北辰实业
BEIJING NORTH STAR

HKEx Stock Code: 0588
SSE Stock Code: 601588

2019 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 15 hot regions including Northern China, Central China, Eastern China and Southwest China, and there are 45 projects in the pipeline, 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 34 exhibition and hotel projects, and the total area of the venues of the exhibition under entrusted management is 3.255 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 31 December	**2019**	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**20,122,314**	17,859,790	15,303,224	9,642,510	7,185,973
Profit before income tax	**4,681,368**	3,860,018	2,979,513	1,448,024	1,345,150
Income tax expenses	**2,579,488**	1,606,703	1,402,372	703,864	561,098
Profit for the year	**2,095,459**	2,214,119	1,559,959	730,830	784,052
Attributable to:					
Ordinary shareholders of the Company	**1,788,709**	1,403,430	1,389,761	806,811	760,687
Investors of perpetual bonds	**116,859**	7,059	–	–	–
Non-controlling interests	**189,891**	803,630	170,198	(75,981)	23,365

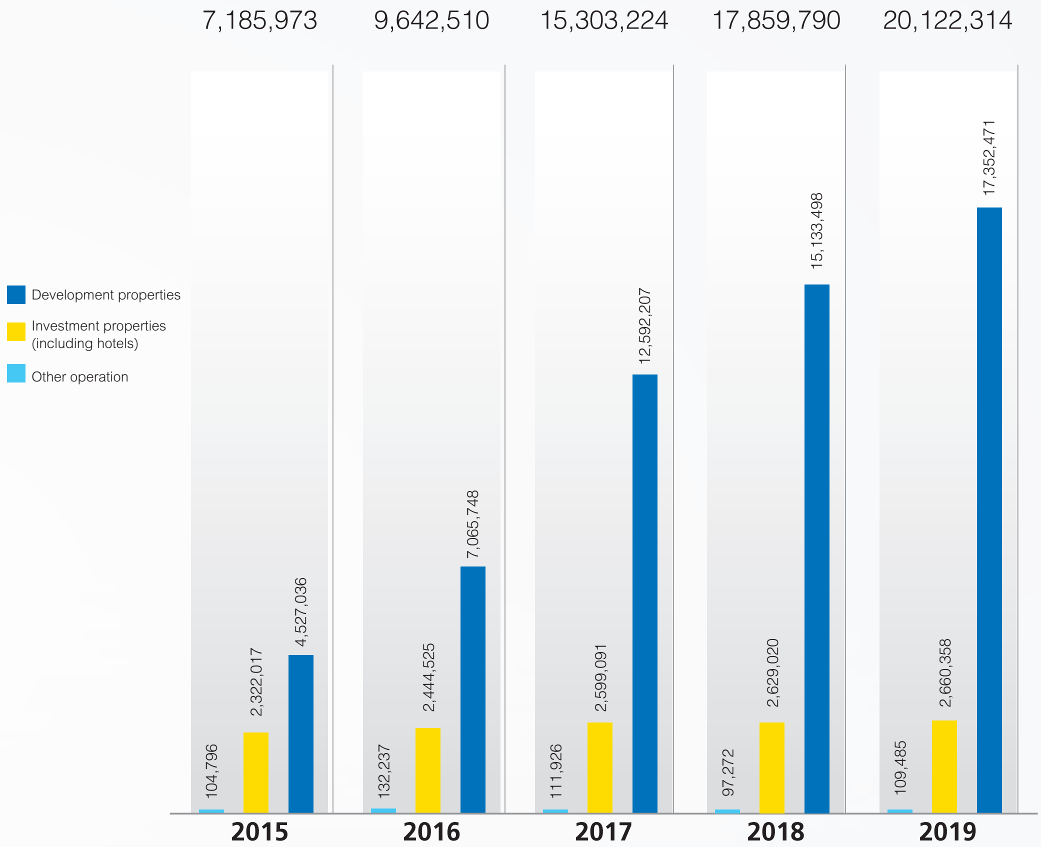
ASSETS AND LIABILITIES

As at 31 December	**2019**	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**102,438,791**	99,910,665	87,701,646	71,730,452	54,527,322
Total liabilities	**75,900,502**	77,054,480	68,548,411	53,939,155	37,322,788
Total equity	**26,538,289**	22,856,185	19,153,235	17,791,297	17,204,534

