,169,859
Year ended 31 December 2017						
Opening net book amount	99,231	1,738,377	132,932	193,889	5,430	2,169,859
Additions	163	–	17,531	24,137	226,797	268,628
Disposals	(1,063)	–	(714)	(1,122)	–	(2,899)
Transfers	–	–	–	344	(344)	–
Government grant	–	–	(4,306)	–	–	(4,306)
Depreciation *(Note 25)*	(1,837)	(45,204)	(34,546)	(44,585)	–	(126,172)
Closing net book amount	96,494	1,693,173	110,897	172,663	231,883	2,305,110
At 31 December 2017						
Cost	361,572	2,354,714	511,580	618,856	231,883	4,078,605
Accumulated depreciation	(265,078)	(661,541)	(400,683)	(446,193)	–	(1,773,495)
Net book amount	96,494	1,693,173	110,897	172,663	231,883	2,305,110
Year ended 31 December 2018						
Opening net book amount	**96,494**	**1,693,173**	**110,897**	**172,663**	**231,883**	**2,305,110**
Additions	**1,806**	**–**	**21,073**	**38,421**	**93,849**	**155,149**
Disposals	**–**	**–**	**(4,017)**	**(2,678)**	**–**	**(6,695)**
Transfers	**322,701**	**–**	**–**	**–**	**(322,701)**	**–**
Depreciation *(Note 25)*	**(1,572)**	**(49,819)**	**(31,806)**	**(46,152)**	**–**	**(129,349)**
Closing net book amount	**419,429**	**1,643,354**	**96,147**	**162,254**	**3,031**	**2,324,215**
At 31 December 2018						
Cost	**686,079**	**2,354,714**	**528,636**	**654,599**	**3,031**	**4,227,059**
Accumulated depreciation	**(266,650)**	**(711,360)**	**(432,489)**	**(492,345)**	**–**	**(1,902,844)**
Net book amount	**419,429**	**1,643,354**	**96,147**	**162,254**	**3,031**	**2,324,215**

Depreciation expense of RMB93,673,000 (2017: RMB93,470,000) has been charged in cost of sales, RMB5,185,000 (2017: RMB3,818,000) in selling and marketing expenses and RMB30,491,000 (2017: RMB28,884,000) in administrative expenses in the consolidated income statement.

As at 31 December 2018, certain hotel properties with net book value of RMB1,641,952,000 (2017: RMB1,689,821,000) are pledged as securities for bank and other borrowings (Note 23).

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2018. All subsidiaries are established and operate in the PRC.

Name	Place of incorporation	Principal activities and place of operation	Registered capital	Ownership interest held by the Group 2018	2017	Ownership interest held by non-controlling interest 2018	2017
Beijing North Star Real Estate Development Co., Limited 北京北辰房地產開發股份有限公司 ("BNSRE") *(Note i)*	Beijing	Property development in Beijing	RMB500,180,000	**99.05%**	99.05%	**0.95%**	0.95%
Beijing North Star Lu Zhou Commercial Trading Co., Limited 北京北辰綠洲商貿有限公司 *(Note iii) (Note xiv)*	Beijing	Trading in Beijing	RMB1,000,000	**100%**	100%	**–**	–
Beijing North Star Xin Cheng Property Management Co., Limited 北京北辰信誠物業管理有限責任公司 *(Note iii) (Note xiv)*	Beijing	Property management in Beijing	RMB5,000,000	**100%**	100%	**–**	–
Beijing Jiang Zhuang Hu Property Co., Limited 北京蔞莊湖園林別墅開發有限公司 *(Note ii) (Note xiv)*	Beijing	Property development in Beijing	US$16,000,000	**51%**	51%	**49%**	49%
Beijing Tian Cheng Tian Property Co., Limited 北京天成天房地產開發有限公司 *(Note iii) (Note xiv)*	Beijing	Property development in Beijing	RMB11,000,000	**100%**	100%	**–**	–
Beijing North Star Xintong Internet Technology Service Co., Limited 北京北辰信通網絡技術服務有限公司 *(Note iii) (Note xiv)*	Beijing	Multimedia information network development, system integration and software development	RMB20,000,000	**100%**	100%	**–**	–
Changsha North Star Real Estate Development Co., Limited 長沙北辰房地產開發有限公司 *(Note iii)*	Changsha	Property development	RMB1,200,000,000	**100%**	100%	**–**	–
Beijing North Star Supermarket Chain Co., Limited 北京北辰超市連鎖有限公司 *(Note iii) (Note xiv)*	Beijing	Retail	RMB10,000,000	**100%**	100%	**–**	–
Beijing Shouchang Property Management Co., Limited 北京首倡物業管理有限公司 *(Note iii) (Note xiv)*	Beijing	Property management in Beijing	RMB5,140,600	**100%**	100%	**–**	–
Beijing North Star Hotel Management Co., Limited 北京北辰酒店管理有限公司 *(Note iii) (Note xiv)*	Beijing	Hotel and restaurant management consulting service	RMB20,500,000	**100%**	100%	**–**	–
Beijing North Star Times Exhibition Co., Limited 北京北辰時代會展有限公司 *(Note iii) (Note xiv)*	Beijing	Convention and exhibition	RMB10,000,000	**100%**	100%	**–**	–
Beijing North Star Exhibition Research Co., Limited 北京北辰會展研究院有限公司 *(Note iii) (Note xiv)*	Beijing	Convention and exhibition	RMB10,000,000	**100%**	100%	**–**	–
Beijing North Star Exhibition Information Service Co., Limited 北京北辰會展信息服務有限公司 *(Note iii) (Note xiv)*	Beijing	Convention and exhibition	RMB20,000,000	**100%**	100%	**–**	–

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation	Principal activities and place of operation	Registered capital	Ownership interest held by the Group 2018	2017	Ownership interest held by non-controlling interest 2018	2017
Beijing North Star Convention Group Co., Limited 北京北辰會展集團有限公司 *(Note iii) (Note xiv)*	Beijing	Convention and exhibition	RMB63,196,100	**100%**	100%	**–**	–
Beijing North Star Linghang Business Exhibition Research Co., Limited 北京北辰領航商務會展有限公司 *(Note iii) (Note xiv)*	Beijing	Convention and exhibition	RMB10,000,000	**100%**	100%	**–**	–
Changsha Central Garden Real Estate Co., Limited 長沙世紀御景房地產有限公司 *(Note iii)*	Changsha	Property development in Changsha	RMB10,410,000	**51%**	51%	**49%**	49%
Hangzhou North Star Real Estate Co., Limited 杭州北辰置業有限公司 *(Note iii)*	Hangzhou	Property development in Hangzhou	RMB50,000,000	**80%**	80%	**20%**	20%
Beijing North Star MOMA Real Estate Co., Limited 北京北辰當代置業有限公司 *(Note iii)*	Beijing	Property development in Beijing	RMB50,000,000	**50%**	50%	**50%**	50%
Wuhan Guanggu Creative Culture Science & Technology Park Co., Limited 武漢光谷創意文化科技園有限公司 *(Note iii)*	Wuhan	Property development in Wuhan	RMB40,816,000	**51%**	51%	**49%**	49%
Chengdu Chenshi Real Estate Co., Limited 成都辰詩置業有限公司 *(Note iii)*	Chengdu	Property development in Chengdu	RMB70,000,000	**40%**	40%	**60%**	60%
Nanjing Xunchen Real Estate Co., Limited ("NJXC") 南京旭辰置業有限公司 *(Note iii)*	Nanjing	Property development in Nanjing	RMB50,000,000	**51%**	51%	**49%**	49%
Langfang North Star Real Estate Co., Limited 廊坊市北辰房地產開發有限公司 *(Note iii)*	Langfang	Property development in Langfang	RMB31,000,000	**100%**	100%	**–**	–
Suzhou North Star Xuzhao Real Estate Co., Limited ("SZNSXZ") 蘇州北辰旭昭置業有限公司 *(Note ii)*	Suzhou	Property development in Suzhou	RMB700,000,000	**50%**	50%	**50%**	50%
Chengdu North Star Real Estate Co., Limited 成都北辰置業有限公司 *(Note iii)*	Chengdu	Property development in Chengdu	RMB50,000,000	**100%**	100%	**–**	–
Chengdu North Star Tianfu Investment Co., Limited 成都北辰天府置業有限公司 *(Note iii)*	Chengdu	Property development in Chengdu	RMB50,000,000	**100%**	100%	**–**	–
Hangzhou North Star Jinghua Investment Co.,Limited 杭州北辰京華置業有限公司 *(Note iii)*	Hangzhou	Property development in Hangzhou	RMB50,000,000	**100%**	100%	**–**	–
Hefei Chenxu Real Estate Development Co., Limited ("HFCX") 合肥辰旭房地產開發有限公司 *(Note iii)*	Hefei	Property development in Hefei	RMB50,000,000	**50%**	50%	**50%**	50%

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation	Principal activities and place of operation	Registered capital	Ownership interest held by the Group 2018	Ownership interest held by the Group 2017	Ownership interest held by non-controlling interest 2018	Ownership interest held by non-controlling interest 2017
Ningbo North Star Jinghua Investment Co.,Limited 寧波北辰京華置業有限公司 *(Note iii)*	Ningbo	Property development in Ningbo	RMB20,000,000	**100%**	100%	**–**	–
Chongqing North Star Liangjiang Investment Co.,Limited 重慶北辰兩江置業有限公司 *(Note iii)*	Chongqing	Property development in Chongqing	RMB10,000,000	**100%**	100%	**–**	–
Suzhou North Star Investment Co., Limited 蘇州北辰置業有限公司 *(Note iii)*	Suzhou	Property development in Suzhou	RMB30,000,000	**100%**	100%	**–**	–
Hangzhou Weijie Investment Consultancy Co., Limited 杭州威傑投資諮詢有限公司 *(Note iii) (Note xiv)*	Hangzhou	Investment consulting in Hangzhou	RMB100,000	**100%**	100%	**–**	–
Chongqing Fuwang Investment Co., Limited 重慶涪望投資有限責任公司 *(Note iii)*	Chongqing	Investment consulting in Chongqing	RMB10,000,000	**100%**	100%	**–**	–
Ningbo Chenxin Investment Co., Limited 寧波辰新置業有限公司 *(Note iii)*	Ningbo	Property development in Ningbo	RMB50,000,000	**51%**	51%	**49%**	49%
Beijing North Star Real Estate Group Co. Limited ("NSREG") 北京北辰地產集團有限公司 *(Note iii)*	Beijing	Investment management	RMB2,683,003,600	**100%**	100%	**–**	–
Wuhan North Star Chenzhi Real Estate Development Company Limited ("CZRE") 武漢北辰辰智房地產開發有限公司 *(Note iii)*	Wuhan	Property development in Wuhan	RMB30,000,000	**100%**	100%	**–**	–
Wuhan North Star Chenhui Real Estate Development Company Limited 武漢北辰辰慧房地產開發有限公司 *(Note iii)*	Wuhan	Property development in Wuhan	RMB30,000,000	**100%**	100%	**–**	–
Haikou Chenzhi Real Estate Company Limited 海口辰智置業有限公司 *(Note iii)*	Haikou	Property development in Haikou	RMB50,000,000	**100%**	100%	**–**	–
Chengdu North Star Huafu Real Estate Co. Limited 成都北辰華府置業有限公司 *(Note iii)*	Chengdu	Property development in Chengdu	RMB50,000,000	**100%**	100%	**–**	–
Sichuan North Star Tianren Real Estate Co. Limited 四川北辰天仁置業有限公司 *(Note iii)*	Chengdu	Property development in Chengdu	RMB100,000,000	**100%**	100%	**–**	–
Wuhan North Star Pilot Business Exhibition Co. Limited 武漢北辰領航商務會展有限公司 *(Note iii) (Note xiv)*	Wuhan	Convention and exhibition	RMB6,000,000	**60%**	60%	**40%**	40%
Chengdu North Star Zhongjin Exhibition Co. Limited ("CDZJ") 成都北辰中金展覽有限公司 *(Note iii) (Note iv)*	Chengdu	Convention and exhibition	RMB5,000,000	**51%**	–	**49%**	–

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation	Principal activities and place of operation	Registered capital	Ownership interest held by the Group 2018	Ownership interest held by the Group 2017	Ownership interest held by non-controlling interest 2018	Ownership interest held by non-controlling interest 2017
Wuhan Jinchenyingzhi Real Estate Co. Limited ("WHJCYZ") 武漢金辰盈智置業有限公司 *(Note iii) (Note v)*	Wuhan	Property development in Wuhan	RMB20,000,000	**51%**	–	**49%**	–
Wuhan Yuchen Real Estate Co. Limited ("WHYC") 武漢裕辰房地產開發有限公司 *(Note iii) (Note vi)*	Wuhan	Property development in Wuhan	RMB30,000,000	**60%**	–	**40%**	–
Wuhan North Star Guangda Creative Industry Operation Management Co., Limited ("WHGD") 武漢北辰廣大創意產業運營管理有限公司 *(Note iii) (Note vii)*	Wuhan	Convention and exhibition in Wuhan	RMB2,000,000	**51%**	–	**49%**	–
Hangzhou North Star Jingcheng Real Estate Co. Limited ("HZJC") 杭州北辰京誠置業有限公司 *(Note iii) (Note viii)*	Hangzhou	Property development in Hangzhou	RMB20,000,000	**100%**	–	**–**	–
Beijing Chenyu Real Estate Co. Limited ("BJCY") 北京宸宇房地產開發有限公司 *(Note iii) (Note ix)*	Beijing	Property development in Beijing	RMB50,000,000	**51%**	–	**49%**	–
Wuhan Chenfa Real Estate Co. Limited ("WHCF") 武漢辰發房地產開發有限公司 *(Note iii) (Note x) (Note xiv)*	Wuhan	Property development in Wuhan	RMB30,000,000	**100%**	–	**–**	–
Wuhan Chenzhan Real Estate Co. Limited ("WHCZ") 武漢辰展房地產開發有限公司 *(Note iii) (Note xi) (Note xiv)*	Wuhan	Property development in Wuhan	RMB30,000,000	**100%**	–	**–**	–
Changsha Binchen Real Estate Co. Limited ("CSBC") 長沙濱辰置業有限公司 *(Note iii) (Note xii)*	Changsha	Property development in Changsha	RMB40,000,000	**100%**	–	**–**	–

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

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

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

(iii) These companies are limited liability companies.

(iv) In March 2018, the Company established a subsidiary, CDZJ by investing RMB5,000,000 or 51% of the total paid in capital of CDZJ. CDZJ is a limited liability company incorporated in the PRC and engaged mainly in Convention and exhibition in Chengdu, the PRC.

(v) In March 2018, the Company and the subsidiary CZRE, together established a subsidiary, WHJCYZ by investing RMB20,000,000 or 51% of the total paid in capital of WHJCYZ. WHJCYZ is a limited liability company incorporated in the PRC and engaged mainly in property development in Wuhan, the PRC.

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(vi) In March 2018, the Company established a subsidiary, WHYC by investing RMB30,000,000 or 60% of the total paid in capital of WHYC. WHYC is a limited liability company incorporated in the PRC and engaged mainly in property development in Wuhan, the PRC.

(vii) In April 2018, the Company established a subsidiary, WHGD by investing RMB2,000,000 or 51% of the total paid in capital of WHGD. WHGD is a limited liability company incorporated in the PRC and engaged mainly in convention and exhibition in Wuhan, the PRC.

(viii) In June 2018, the Company established a wholly owned subsidiary HZJC by investing RMB20,000,000. HZJC is a limited liability company incorporated in the PRC and engaged mainly in property development in Hangzhou, the PRC.

(ix) In June 2018, NSREG established a subsidiary, BJCY by investing RMB50,000,000 or 51% of the total paid in capital of BJCY. BJCY is a limited liability company incorporated in the PRC and engaged mainly in property development in Beijing, the PRC.

(x) In November 2018, the Company established a wholly owned subsidiary WHCF by investing RMB30,000,000. WHCF is a limited liability company incorporated in the PRC and engaged mainly in property development in Wuhan, the PRC. As at 31 December 2018, the Company has not paid the capital.

(xi) In November 2018, the Company established a wholly owned subsidiary WHCZ by investing RMB30,000,000. WHCZ is a limited liability company incorporated in the PRC and engaged mainly in property development in Wuhan, the PRC. As at 31 December 2018, the Company has not paid the capital.

(xii) In November 2018, the Company established a wholly owned subsidiary CSBC by investing RMB40,000,000. CSBC is a limited liability company incorporated in the PRC and engaged mainly in property development in Changsha, the PRC.

(xiii) Changsha Fengrun Management Consultancy Co., Limited and Changsha Fengrui Management Consultancy Co., Limited has completed the industrial and commercial cancellation in September and November, respectively.

(xiv) Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 2.37% of the Group's total net assets.

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests

The profit attributable to non-controlling interest for the year is RMB803,630,000, which are mainly from SZNSXZ, HFCX and NJXC. The total non-controlling interest in respect of other subsidiaries is not material.

Cash and short-term deposits of RMB334,225,000 (2017: RMB600,861,000) are held in China and are subject to local exchange control regulations.

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

Summarized balance sheet

(i) SZNSXZ

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current		
Assets	**2,417,152**	3,783,068
Liabilities	**1,043,076**	2,118,872
Total current net assets	**1,374,076**	1,664,196
Non-current		
Assets	**12,369**	19,448
Liabilities	**–**	627,000
Total non-current net assets	**12,369**	(607,552)
Net assets	**1,386,445**	1,056,644

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarized balance sheet (Continued)

(ii) HFCX

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current		
Assets	**2,424,186**	3,701,617
Liabilities	**2,029,082**	3,407,233
Total current net assets	**395,104**	294,384
Non-current		
Assets	**5,644**	13,809
Liabilities	**–**	300,000
Total non-current net assets	**5,644**	(286,191)
Net assets	**400,748**	8,193

(iii) NJXC

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current		
Assets	**758,355**	3,657,195
Liabilities	**453,485**	3,638,619
Total current net assets	**304,870**	18,576
Non-current		
Assets	**38,996**	7,753
Liabilities	**–**	–
Total non-current net assets	**38,996**	7,753
Net assets	**343,866**	26,329

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarized statement of comprehensive income

(i) SZNSXZ

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	**1,493,962**	1,830,571
Profit before income tax	**620,049**	629,779
Income tax expense	**(272,117)**	(252,280)
Post-tax profit	**347,932**	377,499
Other comprehensive income	**–**	–
Total comprehensive income	**347,932**	377,499
Total comprehensive income allocated to non-controlling interests	**173,966**	188,750
Dividends paid to non-controlling interests	**–**	–

(ii) HFCX

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	**2,138,645**	1,848
Profit/(loss) before income tax	**594,867**	(33,060)
Income tax expense	**(209,487)**	8,141
Post-tax profit/(loss)	**385,380**	(24,919)
Other comprehensive income	**–**	–
Total comprehensive income	**385,380**	(24,919)
Total comprehensive income allocated to non-controlling interests	**192,690**	(12,460)
Dividends paid to non-controlling interests	**–**	–

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarized statement of comprehensive income (Continued)

(iii) NJXC

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	2,930,759	–
Profit/(loss) before income tax	635,267	(18,090)
Income tax expense	(332,996)	4,324
Post-tax profit/(loss)	302,271	(13,766)
Other comprehensive income	–	–
Total comprehensive income	302,271	(13,766)
Total comprehensive income allocated to non-controlling interests	148,113	(6,745)
Dividends paid to non-controlling interests	–	–

Summarized cash flows

(i) SZNSXZ

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash generated from operations	493,796	1,087,186
Interest paid	(10,870)	–
Income tax paid	(319,100)	(49,542)
Net cash generated from operating activities	174,696	1,037,644
Net cash used in investing activities	(87)	(274)
Net cash used in financing activities	(317,870)	(962,905)
Net (decrease)/increase in cash and cash equivalents	(143,261)	74,465
Cash and cash equivalents at beginning of the year	180,523	106,158
Exchange gains on cash and cash equivalents	–	–
Cash and cash equivalents at end of the year	37,262	180,623

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarized cash flows (Continued)