Financial Highlights (Continued)

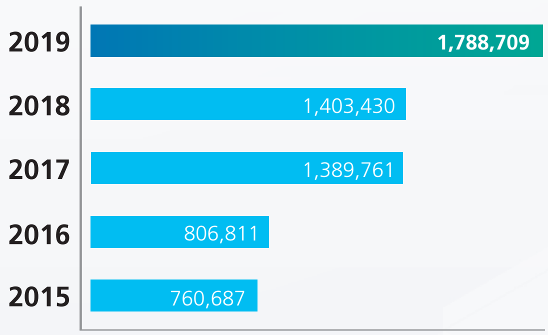
REVENUE BY BUSINESS

RMB'000



PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

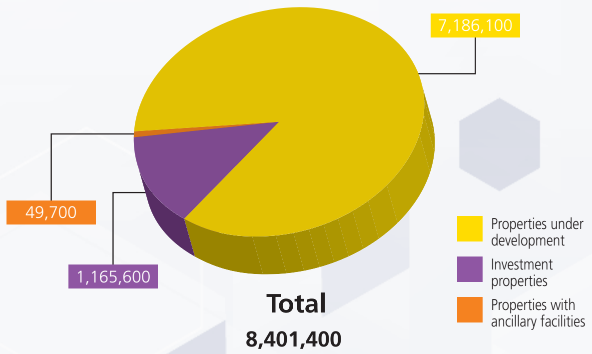
RMB'000



GROSS AREA OF PROPERTY PORTFOLIO

m^2

For the year ended 31 December 2019



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 2019.

As of 31 December 2019, according to the Hong Kong Financial Reporting Standards ("HKFRS"), during the Reporting Period, as driven by the increase in the settlement area of the Company's development properties, the Company recorded an operating revenue of RMB 20,122,314,000, representing a year-on-year increase of 12.67%. Profit before tax amounted to RMB 4,681,368,000, representing a year-on-year increase of 21.28%. Profit attributable to Ordinary Shareholders amounted to RMB 1,788,709,000, representing a year-on-year increase of 27.45%. 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 RMB 1,674,967,000, representing a year-on-year increase of 26.96%. Gains (after tax) arising from the changes in fair value of investment properties were RMB 113,742,000 in the period. Earnings per share were RMB 0.53.

In retrospect of 2019, amid the continuous slowing down of the global economy and the marked escalation of risks and challenges at home and abroad, the Chinese government adhered to seeking progress while maintaining a stable performance to promote high-quality growth, thus the national economy maintaining within a reasonable range as a whole. Confronting the complicated international and domestic economic environments, the Company insisted on the three major strategies of low-cost expansion, brand expansion and capital expansion as its guideline and struggled ahead against difficulties, achieving a steady growth of operating revenue and another good performance in profit during the Reporting Period. In respect of development properties, the Company intensifies its efforts on strategic layout and improves the operation and management level in all rounds by insisting on the quick turnover principle under the guideline of "large-scale operation". In term of investment properties, the Company has insisted on the development strategy of synergistic progress in asset-heavy investment business and asset-light service business to constantly accelerate its extension into convention and exhibition industrial chain, thereby enhancing the brand influence of the convention and exhibition of North Star on an ongoing basis.