(ii) HFCX

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cash generated from operations	**722,391**	977,527
Interest paid	**(25,971)**	(71,287)
Income tax paid	**(85,316)**	(84,235)
Net cash generated from operating activities	**637,075**	893,292
Net cash used in investing activities	**(51)**	–
Net cash used in financing activities	**(639,011)**	(891,288)
Net (decrease)/increase in cash and cash equivalents	**(1,987)**	2,004
Cash and cash equivalents at beginning of the year	**262,241**	260,237
Exchange gains on cash and cash equivalents	**–**	–
Cash and cash equivalents at end of the year	**260,254**	262,241

(iii) NJXC

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cash generated from operations	**162,661**	1,171,012
Interest paid	**(10,083)**	(48,619)
Income tax paid	**(130,620)**	(154,595)
Net cash generated from operating activities	**32,041**	1,016,417
Net cash used in investing activities	**(78)**	(79)
Net cash used in from financing activities	**(390,083)**	(1,198,619)
Net decrease in cash and cash equivalents	**(358,120)**	(182,281)
Cash and cash equivalents at beginning of the year	**399,140**	581,421
Exchange gains on cash and cash equivalents	**–**	–
Cash and cash equivalents at end of the year	**41,020**	399,140

Notes to the Consolidated Financial Statement (Continued)

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognized in the consolidated balance sheet are as follows:

	2018	2017
	RMB'000	*RMB'000*
Associates	**65,524**	9,072
Joint ventures	**262,249**	292,627
At 31 December	**327,773**	301,699

The amounts recognized in the consolidated income statement are as follows:

	2018	2017
	RMB'000	*RMB'000*
Associates	**27,631**	(5,335)
Joint ventures	**87,904**	51,422
For the year ended 31 December	**115,535**	46,087

(a) Investments in associates

	2018
	RMB'000
At 31 December 2017	**9,072**
Adjustment from adoption of HKFRS15	**28,821**
At 1 January	**37,893**
Additions	**–**
Share of net profit/(loss) accounted for using the equity method	**27,631**
At 31 December	**65,524**

	2017
	RMB'000
At 1 January	13,705
Additions	14,700
Share of net profit/(loss) accounted for using the equity method	(19,333)
At 31 December	9,072

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Set out below are the associates of the Group as at 31 December 2018, which in the opinion of the directors, are material to the Group. The associates as listed below has registered capital which are held directly by the Group, the country of incorporation or registration is also its principal place of business.

Nature of investment in associate as at 31 December 2018

Name of entity	Place of business	% of ownership interest	Nature of the relationship	Measurement method
Hangzhou Xufa Real Estate Co., Limited ("HZXF") 杭州旭發置業有限公司	Hangzhou, the PRC	35%	*Note(i)*	Equity
Wuxi ChenWan Real Estate Co., Limited ("WXCW") 無錫市辰萬房地產有限公司	Wuxi, the PRC	49%	*Note(ii)*	Equity

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

(ii) WXCW is engaged mainly in property development in Wuxi, the PRC. WXCW is strategic for the Group's growth in the second or third tier cities.

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

Summarized financial information for associates

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

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Summarized financial information for associates (Continued)

Summarized balance sheet

(i) HZXF

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current		
Cash	**14,068**	243,359
Other current assets (excluding cash)	**309,504**	640,801
Total current assets	**323,575**	884,160
Financial liabilities (excluding trade payables)	**20,284**	14,879
Other current liabilities (including trade payables)	**149,481**	867,809
Total current liabilities	**169,765**	882,688
Non-current		
Assets	**14,772**	29,326
Net assets	**168,582**	30,798

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Summarized financial information for associates (Continued)

Summarized balance sheet (Continued)

(ii) WXCW

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current		
Cash	**338,425**	113,849
Other current assets (excluding cash)	**2,007,962**	1,673,372
Total current assets	**2,346,387**	1,787,221
Financial liabilities (excluding trade payables)	**492,161**	1,520,212
Other current liabilities (including trade payables)	**1,844,518**	238,954
Total current liabilities	**2,336,679**	1,759,166
Non-current		
Assets	**4,930**	513
Net assets	**14,638**	28,568

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Summarized financial information for associates (Continued)

Summarized statement of comprehensive income

(i) HZXF

	2018 *RMB'000*	2017 *RMB'000*
Revenue	**562,640**	–
Cost of sales	**(412,000)**	–
Depreciation and amortization	**(20)**	(18)
Other expenses	**(33,535)**	(18,211)
Interest income	**645**	1,344
Interest expense	**(11)**	(12)
Profit/(loss) before income tax expense	**117,719**	(16,897)
Income tax expense	**(56,815)**	3,711
Post-tax profit/(loss)	**60,904**	(13,186)
Other comprehensive income	**–**	–
Total comprehensive profit/(loss)	**60,904**	(13,186)
Dividends received from associate	**–**	–

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Summarized financial information for associates (Continued)

Summarized statement of comprehensive income (Continued)

(ii) WXCW

	2018 RMB'000	Period from 3 March 2017 (Establishment date) to 31 December 2017 RMB'000
Revenue	–	–
Depreciation and amortization	(15)	(1)
Other expenses	(14,809)	(1,923)
Interest income	643	33
Interest expense	(4,103)	(5)
Loss before income tax expense	(18,284)	(1,896)
Income tax expense	4,354	464
Post-tax loss	(13,930)	(1,432)
Other comprehensive income	–	–
Total comprehensive loss	(13,930)	(1,432)
Dividends received from associate	–	–

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

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Summarized financial information for associate (Continued)

Reconciliation of summarized financial information

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

Summarized financial information

(i) *HZXF*

	2018 *RMB'000*	2017 *RMB'000*
Opening net assets	**30,798**	43,984
Adjusted from adoption of HKFRS15	**76,880**	–
Profit/(loss) for the year	**60,904**	(13,186)
Closing net assets	**168,582**	30,798
Interest in associate	**59,004**	10,756
Adjusted for eliminations resulting from upstream transactions	**–**	(8,032)
Carrying value	**59,004**	2,724

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Summarized financial information for associate (Continued)

Summarized financial information (Continued)

(ii) WXCW

	2018 RMB'000	Period from 3 March 2017 (Establishment date) to 31 December 2017 RMB'000
Opening net assets	**28,568**	–
Capital injection	–	30,000
Loss for the year/period	**(13,930)**	(1,432)
Closing net assets	**14,638**	28,568
Interest in associate	**7,173**	13,998
Adjusted for eliminations resulting from upstream transactions	**(7,173)**	(13,998)
Carrying value	–	–

Individually immaterial associate

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

	2018 RMB'000	2017 RMB'000
Aggregate carrying amount of the individually immaterial associate	**6,520**	6,348
Aggregate amounts of the Group's share of:		
Post-tax profit/(loss)	**172**	(18)
Other comprehensive income	–	–
Total comprehensive income	**172**	(18)

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures

	2018
	RMB'000
At 31 December 2017	**292,627**
Adjustment from adoption of HKFRS15	**35,806**
At 1 January	**328,433**
Additions	**–**
Share of net profit accounted for using the equity method	**87,904**
Dividends paid	**(154,088)**
At 31 December	**262,249**

	2017
	RMB'000
At 1 January	241,255
Additions	8,000
Share of net profit accounted for using the equity method	43,372
At 31 December	292,627

Set out below are the joint ventures of the Group as at 31 December 2018, which, in the opinion of the directors, are material to the Group. The joint ventures as listed below have registered capital which are held directly or indirectly by the Group; the place of incorporation or registration is also their principal place of business.

Nature of investment in joint ventures as at 31 December 2018

Name of entity	**Place of business**	**% of ownership interest**	**Nature of the relationship**	**Measurement method**
Wuhan Modern Land North Star Real Estate Co., Limited ("WHML") 武漢當代北辰置業有限公司	Wuhan, the PRC	45%	*Note(i)*	Equity
Hangzhou Chenxu Investment Co., Limited ("HZCX") 杭州辰旭置業有限公司	Hangzhou, the PRC	35%	*Note(ii)*	Equity
Hangzhou Jinhu Real Estate Development Co., Limited ("HZJH") 杭州金湖房地產開發有限公司	Hangzhou, the PRC	25%	*Note(iii)*	Equity
Wixi North Star Shengyang Real Estate Development Co.,Limited ("WXSY") 無錫北辰盛阳置業有限公司	Wuxi, the PRC	40%	*Note(iv)*	Equity

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Nature of investment in joint ventures as at 31 December 2018 (Continued)

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

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

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

(iv) WXSY is engaged mainly in property development in Wuxi, the PRC. WXSY is strategic for the Group's growth in the second or third tier cities.

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

Summarized financial information for joint ventures

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

Summarized balance sheet

(i) WHML

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current		
Cash	**123,403**	267,197
Other current assets (excluding cash)	**238,744**	765,317
Total current assets	**362,147**	1,032,514
Financial liabilities (excluding trade payables)	**32,705**	3,563
Other current liabilities (including trade payables)	**147,242**	897,374
Total current liabilities	**179,947**	900,937
Non-current		
Assets	**–**	20,356
Net assets	**182,200**	151,933

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Summarized financial information for joint ventures (Continued)

Summarized balance sheet (Continued)

(ii) HZCX

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current		
Cash	**19,603**	7,409
Other current assets (excluding cash)	**248,356**	2,455,483
Total current assets	**267,959**	2,462,892
Financial liabilities (excluding trade payables)	**47,566**	101,300
Other current liabilities (including trade payables)	**151,992**	2,039,256
Total current liabilities	**199,558**	2,140,556
Non-current		
Assets	**287**	366
Net assets	**68,688**	322,702

The Group ceased to have control over HZCX in 2016, and the retained interest of HZCX was remeasured to its fair value at the date when control was lost. In 2018, the Group recognized the share of net profit of HZCX amounted to RMB12,494,000, and has received the dividends from HZCX amounted to RMB100,088,000.

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Summarized financial information for joint ventures (Continued)

Summarized balance sheet (Continued)

(iii) HZJH

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current		
Cash	**917,397**	504,537
Other current assets (excluding cash)	**2,246,803**	1,284,160
Total current assets	**3,164,200**	1,788,697
Financial liabilities (excluding trade payables)	**4,508**	146,490
Other current liabilities (including trade payables)	**2,517,052**	1,159,331
Total current liabilities	**2,521,560**	1,305,821
Non-current		
Assets	**392**	94
Net assets	**643,032**	482,970

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Summarized financial information for joint ventures (Continued)

Summarized balance sheet (Continued)

(iv) WXSY

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current		
Cash	**519,205**	139,510
Other current assets (excluding cash)	**2,336,920**	1,860,456
Total current assets	**2,856,125**	1,999,966
Financial liabilities (excluding trade payables)	**1,477,749**	1,822,664
Other current liabilities (including trade payables)	**1,405,860**	169,289
Total current liabilities	**2,883,609**	1,991,953
Non-current		
Assets	**9,130**	252
Net assets	**(18,354)**	8,265

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Summarized financial information for joint ventures (Continued)

Summarized statement of comprehensive income

(i) WHML

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**717,021**	667,853
Cost of sales	**(497,397)**	(495,010)
Depreciation and amortization	**(129)**	(125)
Other expenses	**(45,903)**	(30,982)
Interest income	**1,176**	1,873
Interest expense	**(30)**	(96)
Profit before income tax expense	**174,738**	143,513
Income tax expense	**(82,353)**	(34,080)
Post-tax profit	**92,385**	109,433
Other comprehensive income	**–**	–
Total comprehensive income	**92,385**	109,433
Dividends received from joint venture	**54,000**	–

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Summarized financial information for joint ventures (Continued)

Summarized statement of comprehensive income (Continued)

(ii) HZJH

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**626,005**	–
Cost of sales	**(336,624)**	–
Depreciation and amortization	**(66)**	(41)
Other expenses	**(37,889)**	(17,854)
Interest income	**5,179**	1,355
Interest expense	**(88)**	(55)
Profit/(loss) before income tax expense	**256,517**	(16,595)
Income tax expense	**(134,555)**	–
Post-tax profit/(loss)	**121,962**	(16,595)
Other comprehensive income	**–**	–
Total comprehensive income	**121,962**	(16,595)
Dividends received from joint venture	**–**	–

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Summarized financial information for joint ventures (Continued)

Summarized statement of comprehensive income (Continued)

(iii) WXSY

	Year ended 31 December 2018 ***RMB'000***	Period from 7 April 2017 (Establishment date) to 31 December 2017 *RMB'000*
Revenue	**–**	–
Depreciation and amortization	**(36)**	(2)
Other expenses	**(30,834)**	(11,824)
Interest income	**4,582**	102
Interest expense	**(9,071)**	(11)
Loss before income tax expense	**(35,359)**	(11,735)
Income tax expense	**8,740**	–
Post-tax loss	**(26,619)**	(11,735)
Other comprehensive income	**–**	–
Total comprehensive income	**(26,619)**	(11,735)
Dividends received from joint venture	**–**	–

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

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Reconciliation of summarized financial information

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

Summarized financial information

(i) WHML

	2018	2017
	RMB'000	*RMB'000*
Opening net assets	**151,933**	42,500
Adjustment from adoption of HKFRS15	**57,882**	–
Profit for the year	**92,385**	109,433
Dividends paid	**(120,000)**	–
Closing net assets	**182,200**	151,933
Interest in joint venture (45%)	**81,990**	68,370
Adjusted for eliminations resulting from upstream transactions	**–**	(2,238)
Carrying value	**81,990**	66,132

(ii) HZJH

	2018	2017
	RMB'000	*RMB'000*
Opening net assets	**482,970**	499,565
Adjustment from adoption of HKFRS15	**38,100**	–
profit/(Loss) for the year	**121,962**	(16,595)
Closing net assets	**643,032**	482,970
Interest in joint venture (25%)	**160,758**	120,743
Adjusted for eliminations resulting from upstream transactions	**(4,540)**	(5,881)
Carrying value	**156,218**	114,862

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Reconciliation of summarized financial information (Continued)

Summarized financial information (Continued)

(iii) WXSY

	2018 RMB'000	Period from 7 April 2017 (Establishment date) to 31 December 2017 RMB'000
Opening net assets	**8,265**	–
Capital injection	**–**	20,000
Loss for the year/period	**(26,619)**	(11,735)
Closing net assets	**(18,354)**	8,265
Interest in joint venture (40%)	**–**	3,306
Adjusted for eliminations resulting from upstream transactions	**–**	(3,306)
Carrying value	**–**	–

Notes to the Consolidated Financial Statement (Continued)

11. FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets	31 December 2018 RMB '000	31 December 2017 RMB '000
Financial assets at amortized cost		
Trade receivables *(Note 12)*	**70,175**	102,501
Other receivables *(b) (Note 12)*	**3,519,078**	3,650,051
Restricted bank deposits *(Note 16)*	**1,904,818**	1,047,706
Cash and cash equivalents *(Note 17)*	**11,851,788**	9,846,708
	17,345,859	14,646,966

Financial liabilities	31 December 2018 RMB '000	31 December 2017 RMB '000
Liabilities at amortized cost		
Trade and other payables *(c)*	**15,073,648**	9,905,706
Borrowings *(Note 23)*	**28,260,562**	31,897,276
	43,334,210	41,802,982

(a) The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

(b) The above other receivables comprise receivables due from related parties, receivables due from non-controlling interests and other receivables.

(c) The above trade and other payables comprise trade payables, dividends payable to non-controlling interests of subsidiaries, amounts due to non-controlling interests, BNSIGC and other related parties, accrued interest, amounts due to Beijing Third Construction Engineering Company Limited ("BTCE"), CMBS and other payables excluding statutory liabilities.

Notes to the Consolidated Financial Statement (Continued)

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December					
	2018			2017		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables *(a)*	**3,478,934**	**110,319**	**3,589,253**	2,245,826	1,506,726	3,752,552
Prepayments	**5,346,531**	**144,633**	**5,491,164**	4,218,755	–	4,218,755
	8,825,465	**254,952**	**9,080,417**	6,464,581	1,506,726	7,971,307

(a) Trade and other receivables

	As at 31 December					
	2018			2017		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(i)*	**85,798**	**–**	**85,798**	102,584	–	102,584
Less: provision for impairment of trade receivables	**(15,623)**	**–**	**(15,623)**	(83)	–	(83)
Trade receivables – net	**70,175**	**–**	**70,175**	102,501	–	102,501
Receivables due from related parties *(Note 38(vii))*	**1,481,117**	**74,507**	**1,555,624**	1,587,575	1,470,789	3,058,364
Receivables due from non-controlling interests	**1,742,853**	**–**	**1,742,853**	384,139	–	384,139
Other receivables	**203,505**	**36,067**	**239,572**	186,229	35,937	222,166
Less: provision for impairment of other receivable	**(18,716)**	**(255)**	**(18,971)**	(14,618)	–	(14,618)
Other receivables – net	**3,408,759**	**110,319**	**3,519,078**	2,143,325	1,506,726	3,650,051
	3,478,934	**110,319**	**3,589,253**	2,245,826	1,506,726	3,752,552

The fair values of trade and other receivables are not materially different from their carrying amounts.

Note 3.1 sets out information about the impairment of trade and other receivables and the Group's expose to credit risk.

Notes to the Consolidated Financial Statement (Continued)

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade and other receivables (Continued)

(i) Trade receivables

The majority of the Group's sales are on cash or advance basis. The remaining amounts are with credit terms of 30 to 90 days. At 31 December 2018 and 2017, the ageing analysis of the trade receivables were as follows:

	31 December 2018 ***RMB '000***	31 December 2017 *RMB '000*
0–30 days	**44,856**	51,304
31–90 days	**1,620**	4,607
Over 90 days	**39,322**	46,673
	85,798	102,584

(b) Prepayments

	As at 31 December					
	2018			2017		
	Current ***RMB'000***	**Non-current** ***RMB'000***	**Total** ***RMB'000***	Current *RMB'000*	Non-current *RMB'000*	Total *RMB'000*
Prepaid land use rights consideration	**2,241,720**	**–**	**2,241,720**	2,026,700	–	2,026,700
Prepaid tax	**3,046,799**	**–**	**3,046,799**	2,006,018	–	2,006,018
Contract obtain cost	**–**	**144,633**	**144,633**	–	–	–
Other prepayments	**58,012**	**–**	**58,012**	186,037	–	186,037
	5,346,531	**144,633**	**5,491,164**	4,218,755	–	4,218,755

Notes to the Consolidated Financial Statement (Continued)

13. PROPERTIES UNDER DEVELOPMENT

	2018
	RMB '000
As at 31 December 2017	**44,604,365**
Adjustment from adoption of HKFRS15 *(Note 2)*	**(33,035)**
As at 1 January	**44,571,330**
Addition	**19,671,494**
Transfer to completed properties held for sale *(Note 14)*	**(12,102,739)**
Transfer to cost of sales	**(659,425)**
Impairment	**(236,327)**
As at 31 December	**51,244,333**

	2017
	RMB '000
As at 1 January	32,593,536
Addition	20,399,576
Transfer to completed properties held for sale *(Note 14)*	(8,388,747)
As at 31 December	44,604,365

	As at 31 December	
	2018	2017
	RMB '000	*RMB '000*
Land use rights	**37,749,631**	33,254,300
Development costs and capitalized expenditure	**9,382,153**	7,518,187
Finance costs capitalized	**4,112,549**	3,831,878
	51,244,333	44,604,365

	As at 31 December	
	2018	2017
	RMB '000	*RMB '000*
Land use rights:		
In PRC, held on leases of:		
Between 40–50 years	**3,154,275**	2,664,308
Over 50 years	**34,595,356**	30,589,992
	37,749,631	33,254,300

Notes to the Consolidated Financial Statement (Continued)

13. PROPERTIES UNDER DEVELOPMENT (CONTINUED)

As at 31 December 2018, certain properties under development with net book value of RMB18,107,317,000 (2017: RMB29,078,336,000) are pledged as securities for bank and other borrowings (Note 23).

The carrying amount of the properties under development that are expected to be completed and available for sale more than twelve months after the balance sheet date are RMB40,833,848,000. The remaining balance is expected to be completed and available for sale within one year.