Chairman's Report (Continued)

Looking into 2020, in spite of the impact of the sudden Novel Coronavirus Pneumonia Epidemic at the beginning of the year on all sectors to some extent in the short term, the Chinese government will insist on the new development philosophy to promote continuous sound development of the economy and society, with the supply-side structural reform as the main line and the reform and opening up as the driving force, maintaining a long-term sound development of the country's economy unchanged. Under the circumstance of opportunities and challenges coexisting, the Company will orient itself towards "operation with light asset, support by new economy, expansion at low cost and development of high-end service industry", to propel high quality development of principal business of the Company. In particular, in terms of development properties, a solid foundation as well as focus on essence will be required to seek progress while maintaining a stable growth. Firstly, the mechanism construction should be optimized so as to promote development, construction and sales of existing projects. On the other hand, land reserves should be expanded in a sound, prudent and précised way. In terms of investment properties, the Company will capture chances and move forward under the circumstance. The Company will make great efforts on asset-light service business with incessant innovation while continuously refining and strengthening asset-heavy investment business. Furthermore, by taking advantage of comprehensive operation of the Company, multiple resources of all industries should be actively integrated and emerging opportunities from the integration of various industries should be exploited profoundly, to further enhance the core competitiveness 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 building the nation's top-notch brand enterprise of comprehensive real estate and the most influential brand enterprise of convention and exhibition in China, 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, the supervisory committee and the management 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. REVIEW OF THE OPERATING ENVIRONMENT DURING THE REPORTING PERIOD

In 2019, in the face of the intricate and complicated economic environment in mainland China and abroad, the PRC government adhered to making progress while maintaining stability, pushed for high-quality development, and solidly completed the "stability" work in six aspects; key progress was made in the three critical battles, and important steps were taken in reform and opening up. The supply-side structural reform has been deepened continuously, and a new significant progress was made in building a moderately prosperous society in an all-round way. The annual GDP growth rate reached 6.1%, with sustained and healthy economic and social development.

1. Development Properties

In 2019, the central government adhered to the positioning of "housing properties for accommodation, not speculation", implemented a long-term real estate management mechanism, and did not use real estate as a means to stimulate the economy in the short term; the local government further deepened the city-specific policies and category-based control and maintained the stability of the real estate market. In general, the transaction scale and the average transaction price of commodity housing increased slightly for the whole year, the real estate market across the country ran smoothly on the whole. In addition, for the land market for the whole year, the scale of residential land transactions increased slightly, the average floor price of transactions remained at a high level, and the average premium rate was basically the same as last year. 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 2019 was 1,501,440,000 square meters, representing an increase of 1.5% over the corresponding period last year, and the average sales price of commodity housing was RMB 9,287 per square meter, representing an increase of 8.7% over the corresponding period last year.

Among the first-tier cities, the commodity housing market in Beijing increased both in volume and price year on year, and the products with a rigid demand became the main force in the market, but the overall supply exceeded demand, and the inventory and clearing cycle rebounded; the transaction volume in Beijing residential land market was steady with a slight rise, the average floor price decreased slightly, and the premium rate fell slightly. The transaction volume of the commodity housing market in Guangzhou decreased slightly compared with the last year. The transaction volume of commodity housing in second-tier cities remained flat as compared with that of the previous year on the whole, and the differentiation in cities was becoming obvious. The average transaction price of commodity housing in third-tier cities increased slightly, and the increase continued to decline, with a significant year-on-year decrease in the scale of transactions.

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	Increase compared with the same period last year	Sales Amount	Increase compared with the same period last year	Average transaction price	Increase compared with the same period last year
	(0'000 square meters)	*(%)*	*(RMB100 million)*	*(%)*	*(RMB/ square meter)*	*(%)*
Beijing	790.6	50.1	3,033.1	53.9	38,366	2.5
Changsha	2,005.8	1.6	1,650.2	7.3	8,227	5.5
Wuhan	2,981.8	-7.7	4,125.1	0.7	13,834	9.1
Hangzhou	1,284.3	-3.4	3,406.1	5.2	26,522	8.9
Suzhou	1,983.6	10.9	3,492.0	20.4	17,605	8.6
Ningbo	1,438.9	10.8	2,295.9	9.1	15,956	-1.5
Nanjing	1,137.2	15.7	2,209.4	14.1	19,428	-1.4
Hefei	1,155.7	4.7	1,628.0	12.9	14,086	7.8
Chengdu	2,564.9	-3.6	3,008.4	15.6	11,729	19.9
Chongqing	5,149.1	-5.1	4,457.8	0.3	8,657	5.7
Langfang	661.3	-15.4	729.5	-11.2	11,032	5.0
Wuxi	1,239.6	-0.5	1,776.2	22.0	14,329	22.6
Haikou	373.5	12.7	581.2	38.7	15,562	23.1
Guangzhou	1,106.6	-2.8	2,657.5	8.2	24,015	11.3
Meishan	544.3	32.7	456.6	29.3	8,389	-2.5

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 Beijing strove to implement its strategic positioning as the 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, China's convention and exhibition industry has become increasingly specialized, market-oriented and internationalized in recent years 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. In the office building market in Beijing in 2019, the additional supply remained high, and the overall rental level fell slightly. Beijing's high-end hotels market has seen a decrease in the number of accommodations. As for the apartments market, the supply and demand continued to move toward balance and the overall rent remained stable.

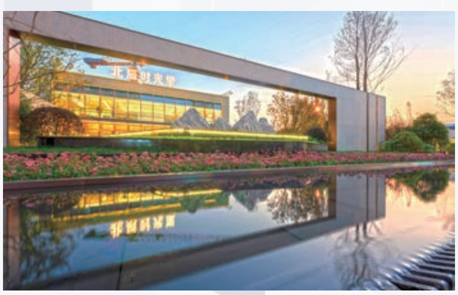
II. BUSINESS REVIEW DURING THE REPORTING PERIOD

In 2019, under the guidance of the strategy of brand expansion, low-cost expansion and capital expansion, the Company's development property business expanded actively; the investment property business operated healthily; the innovative business achieved solid progress. As a result, the assets scale and revenue level hit new heights. During the Reporting Period, due to the increase of the settlement area of the Company's development properties, the Company recorded an operating revenue of RMB 20,122,314,000, representing a year-on-year increase of 12.67%. The Company's profit before tax and profit attributable to ordinary shareholders amounted to RMB 4,681,368,000 and RMB 1,788,709,000, respectively. In particular, the after-tax operating results of the Company's principal activities (excluding gains arising from the changes in fair value) were RMB 1,674,967,000, representing a year-on-year increase of 26.96%. Gains (after tax) arising from the changes in fair value of investment properties were RMB 113,742,000 in the period. Earnings per share were RMB 0.53, up 27.45% over the same period last year.

1. Development Properties

In 2019, upon thorough research and judgment of the new trend and new challenges under the change of local policies, the Company put the accelerating turnover rate in the first place, adhered to the customer-centered value, accurately grasped the timing of sales, adopted the flexible push strategy, and the operating results maintained stable as a whole.

In 2019, as a result of the increase in settlement area, operating revenue from development properties reached RMB 17,352,471,000 (including parking spaces), representing a year-on-year increase of 14.66%, and the profit before tax was RMB 2,682,071,000, representing a year-on-year decrease of 0.59%. During the Reporting Period, the new and resumed construction area of development properties was 8,700,000 square meters; the completed area was 2,670,000 square meters; the contracted sales amount and the sales area achieved RMB 19 billion (including parking spaces) and 1,260,000 square meters, respectively.



Exterior scene of the sales center of North Star Optical Valley in Wuhan

Initiating the sales of Block C1 of Changsha North Star Delta

Management Discussion And Analysis (Continued)

Multiple measures to promote sales. Against the backdrop of relentless macro control endeavor of the real estate and slow growth of industrial sales scale, on the one hand, the Company conducted market research and operation deployment from the perspective of large-scale operation, seized the opportunity of demand release in some regions, and actively carried out targeted marketing strategies; on the other hand, in order to improve the competitiveness of its products, the Company closely focused on customers' sensitive points, and put forward a systematic solution for improving the quality of public areas according to the research and development idea of "all time, all region, all age, and all process", laying a solid foundation for the realization of "North Star characteristic standardization system". During the Reporting Period, contracted sales recorded from projects in Changsha, Wuhan, Ningbo, Chengdu and Chongqing amounted to RMB 3.457 billion, RMB 4.359 billion, RMB 2.008 billion, RMB 1.072 billion and RMB 1.075 billion, respectively.