14. COMPLETED PROPERTIES HELD FOR SALE

	2018
	RMB '000
As at 31 December 2017	**7,898,454**
Adjustment from adoption of HKFRS15 *(Note 2)*	**(571,413)**
As at 1 January	**7,327,041**
Transfer from properties under development *(Note 13)*	**12,102,739**
Transfer to cost of sales	**(10,300,552)**
Others *(a)*	**(26,413)**
As at 31 December	**9,102,815**

	2017
	RMB '000
As at 1 January	8,729,267
Transfer from properties under development *(Note 13)*	8,388,747
Transfer to cost of sales	(9,195,802)
Impairment	(6,998)
Others *(a)*	(16,760)
As at 31 December	7,898,454

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

Notes to the Consolidated Financial Statement (Continued)

14. COMPLETED PROPERTIES HELD FOR SALE (CONTINUED)

	As at 31 December	
	2018	2017
	RMB '000	*RMB '000*
Land use rights	**3,273,207**	2,632,326
Development costs and capitalized expenditure	**5,090,330**	4,780,078
Finance costs capitalized	**739,278**	486,050
	9,102,815	7,898,454

	As at 31 December	
	2018	2017
	RMB '000	*RMB '000*
Land use rights:		
In PRC, held on leases of:		
Between 40–50 years	**632,358**	406,198
Over 50 years	**2,640,849**	2,226,128
	3,273,207	2,632,326

As at 31 December 2018, completed properties held for sale of RMB2,257,933,000 (2017: RMB1,740,396,000 are pledged as securities for bank borrowings (Note 23).

15. OTHER INVENTORIES

	As at 31 December	
	2018	2017
	RMB '000	*RMB '000*
Goods for resale	**14,175**	34,665
Consumables	**34,171**	18,224
Less: provision for inventories	**(794)**	(4,794)
	47,552	48,095

The cost of inventories recognized as expense and included in cost of sales amounted to RMB213,869,000 (2017: RMB294,695,000).

Notes to the Consolidated Financial Statement (Continued)

16. RESTRICTED BANK DEPOSITS

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

17. CASH AND CASH EQUIVALENTS

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

	As at 31 December	
	2018	2017
	RMB '000	*RMB '000*
Cash at bank and on hand	**7,251,788**	5,896,708
Short-term bank deposits *(a)*	**4,600,000**	3,950,000
	11,851,788	9,846,708
Maximum exposure to credit risk	**11,850,849**	9,845,813

(a) The deposits are repayable with seven days' notice, without loss of interest earned. The effective interest rate on short-term bank deposits was 1.62% (2017: 1.35%) per annum.

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

	As at 31 December	
	2018	2017
	RMB '000	*RMB '000*
Renminbi	**11,844,679**	9,840,310
US dollar	**5,511**	4,873
HK dollar	**1,598**	1,525
	11,851,788	9,846,708

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

Notes to the Consolidated Financial Statement (Continued)

18. SHARE CAPITAL

	As at 31 December	
	2018	2017
	RMB '000	*RMB '000*
Registered, issued and fully paid *(a)*	**3,367,020**	3,367,020

(a) Pursuant to the document titled "Implementation Measure for Transfer of Part of the State-owned Shares in Domestic Securities Market to the National Social Security Fund (Cai Qi [2010] No. 94) (《境內證券市場轉持部份國有股充實全國社會保障基金實施辦法》(財企(2010)94號)) and announcement No. 63 of 2010 jointly issued by the Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund ("NCSSF"), a total of 150,000,000 shares in the Company held by BNSIGC should be transferred to NCSSF. On 30 October 2015, BNSIGC issued a letter of commitment to NCSSF, claimed to pay an equivalent proceed of RMB360,000,000 to NCSSF in order to keep the relevant shares. As at 25 January 2018, BNSIGC has paid fully RMB360,000,000, the relevant shares are not subjected to sales restriction, and shares held by BNSIGC expired, and all these shares were available for trading.

19. RESERVES AND RETAINED EARNINGS

	Other reserves					
	Capital reserve	Statutory reserve fund *(a)*	Discretionary reserve fund *(b)*	Other comprehensive income	Subtotal	Retained earnings
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017	3,372,229	805,179	161,468	93,787	4,432,663	10,590,512
Adjustment from adoption of HKFRS 15	–	1,632	–	–	1,632	195,171
At 1 January 2018	3,372,229	806,811	161,468	93,787	4,434,295	10,785,683
Profit for the year	–	–	–	–	–	1,403,430
2017 final dividends	–	–	–	–	–	(370,372)
Transfer from retained earnings	–	71,151	–	–	71,151	(71,151)
Other comprehensive income	–	–	–	(3,844)	(3,844)	–
At 31 December 2018	3,372,229	877,962	161,468	89,943	4,501,602	11,747,590

Notes to the Consolidated Financial Statement (Continued)

19. RESERVES AND RETAINED EARNINGS (CONTINUED)

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

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

(b) The proposed transfer to the discretionary reserve fund is subject to approval by the shareholders in general meeting. Its usage is similar to that of the statutory reserve fund. No transfer to the discretionary reserve fund has been proposed for the years ended 31 December 2018 and 2017.

20. PERPETUAL BOND

On 3 December 2018, the Company issued perpetual bond, which are redeemable only at the Company's discretion, with initial aggregate principal amount of RMB1,620,000,000 and net proceeds of RMB1,606,392,000. The issuer may elect to defer interest payment, and are not subject to any limit as to the number of times, interest payment can be deferred.

As the perpetual bonds only impose contractual obligations on the Group to repay principal or to pay any distribution under certain circumstances, which are at Group's discretion, they have in substance offered the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligation. Therefore, the net proceeds of the perpetual bonds are presented in the equity of the Group. The amounts as at 31 December 2018 included the accrued distribution payments.

Notes to the Consolidated Financial Statement (Continued)

21. TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Advances from customers *(a)*	**276,385**	22,563,894
Trade payables	**6,659,150**	4,980,815
Dividends payable to non-controlling interests of subsidiaries	**17,162**	1,162
Accrued interest	**484,131**	302,793
Amounts due to non-controlling interests *(b)*	**4,495,058**	1,209,494
Amounts due to BNSIGC *(Note 38(vii))*	**–**	700,000
Amounts due to other related parties *(c) (Note 38(vii))*	**686,375**	804,718
CMBS *(d)*	**1,000,000**	–
Amount due to BTCE *(e)*	**701,298**	701,298
Other payables	**1,552,445**	1,539,721
Termination benefits *(Note 36)*	**8,059**	34,216
	15,880,063	32,838,111
Less: non-current portion of trade and other payables	**(5,031,574)**	(1,579,476)
	10,848,489	31,258,635

(a) As at 31 December 2018, as described in Note 2.2, advances from purchasers of the Group's properties and recipients of the Group's services included in contract liabilities.

(b) As at 31 December 2018, amounted to RMB3,270,456,000 is unsecured, with a fixed annual interest rate of 6.5%, and the principal is repayable within two years; amounted to RMB932,118,000 is unsecured, with a fixed annual interest rate of 7%, the principal is repayable within two years; amounted to RMB104,801,000 is unsecured with a fixed annual interest rate of 10.5% and with no fixed repayment terms.

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

(d) On 20 December 2018, NSREG issued CMBS of RMB1,050,000,000, which has a term of 18 years and are divided into senior tranche A, B and junior tranche with principal of RMB527,000,000, RMB473,000,000 and RMB50,000,000 respectively. NSREG purchased all the subprime level asset-backed securities. The senior tranche A and B were guaranteed by the Group.

(e) The loan is unsecured, with a fixed annual interest rate of 6.5%. The principal will be repayable in 2019.

Notes to the Consolidated Financial Statement (Continued)

21. TRADE AND OTHER PAYABLES (CONTINUED)

At 31 December 2018 and 2017, the ageing analyses of the trade payables (including amounts of trading nature due to related parties) were as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
0–180 days	**4,182,195**	1,994,998
181–365 days	**336,843**	1,215,758
Over 365 days	**2,140,112**	1,770,059
	6,659,150	4,980,815

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

22. CURRENT INCOME TAX LIABILITIES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Income tax payable	**852,994**	360,580
Land appreciation tax payable	**1,474,902**	1,382,800
	2,327,896	1,743,380

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS

	As at 31 December 2018 RMB'000	2017 RMB'000
Non-current		
Long term borrowings		
– Secured borrowings *(a)*	**22,263,179**	25,548,594
– Entrusted loan	**–**	360,000
– 5 year bonds of 2014 *(b)*	**597,802**	995,553
– 7 year bonds of 2014 *(b)*	**1,492,715**	1,490,575
– 5 year bonds of 2016 *(b)*	**1,494,322**	1,491,960
– 5 year medium term notes of 2017 *(b)*	**1,312,544**	1,310,594
	27,160,562	31,197,276
Less: current portion of long term borrowings	**(7,391,618)**	(5,307,581)
	19,768,944	25,889,695
Current		
Short term borrowings		
– Secured short term borrowings *(c)*	**300,000**	200,000
– Unsecured short term borrowings	**800,000**	500,000
– Current portion of long term borrowings	**7,391,618**	5,307,581
	8,491,618	6,007,581
Total borrowings	**28,260,562**	31,897,276

(a) As at 31 December 2018, long term borrowings of RMB21,563,179,000 (2017:RMB25,548,594,000) were obtained by the Group and secured by certain land use right (Note 6), investment properties (Note 7), hotel properties (Note 8), properties under development (Note 13) and completed properties held for sale (Note 14), included in which RMB4,465,555,554 are guaranteed by BNSIGC (Note 38(ix)), and RMB1,168,400,000 (2017: RMB2,342,000,000) are additionally guaranteed by the non-controlling interests.

(b) On 20 January 2015, the Company issued corporate bonds amounting of RMB2,500,000,000. Among which, RMB1,000,000,000 has a term of 5 years ("5 year bonds"), carries a coupon rate of 4.8% and also embedded a put option at the end of the third year. On 2 January 2018, the investors put back RMB448,798,000 and the remaining carries an interest rate of 5.65%. The remaining RMB1,500,000,000 has a term of 7 years ("7 year bonds"), carries an interest rate of 5.2% and also embedded a put option at the end the fifth year. The interest of bonds would be paid annually and the principal is fully repayable on 20 January 2020 and 20 January 2022, respectively.