Perspective sketch of North Star Xianglu in Chongqing

Aerial view sketch of Ningbo Beichenfu

Rational expansion of land reserve. The Company paid close attention to the market policy orientation, conducted in-depth research on early-stage expansion, accurately controlled the pace of investment, continuously strengthened the strategy and forward-looking strategic layout to develop in the hotspot areas in first-tier and second-tier core cities, focusing on hotspot areas such as Yangtze River Delta, Pearl River Delta and Greater Bay Area, and made its debut in Guangzhou, a key city covered by the Guangdong-Hong Kong-Macao Greater Bay Area during the Reporting Period, which is also an important step of the Company's national strategy. As at the end of the Reporting Period, the Company already established presence in 15 cities, namely Beijing, Changsha, Wuhan, Hangzhou, Chengdu, Nanjing, Suzhou, Hefei, Langfang, Chongqing, Ningbo, Wuxi, Haikou, Meishan and Guangzhou, with a total land reserve of 7,190,000 square meters, and possessed a total of 45 projects in the pipeline, under construction or for sale, with the planned total floor area of 19,430,000 square meters. Accordingly, the Company established a trans-regional layout covering North China, Central China, East China and the Southwest.

Continuously promoting system construction. In accordance with the three main principles of decision management, function management and business management, the Company enhanced the institutional system construction. Based on customer needs, the Company kept improving customers' satisfaction; it used public area module design, improved the standardization system; it also comprehensively promoted information coverage, and realized real-time monitoring of projects. The Company's overall scientific control capability continued to improve.

Management Discussion And Analysis (Continued)

Table 2: Real Estate Projects during the Reporting Period

Unit: RMB100 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 Xianglu	Haidian, Beijing	Residence	Completed	100%	28.59	–	142,400	312,100	230,000	–	–	–	312,100	–	–	312,100	11,548	4,575
2	Beijing North Star Red Oak Villa	Changping, Beijing	Villa	Under Construction	100%	34.00	1.36	287,500	213,700	150,000	–	–	–	213,700	69,500	29,300	173,500	36,340	209
3	Beijing Modern Beichen Yue MOMA	Shunyi, Beijing	Owner occupied commercial housing and housing of two limits	Under Construction	50%	23.47	0.03	52,800	132,500	109,300	54,700	–	–	132,500	1,400	–	131,100	4,902	–
4	Beijing North Star • Villa 1900	Shunyi, Beijing	Residence	Completed	100%	24.45	–	101,200	213,300	140,000	–	–	–	213,300	5,400	5,400	213,300	47,228	12,767
5	Beijing Jinchen Mansion	Changping, Beijing	Residence	Under Construction	51%	93.09	7.27	86,600	280,100	170,400	86,900	–	280,100	280,100	280,100	–	–	195,667	5,159
6	Changsha North Star Delta	Changsha, Hunan	Residence, commercial and office building	Under Construction	100%	330.00	23.56	780,000	5,200,000	3,820,000	–	751,000	–	4,449,000	939,000	399,800	3,909,800	315,475	198,434
7	Changsha North Star Central Park	Changsha, Hunan	Residence	Under Construction	51%	48.00	2.78	336,300	927,100	720,000	367,200	–	161,900	927,100	472,100	106,000	561,000	108,281	84,251
8	Changsha North Star Shiguangli	Changsha, Hunan	Residence and commercial	Under Construction	100%	13.07	3.25	27,700	145,400	107,900	–	–	145,400	145,400	145,400	–	–	49,861	3,262
9	Wuhan North Star Contemporary Best+	Wuhan, Hubei	Residence and commercial	Completed	45%	21.00	0.89	104,700	313,300	241,100	108,500	–	–	313,300	–	–	313,300	5,212	2,006
10	Wuhan North Star Guangguli	Wuhan, Hubei	Commercial Service	Under Construction	51%	33.94	2.91	84,200	492,000	337,000	171,900	134,800	–	357,200	357,200	–	–	70,251	18,769
11	Wuhan Blue City	Wuhan, Hubei	Residence and commercial	Under Construction	100%	86.63	17.14	358,000	980,100	716,000	–	234,700	121,500	745,400	745,400	237,500	237,500	222,893	176,207
12	Wuhan • North Star • Gemdale China Chic	Wuhan, Hubei	Residence	Under Construction	51%	22.83	2.31	41,800	178,900	127,000	64,900	–	–	178,900	178,900	–	–	110,840	72,060
13	Wuhan North Star Peacock Shoal	Wuhan, Hubei	Residence	Under Construction	60%	12.97	2.50	75,200	220,400	172,800	103,700	–	–	220,400	220,400	–	–	105,078	52,889
14	Wuhan Lot P067 Project	Wuhan, Hubei	Residence and commercial	Under Construction	100%	20.00	2.09	50,500	177,200	126,200	–	–	177,200	177,200	177,200	–	–	–	–
15	Wuhan Lot P068 Project	Wuhan, Hubei	Residence and commercial	Under Construction	100%	16.20	2.20	63,200	223,700	158,100	–	–	223,700	223,700	223,700	–	–	–	–
16	Wuhan North Star Jindiyang Time	Wuhan, Hubei	Residence and commercial	Under Construction	100%	18.72	10.77	50,500	212,100	151,400	–	–	212,100	212,100	212,100	–	–	30,101	26,419
17	Hangzhou North Star Shushan Project	Hangzhou, Zhejiang	Residence and commercial	Completed	80%	26.78	1.06	83,900	317,500	235,000	188,000	–	–	317,500	–	–	317,500	12,677	4,203
18	Hangzhou Honor Mansion Grand Lot	Hangzhou, Zhejiang	Residence and commercial	Completed	35%	14.85	0.12	41,900	108,400	75,000	26,300	–	–	108,400	–	–	108,400	–	–
19	Hangzhou Honor Mansion Small Lot	Hangzhou, Zhejiang	Residence and commercial	Completed	35%	4.90	0.12	13,400	32,600	23,000	8,100	–	–	32,600	–	–	32,600	–	–
20	Hangzhou Guosongfu	Hangzhou, Zhejiang	Residence	Completed	100%	16.06	1.39	21,900	69,900	48,200	–	–	–	69,900	69,900	69,900	69,900	5,127	4,410