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

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

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS (CONTINUED)

(c) As at 12 December 2018, short term bank borrowings of RMB300,000,000 (2017:RMB200,000,000) were guaranteed by BNSIGC (Note 38(ix)).

(d) The Group's borrowings mature until 2031 and bonds mature until 2022. At 31 December 2018, the Group's borrowings were repayable as follows:

	Bank borrowings As at 31 December		Other borrowings As at 31 December		Long term bonds As at 31 December	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**2,245,296**	2,146,783	**4,752,000**	3,460,000	**1,494,322**	400,798
Between 1 and 2 years	**2,546,795**	3,864,390	**2,836,970**	2,300,000	**3,403,061**	–
Between 2 and 5 years	**3,963,413**	4,939,341	**2,706,000**	5,409,970	**–**	4,887,883
Over 5 years	**3,322,705**	4,488,111	**990,000**	–	**–**	–
	12,078,209	15,438,624	**11,284,970**	11,169,970	**4,897,383**	5,288,681

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

	As at 31 December	
	2018	2017
Bank and other borrowings	**5.83%**	5.94%
5 year bonds of 2014	**6.04%**	5.03%
7 year bonds of 2014	**5.38%**	5.38%
5 year bonds of 2016	**4.66%**	4.66%
5 year medium term notes of 2017	**5.31%**	5.31%

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
– expiring within one year	**1,244,692**	500,000
– expiring between one and five years	**3,640,899**	4,546,440
– expiring over five years	**2,611,255**	2,910,261
	7,496,846	7,956,701

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS (CONTINUED)

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
6 months or less	**13,468,178**	4,611,052
between 6 and 12 months	**2,154,308**	12,576,371
between 1 and 5 years	**11,567,802**	14,709,853
over 5 years	**1,070,274**	–
	28,260,562	31,897,276

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

	Carrying amount As at 31 December		Fair value As at 31 December	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-current borrowings	**4,986,000**	7,625,000	**4,888,233**	7,481,620
5 year bonds of 2014	**597,802**	594,755	**606,992**	598,004
7 year bonds of 2014	**1,492,715**	1,490,575	**1,517,100**	1,519,950
5 year bonds of 2016	**–**	1,491,960	**–**	1,533,893
5 year medium term note of 2017	**1,312,544**	1,310,594	**1,392,760**	1,360,000
	8,389,061	12,512,884	**8,405,085**	12,493,467

The fair values of 5 year bonds and 7 year bonds of 2014 are based on market prices as at 31 December 2018. The fair value of 5 year bonds of 2016 and 5 year medium term note of 2017 and based on cash flows discounted using rates based on the borrowing rate of 4.75% as at 31 December 2018.

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

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

(i) All borrowings are denominated in Renminbi.

Notes to the Consolidated Financial Statement (Continued)

24. DEFERRED INCOME TAX

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

	2018	2017
	RMB '000	*RMB '000*
Deferred tax assets:		
– To be recovered after more than 12 months	**731,468**	559,455
– To be recovered within 12 months	**133,172**	61,981
	864,640	621,436
Deferred tax liabilities:		
–To be settled after more than 12 months	**(2,004,066)**	(1,930,407)
Deferred tax liabilities-net	**(1,139,426)**	(1,308,971)

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

	2018	2017
	RMB '000	*RMB '000*
At 1 January	**(1,308,971)**	(1,532,277)
Recognised in the income statement *(Note 30)*	**195,146**	223,306
Adjusted from adoption of HKFRS15 *(Note 2)*	**(25,601)**	–
At 31 December	**(1,139,426)**	(1,308,971)

Notes to the Consolidated Financial Statement (Continued)

24. DEFERRED INCOME TAX (CONTINUED)

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

Deferred tax liabilities:

	Investment properties revaluation *RMB'000*	Tax depreciation allowances *RMB'000*	Total *RMB'000*
At 1 January 2017	(1,273,636)	(573,654)	(1,847,290)
Credited in the income statement	(36,998)	(46,119)	(83,117)
At 31 December 2017	(1,310,634)	(619,773)	(1,930,407)
Credited in the income statement	(28,049)	(45,610)	(73,659)
At 31 December 2018	**(1,338,683)**	**(665,383)**	**(2,004,066)**

Deferred tax assets:

	Provisions *RMB'000*	Deductible loss *RMB'000*	Accrued expense and others *RMB'000*	Total *RMB'000*
At 1 January 2017	3,769	53,304	257,940	315,013
Recognized in the income statement	1,858	42,700	261,865	306,423
At 31 December 2017	5,627	96,004	519,805	621,436
Recognized/(credited) in the income statement	27,726	(28,819)	244,297	243,204
At 31 December 2018	**33,353**	**67,185**	**764,102**	**864,640**

(a) Deferred income tax assets are recognized for tax losses carry forwards to the extent that realization of the related tax benefit through the future taxable profits is probable. The Group did not recognized deferred tax assets of RMB41,290,500 (2017: RMB14,440,750) in respect of losses amounting to RMB165,162,000 (2017: RMB57,763,000) that can be carried forward against future taxable income, these tax losses will expire in the period from 2019 to 2023 as follows:

Year ended 31 December					
2019 *RMB'000*	**2020** *RMB'000*	**2021** *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*	**Total** *RMB'000*
14,860	10,079	11,659	17,810	110,754	165,162

Notes to the Consolidated Financial Statement (Continued)

25. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses and administrative expenses are analyzed as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Depreciation *(Note 8)*	**129,349**	126,172
Amortization *(Note 6)*	**8,652**	8,652
Provision of impairment for receivables	**–**	32
Provision of impairment for properties *(Note 13,14)*	**236,327**	6,998
Employee benefit expense *(Note 28)*	**880,274**	988,932
Advertising costs	**136,258**	127,094
Cost of properties sold	**10,761,891**	9,195,802
– Land use rights	**3,917,790**	3,730,290
– Finance cost capitalized in cost of properties	**885,950**	911,165
– Development costs	**5,958,151**	4,554,347
Cost of consumables used	**208,399**	202,948
Taxation, other than income tax expenses	**445,240**	565,936
Office and consumable expenses	**233,072**	147,723
Management fee	**93,622**	80,600
Energy and utilities expenses	**134,397**	116,703
Consulting and service expenses	**224,804**	212,601
Repair and maintenance expenses	**108,318**	88,478
Operating leases	**51,221**	37,731
Auditor's remuneration	**7,240**	7,240
Others	**97,827**	87,017
Total cost of sales, selling and marketing expenses and administrative expenses	**13,756,891**	12,000,659

26. OTHER INCOME

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Dividend income on available-for-sale financial assets	**–**	17,176
Interest on financial assets	**73,970**	–
	73,970	17,176

Notes to the Consolidated Financial Statement (Continued)

27. OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment and investment properties	**(4,447)**	(370)
Donation	**(950)**	(11,270)
Government grants	**7,602**	12,024
Overdue payment	**(508)**	(46,246)
Penalty and compensation income	**12,586**	1,991
Penalty and compensation expense	**(14,478)**	(279)
Others	**2,809**	1,017
	2,614	(43,133)

28. EMPLOYEE BENEFIT EXPENSE

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Wages and salaries	**764,066**	713,782
Social security costs	**169,178**	148,569
Retirement benefit costs – defined contribution plans *(a)*	**99,206**	86,967
Termination benefit	**–**	173,453
	1,032,450	1,122,771
Less: capitalized in properties under development	**(152,176)**	(133,839)
	880,274	988,932

Notes to the Consolidated Financial Statement (Continued)

28. EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(a) Retirement benefit costs – defined contribution plans

The employees of the subsidiaries of the Group participate in various retirement benefit plans established by different Municipal Labor and Social Insurance Bureaus within the PRC. Under which the Group was required to make monthly defined contributions to these plans at 20% of the employees' basic salary for the year ended 31 December 2018 and 2017.

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

There were nil forfeited contributions during the year or available at 31 December 2018 (2017: Nil) to reduce future contributions.

Contribution totaling RMB9,305,000 (2017: RMB8,992,000) were payable to the funds at the year end.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2017: two) directors whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining four (2017: three) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Basic salaries and other allowances	**4,471**	2,748
Employer's contribution to retirement benefit scheme	**250**	137
	4,721	2,885

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2018	2017
Emolument bands		
RMB nil – RMB877,700 (equivalent to HK$ Nil – HK$1,000,000)	**1**	1
Over RMB877,700 – RMB1,316,550 (equivalent to HK$1,000,000 – HK$1,500,000)	**4**	2

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

Notes to the Consolidated Financial Statement (Continued)

29. FINANCE INCOME AND EXPENSES

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Interest expense:		
– bank and other borrowings	**(1,885,623)**	(1,602,009)
– bonds and medium term notes	**(255,364)**	(218,807)
	(2,140,987)	(1,820,816)
Less: amounts capitalized in properties under development at a capitalization rate of 5.85% (2017: of 5.76%) per annum	**1,483,422**	1,230,509
Finance expenses	**(657,565)**	(590,307)
Bank charges and others	**(7,785)**	(4,597)
Finance income – Interest income	**124,612**	103,729
Net finance expenses	**(540,738)**	(491,175)

30. INCOME TAX EXPENSES

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25% (2017: 25%).

The Company and certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Current income tax		
– PRC enterprise income tax	**1,075,983**	801,303
– PRC land appreciation tax	**725,866**	819,982
Deferred income tax *(Note 24)*	**(195,146)**	(223,306)
	1,606,703	1,397,979
Attributable to:		
Profit from continuing operations	**1,606,703**	1,402,372
Loss from discontinued operation *(Note 37)*	**–**	(4,393)

Notes to the Consolidated Financial Statement (Continued)

30. INCOME TAX EXPENSES (CONTINUED)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the local statutory tax rate of the home country of the Company as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit from continuing operations before income tax expense	**3,860,018**	2,979,513
Loss from discontinued operation before income tax expense *(Note 37)*	**(39,196)**	(21,575)
	3,820,822	2,957,938
Add: share of net profit of investments accounted for using the equity method	**(115,535)**	(46,087)
	3,705,287	2,911,851
Tax calculated at the statutory tax rate of 25% (2017: 25%)	**926,322**	727,963
Expenses not deductible for tax purposes	**71,919**	50,576
Tax losses not recognized	**27,689**	4,453
Unrecognized temporary differences	**36,373**	–
Effect of higher tax rate for the appreciation of land in the PRC	**544,400**	614,987
Income tax expenses	**1,606,703**	1,397,979

31. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Company by the number of shares in issue during the year.

Diluted earnings per share are equal to the basic earnings per share since the Company has no potential dilutive ordinary shares during the years ended 31 December 2018 and 2017.

	Year ended 31 December	
	2018	2017
Profit attributable to ordinary shareholders of the Company *(RMB'000)*	**1,403,430**	1,389,761
Number of ordinary shares in issue *(thousands)*	**3,367,020**	3,367,020
Earnings per share (basic and diluted) *(RMB cents per share)*	**41.68**	41.28
From continuing operations	**42.84**	41.79
From discontinued operations	**(1.16)**	(0.51)

Notes to the Consolidated Financial Statement (Continued)

32. DIVIDENDS

The dividends paid in 2018 are RMB370,372,000 (2017: RMB202,021,000). Proposed dividends of 2018 and 2017 were as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interim dividend paid	**–**	–
2018 proposed RMB0.12 per share final dividend (2017: RMB0.11 per share)	**404,042**	370,372
	404,042	370,372

33. CASH GENERATED FROM/(USED IN) OPERATIONS

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit before income tax	**3,820,822**	2,957,938
Adjustments for:		
– Loss allowance for receivables *(Note 12)*	**19,893**	32
– Impairment for inventories *(Note 13)*	**236,327**	11,548
– Depreciation *(Note 8)*	**129,349**	126,172
– Amortization *(Note 6)*	**8,652**	8,652
– Fair value gain on investment properties *(Note 7)*	**(112,196)**	(147,993)
– Loss on disposal of property, plant and equipment *(a)*	**6,559**	370
– Other income	**(73,970)**	(17,176)
– Interest income	**(124,844)**	(104,141)
– Interest expense	**658,605**	590,307
– Share of net profit from investments accounted for using the equity method	**(115,535)**	(46,087)
Operating profit before working capital changes	**4,453,662**	3,379,622
Changes in working capital:		
– Increase in restricted bank deposits	**(857,112)**	(492,201)
– Decrease in other inventories	**543**	9,382
– Increase in properties under development and completed properties held for sale, net	**(7,201,682)**	(10,178,039)
– (Increase)/decrease in trade and other receivables	**(145,764)**	947,280
– Increase in trade and other payables	**8,458,205**	6,257,151
Cash generated from/(used in) operations	**4,707,852**	(76,805)

Notes to the Consolidated Financial Statement

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

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

	Year ended 31 December 2018 *RMB'000*	2017 *RMB'000*
Net book amount	**8,645**	9,643
Loss on disposal of property, plant and equipment and investment properties	**(6,559)**	(370)
Proceeds from disposal of property, plant and equipment and investment properties	**2,086**	9,273

(b) Liabilities from financing activities reconciliation

This section sets out an analysis of liabilities from financing activities and the movements for each of the periods presented.

	Liabilities from financing activities						
	Borrowing due within 1 year *RMB'000*	Borrowing due after 1 year *RMB'000*	Amounts due to non-controlling interests *RMB'000*	Amounts due to BNSIGC *RMB'000*	CMBS *RMB'000*	Amounts due to other related parties *RMB'000*	Total *RMB'000*
At 31 December 2017	(6,007,581)	(25,889,695)	(1,209,494)	(700,000)	–	(408,346)	(34,215,116)
Cash flows	(2,481,675)	6,127,888	(3,285,564)	700,000	(1,000,000)	(199,241)	(138,592)
Amortization of the bonds	(2,362)	(7,137)	–	–	–	–	(9,499)
Dividends *(Note 38 (vi))*	–	–	–	–	–	54,000	54,000
At 31 December 2018	**(8,491,618)**	**(19,768,944)**	**(4,495,058)**	**–**	**(1,000,000)**	**(553,587)**	**(34,309,207)**

34. FINANCIAL GUARANTEES

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The outstanding guarantees amounted to RMB19,118,450,000 as at 31 December 2018 (2017: RMB11,461,988,000).

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

Notes to the Consolidated Financial Statement (Continued)

35. COMMITMENTS

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Properties under development		
– Contracted but not provided for	**8,526,083**	7,859,536
– Authorized but not contracted for	**14,099,937**	19,876,739
	22,626,020	27,736,275

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
As leasor:		
Rental receivables in respect of investment properties		
Not later than one year	**970,951**	705,739
Later than one year and not later than five years	**1,174,457**	519,264
Later than five years	**784,518**	888,603
	2,929,926	2,113,606
As leasee:		
Rental payables in respect of land use rights and buildings		
Not later than one year	**23,048**	21,726
Later than one year and not later than five years	**69,153**	64,754
Later than five years	**185,808**	211,045
	278,009	297,525

Notes to the Consolidated Financial Statement (Continued)

36. TERMINATION BENEFITS

	2018		
	Current	**Non-current**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Termination benefits	**8,059**	**137,127**	**145,186**

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

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Present value of unfunded obligations	**145,186**	148,403

The significant actuarial assumptions were as follows:

	2018	2017
	Beijing	Beijing
Discount rate	**3.00%–3.75%**	3.75%-4.25%
Salary growth rate	**10.00%**	10.00%

Notes to the Consolidated Financial Statement (Continued)

36. TERMINATION BENEFITS (CONTINUED)

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

		Impact on defined benefit obligation	
	Change in assumption 2018	**Increase in assumption 2018**	**Decrease in assumption 2018**
Discount rate	**1.00%**	**Decrease by 13.01%**	**Increase by 17.43%**
Salary growth rate	**1.00%**	**Increase by 1.35%**	**Decrease by 1.29%**

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

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

Notes to the Consolidated Financial Statement (Continued)

37. DISCONTINUED OPERATIONS

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

The financial performance and cash flow information presented are for the year ended 31 December 2018 and 2017.

	2018	2017
	RMB'000	*RMB'000*
Revenue	**4,373**	153,290
Expenses	**(43,569)**	(174,865)
Loss before income tax	**(39,196)**	(21,575)
Income tax expense	**–**	4,393
Loss after income tax of discontinued operation	**(39,196)**	(17,182)
Loss from discontinued operation	**(39,196)**	(17,182)
Net cash (outflow)/inflow from operating activities	**(110,716)**	39,092
Net cash inflow from investing activities	**211**	6
Net cash inflow from financing activities	**–**	–
Net (decrease)/increase in cash generated by the discontinued operation	**(110,505)**	39,098

38. RELATED PARTY TRANSACTIONS

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

BNSIGC itself is a state-owned enterprise controlled by the PRC government. For the year 2018 and 2017, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government mainly include most of its bank borrowings and part of purchases of goods and services. The price and other terms of such transactions are settled in the fair value.

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

Notes to the Consolidated Financial Statement (Continued)

38. RELATED PARTY TRANSACTIONS (CONTINUED)

In year 2018, CIFI Holdings (Group) Co. Ltd ("CIFI") have significant influence over the Group and is deemed as the related party of the Group. Nanjing Ningkang Investment Management Co., Ltd ("NJNK"), Hefei Xuhui Business Management Co., Ltd ("HFXH"), Xu Zhao (HK) Co. ("XZHK"), and Shanghai Xinzhi Construction Engineering Co., Ltd. ("SHXZ") are the subsidiaries of CIFI.

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

(i) Purchases/Provide of services

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
BNSIGC (operating lease payment in respect of land)	**16,089**	15,835
BNSIGC (office lease acceptance)	**900**	900
BNSIGC (office lease receipt)	**14**	–
BNSIGC (brand royalty fee)	**10**	10
NJNK (project management consulting fee)	**–**	55,703
HFXH (project management consulting fee)	**–**	73,014
XZHK (project management consulting fee)	**–**	82,553
SHXZ (project management consulting fee)	**178,622**	218,108
	195,635	446,123

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

(ii) Shareholder loan from BNSIGC

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**700,000**	700,000
Proceeds from loans	**3,000,000**	–
Repayments of loans	**(3,700,000)**	–
Interest accrued	**30,800**	33,804
Interest paid	**(30,800)**	(33,804)
At 31 December	**–**	700,000

As at 20 December 2016, the Company obtained the loan amounted to RMB700,000,000 from BNSIGC, which is unsecured, with an benchmark interest rate in same period and at same level, and the loan has been repaid in 2018.

As at 8 November 2018, the Company obtained the loan amounted to RMB3,000,000,000 from BNSIGC, which is unsecured, with an benchmark interest rate in same period and at same level, and the loan has been repaid in 2018.

Notes to the Consolidated Financial Statement (Continued)

38. RELATED-PARTY TRANSACTIONS (CONTINUED)

(iii) Project cooperation funds to associate and joint venture

The Group has provided project cooperation funds to its joint venture WXSY, and its associate WXCW.

	WXSY*(a)*	**WXCW*(b)***	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2018			
At 1 January	**728,262**	**746,102**	**1,474,364**
Project cooperation funds granted	**120,000**	**–**	**120,000**
Repayments of project cooperation funds	**(772,000)**	**(637,000)**	**(1,409,000)**
Interest income accrued	**40,125**	**38,285**	**78,410**
Interest income received	**(41,506)**	**(39,842)**	**(81,348)**
At 31 December	**74,881**	**107,545**	**182,426**
Year ended 31 December 2017			
At 1 January/Establishment date	–	–	–
Project cooperation funds granted	726,507	744,282	1,470,789
Interest income accrued	32,018	37,198	69,216
Interest income received	(30,263)	(35,378)	(65,641)
At 31 December	728,262	746,102	1,474,364

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

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

(iv) Funds to related parties

	XZHK	**SHXZ**	**NJNK**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	1,265,000	–	294,000	1,559,000
Funds granted	150,000	39,570	196,000	346,000
Repayment of funds	(400,000)	(39,570)	(156,800)	(556,800)
At 31 December	1,015,000	–	333,200	1,348,200

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

Notes to the Consolidated Financial Statement (Continued)

38. RELATED-PARTY TRANSACTIONS (CONTINUED)

(v) Funds from related parties

The Group has received funds from its joint ventures, WHML, HZJH, HZCX, and its associate, HZXF.

	WHML *RMB'000*	HZJH *RMB'000*	HZXF *RMB'000*	HZCX *RMB'000*	Total *RMB'000*
At 1 January	122,000	–	17,958	268,388	408,346
Funds granted	–	312,500	59,500	–	372,000
Repayment of funds	(54,000)	–	(572)	(172,187)	(226,759)
At 31 December	68,000	312,500	76,886	96,201	553,587

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

(vi) A dividend that relates to the Group's joint venture WHML amounted to RMB120,000,000 was approved at the shareholders' meeting in May 2018, among which amounted to RMB54,000,000 belongs to the Group. As at 24 July 2018, agreed by the Company, NSREG and WHML, the dividend was offset against the Company's amounts due to WHML.

A dividend that relates to the Group's joint venture HZCX amounted to RMB285,963,000 was approved at the shareholders' meeting in September 2018, among which amounted to RMB100,087,000 belongs to the Group. As at 29 December 2018, The Group has received the dividend.

Notes to the Consolidated Financial Statement (Continued)

38. RELATED-PARTY TRANSACTIONS (CONTINUED)

(vii) Balances arising from purchases of services, investment and funds

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade and other receivables from related parties		
XZHK	**1,015,000**	1,265,000
HFXH	**25,000**	25,000
NJNK	**333,200**	294,000
WXCW	**107,544**	746,102
WXSY	**74,880**	728,262
	1,555,624	3,058,364
Trade and other payables to related parties		
WHML	**68,000**	122,000
HZXF	**76,886**	17,958
HZJH	**312,500**	–
HZCX	**96,201**	268,388
NJNK	**31,787**	48,308
HFXH	**–**	49,744
SHXZ	**65,785**	215,767
XZHK	**35,216**	82,553
BNSIGC	**–**	700,000
	686,375	1,504,718

Notes to the Consolidated Financial Statement (Continued)

38. RELATED-PARTY TRANSACTIONS (CONTINUED)

(viii) Key management compensation

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**16,524**	14,849
Post-employment benefit	**1,585**	1,423
	18,109	16,272

(ix) Accept financial guarantee

Pursuant to an agreement signed by BNSIGC, as at 31 December 2018, BNSIGC provides joint liability counter-guarantee for the loans from Beijing Rural Commercial Bank amounting to RMB1,460,000,000 (31 December 2017: RMB1,420,000,000).

Pursuant to an agreement signed by BNSIGC, as at 31 December 2018, BNSIGC provides joint liability counter-guarantee for the loans from Beijing International Trust Company Limited amounting to RMB1,000,000,000 (31 December 2017: Nil).

Pursuant to an agreement signed by BNSIGC, as at 31 December 2018, BNSIGC provides joint liability counter-guarantee for the loans form ICBC amounting to RMB2,305,555,554 (31 December 2017: 2,416,666,666).

(x) Provide financial guarantee

Pursuant to an agreement signed by the Company, as at 31 December 2018, the Company provides joint liability counter-guarantee for the loans of WXSY acquired from Agricultural Bank of China amounting to RMB544,714,000 (31 December 2017: Nil).

Notes to the Consolidated Financial Statement (Continued)

39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Investment properties		**12,756,300**	12,665,600
Property, plant and equipment		**1,157,914**	1,215,936
Investments in subsidiaries		**2,849,803**	2,769,253
Investments accounted for using the equity method		**–**	–
Deferred income tax assets		**197,240**	214,075
Trade and other receivables		**11,389,652**	11,154,722
		28,350,909	28,019,586
Current assets			
Loans to subsidiaries		**9,538,209**	12,735,166
Properties under development		**1,405,966**	–
Completed properties held for sale		**1,375,902**	1,580,469
Other inventories		**42,472**	45,526
Trade and other receivables		**2,612,154**	338,191
Restricted bank deposits		**9,839**	9,815
Cash and cash equivalents		**6,167,841**	6,487,100
		21,152,383	21,196,267
Total assets		**49,503,292**	49,215,853
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**3,367,020**	3,367,020
Other reserves		**4,561,253**	4,492,314
Retained earnings		**8,482,902**	8,002,226
Equity attributable to ordinary shareholders of the Company		**16,411,175**	15,861,560
Perpetual bond		**1,613,451**	–
Total equity		**18,024,626**	15,861,560

Notes to the Consolidated Financial Statement (Continued)

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

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Long term borrowings		**15,560,574**	16,506,325
Other long-term payable		**137,127**	139,237
Deferred income tax liabilities		**1,930,841**	1,863,153
		17,628,542	18,508,715
Current liabilities			
Trade and other payables		**9,144,236**	8,669,548
Contract liabilities		**391,160**	–
Current income tax liabilities		**658,110**	612,049
Current portion of long term borrowings		**2,556,618**	4,863,981
Short term borrowings		**1,100,000**	700,000
		13,850,124	14,845,578
Total liabilities		**31,478,666**	33,354,293
Total equity and liabilities		**49,503,292**	49,215,853

The balance sheet of the Company was approved by the Board of Directors on 20 March 2019 and was signed on its behalf.

He Jiang Chuan
Director

Li Wei Dong
Director

Notes to the Consolidated Financial Statement (Continued)

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

Note (a) Reserve movement of the Company

	Retained earnings *RMB'000*	Other reserves *RMB'000*
At 1 January 2017	7,344,959	4,424,128
Profit for the year	927,474	–
Dividends relating to 2016	(202,021)	–
Transfer from retained earnings	(68,186)	68,186
Partial disposal of a subsidiary with lost of control	–	–
At 31 December 2017	8,002,226	4,492,314
Adjustment on adoption of HKFRS15, net of tax	**14,688**	**1,632**
At 1 January 2018	**8,016,914**	**4,493,946**
Profit for the year	**907,511**	**–**
Dividends relating to 2017	**(370,372)**	**–**
Transfer from retained earnings	**(71,151)**	**71,151**
other comprehensive income	**–**	**(3,844)**
At 31 December 2018	**8,482,902**	**4,561,253**

40. BENEFITS AND INTERESTS OF DIRECTORS

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

For the year ended 31 December 2018:

Name of Director	Fees *RMB'000*	Salary *RMB'000*	Employer's contribution to retirement benefit scheme *RMB'000*	Housing allowance *RMB'000*	Total *RMB'000*
Mr. He Jiang Chuan	**–**	**830**	**75**	**35**	**940**
Mr. Li Wei Dong	**–**	**665**	**75**	**35**	**775**
Ms. Li Yun	**–**	**575**	**75**	**35**	**685**
Mr. Chen De Qi	**–**	**555**	**75**	**35**	**665**
Ms. Zhang Wen Lei	**–**	**671**	**75**	**35**	**781**
Mr. Guo Chuan	**–**	**517**	**75**	**35**	**627**
Mr. Liu Huan Bo	**–**	**148**	**–**	**–**	**148**
Mr. Fu Yiu Man	**86**	**–**	**–**	**–**	**86**
Mr. Wu Ge	**86**	**–**	**–**	**–**	**86**
Mr. Dong An Sheng	**86**	**–**	**–**	**–**	**86**
	258	**3,961**	**450**	**210**	**4,879**

Notes to the Consolidated Financial Statement (Continued)

40. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

For the year ended 31 December 2017:

Name of Director	Fees	Salary	Employer's contribution to retirement benefit scheme	Housing allowance	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. He Jiang Chuan	–	853	68	32	953
Mr. Liu Huan Bo	–	746	68	32	846
Mr. Li Wei Dong	–	522	68	32	622
Ms. Zhao Hui Zhi	–	67	–	–	67
Mr. Liu Jian Ping	–	29	–	–	29
Mr. Li Chang Li	–	8	–	–	8
Mr. Fu Yiu Man	86	–	–	–	86
Mr. Wu Ge	86	–	–	–	86
Mr. Dong An Sheng	86	–	–	–	86
	258	2,225	204	96	2,783

41. EVENTS AFTER THE BALANCE SHEET DATE

On 20 March 2019, the Board has resolved to recommend the payment of a dividend of RMB0.12 per share for the year ended 31 December 2018 (2017: RMB0.11 per share).

Supplementary Information

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2018 in accordance with the Basic Standard and 38 specific Standard of the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter ("CAS"). The differences between the financial statements prepared under CAS and HKFRS are summarized as follows:

	Profit attributable to owners of the Company for the year ended 31 December		Equity attributable to owners of the Company as at 31 December	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As stated in accordance with CAS	**1,189,511**	1,140,410	**15,217,462**	12,598,972
Impact of HKFRS adjustments:				
1. Reversal of depreciation of investment properties under CAS	**136,831**	138,356	**1,666,840**	1,530,009
2. Fair value adjustment of investment properties under HKFRS	**84,147**	110,995	**4,345,361**	4,261,214
As stated in accordance with HKFRS	**1,410,489**	1,389,761	**21,229,663**	18,390,195

Directors' Proposal on the Appropriation of Profit for the Year of 2018

In accordance with the pertinent regulations and based on the actual situation of the Company, the Board of Beijing North Star Company Limited, at a meeting held on 20 March 2019, proposed that the appropriation of profit of the Company for the year of 2018 be as follows:

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

II. A final dividend of RMB0.12 per share in cash (Note) is proposed to be paid to the shareholders whose names appear on the register of shareholders after the close of business at 4:30 p.m. on Tuesday, 11 June 2019. If the proposal is approved by the shareholders at the 2018 annual general meeting, the final dividend is expected to be paid on or before Friday, 26 July 2019. Further announcement will be made as to the exact form of payment.

III. This proposal is subject to the approval by the shareholders at the 2018 annual general meeting.

Beijing North Star Company Limited

Note:

According to the Law on Corporate Income Tax of the People's Republic of China and the relevant implementing rules which came into effect on 1 January 2008, the Company is obliged to withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders as appearing on the H share register of shareholders of the Company. Any shares registered in the name of the non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other organizations and groups will be treated as being held by non-resident enterprise shareholders and therefore their dividends entitled will be subject to the withholding of the corporate income tax.

Corporate Information

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

COMPANY INFORMATION ENQUIRY

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

Corporate Information (Continued)

REGISTRATION

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

AUDITORS

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

Corporate Information (Continued)

LEGAL ADVISERS

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