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
21	Hangzhou Jinhu Art Villa of City	Hangzhou, Zhejiang	Residence and commercial	Completed	25%	5.50	0.78	57,400	209,700	144,000	36,000	-	-	209,700	209,700	209,700	209,700	1,366	1,255
22	Hangzhou Lingchao Mansion	Hangzhou, Zhejiang	Residence	Under Construction	100%	11.03	1.52	12,200	44,400	25,700	-	-	44,400	44,400	44,400	-	-	-	-
23	Ningbo Beichenfu	Ningbo, Zhejiang	Residence	Completed	100%	41.71	5.43	47,300	189,700	137,400	-	-	-	189,700	189,700	189,700	189,700	101,637	53,458
24	Ningbo Mansion • Jintian	Ningbo, Zhejiang	Residence and commercial	Completed	51%	59.50	4.52	133,000	404,800	292,500	149,200	-	-	404,800	404,800	404,800	404,800	12,280	9,569
25	Nanjing North Star CIFI Park Mansion • Jin Ling	Nanjing, Jiangsu	Residence	Completed	51%	29.76	1.02	25,300	105,000	70,700	36,100	-	-	105,000	-	-	105,000	157	157
26	Suzhou North Star CIFI No. 1 Courtyard	Suzhou, Jiangsu	Residence and commercial	Completed	50%	28.78	0.31	178,700	273,900	180,500	90,300	-	-	273,900	-	-	273,900	2,464	-
27	Suzhou Guanlan Mansion	Suzhou, Jiangsu	Residence and commercial	Under Construction	100%	58.82	5.31	170,000	392,900	268,800	-	-	-	392,900	392,900	-	-	107,912	33,170
28	Wuxi Tianyi Jiuzhu	Wuxi, Jiangsu	Residence	Under Construction	49%	28.60	1.82	88,000	254,600	196,000	96,000	-	-	254,600	254,600	125,000	125,000	101,020	100,486
29	Wuxi Times City	Wuxi, Jiangsu	Residence	Under Construction	40%	46.79	3.35	137,900	554,400	413,800	165,500	-	-	554,400	554,400	190,300	190,300	247,676	170,378
30	Chengdu North Star • Landsea Southern Gate Green Shire	Chengdu, Sichuan	Residence and commercial	Completed	40%	20.04	0.70	63,600	235,100	158,600	63,400	-	-	235,100	84,100	84,100	235,100	2,637	-1,168
31	Chengdu North Star • Xianglu	Chengdu, Sichuan	Residence and commercial	Completed	100%	14.71	1.82	40,400	148,300	96,900	-	-	-	148,300	148,300	148,300	148,300	21,168	19,063
32	Chengdu North Star • South Lake Xianglu	Chengdu, Sichuan	Residence	Under Construction	100%	29.16	3.60	88,000	299,100	210,000	-	-	-	299,100	299,100	149,400	149,400	18,280	5,435
33	Chengdu North Star Royal Palace	Chengdu, Sichuan	Residence and commercial	Under Construction	100%	15.26	2.27	26,600	120,000	79,800	-	-	-	120,000	120,000	-	-	79,532	11,914
34	Chengdu North Star Luming Mansion	Chengdu, Sichuan	Residence and commercial	Under Construction	100%	26.51	15.41	80,100	227,100	160,300	-	-	227,100	227,100	227,100	-	-	-	-
35	Sichuan North Star Guosongfu	Meishan, Sichuan	Residence and commercial	Under Construction	100%	16.60	3.39	59,900	199,200	149,800	-	-	-	199,200	199,200	-	-	71,849	24,315
36	Sichuan Longxitai	Meishan, Sichuan	Residence and commercial	In the pipeline	100%	13.70	-	69,900	137,300	84,000	-	137,300	-	-	-	-	-	-	-
37	Langfang North Star Xianglu	Langfang, Hebei	Residence and commercial	Under Construction	100%	25.73	2.61	140,700	412,700	296,800	-	134,600	-	278,100	278,100	-	-	68,882	38,131
38	Langfang Lot 2018-4 Project	Langfang, Hebei	Residence	In the pipeline	100%	25.31	10.71	82,500	241,600	164,800	-	241,600	-	-	-	-	-	-	-
39	Langfang Lot 2019-3 Project▲	Langfang, Hebei	Commercial	In the pipeline	100%	5.09	-	21,100	72,800	52,800	-	72,800	-	-	-	-	-	-	-
40	Hefei North Star CIFI Park Mansion • Luzhou	Hefei, Anhui	Residence and commercial	Under Construction	50%	42.14	2.40	141,700	356,200	239,000	119,500	-	-	356,200	198,400	143,000	202,700	37,370	15,210
41	Chongqing, Yuelai No.1	Yubei, Chongqing	Residence and commercial	Under Construction	100%	100.66	11.18	429,100	1,274,000	918,000	-	437,800	251,000	836,200	836,200	176,800	176,800	126,514	87,414
42	Chongqing North Star Central Park▲	Yubei, Chongqing	Residence	In the pipeline	100%	22.42	11.88	68,200	147,000	102,200	-	147,000	-	-	-	-	-	-	-
43	North Star Mansion in Haikou	Haikou, Hainan	Residence and commercial	Under Construction	100%	45.47	4.52	106,800	263,400	206,000	-	103,000	46,200	160,400	160,400	-	-	87,335	25,990
44	Guangzhou Zengcheng Project▲	Guangzhou, Guangdong	Residence and commercial	In the pipeline	100%	36.61	10.69	25,900	117,700	77,800	-	117,700	-	-	-	-	-	-	-
	Total	-	-	-	-	1639.45	186.99	5,098,000	17,431,200	12,584,600	1,936,200	2,512,200	1890,500	14,918,900	8,699,100	2,668,800	8,790,700	2,419,560	1,260,397

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 7,186,100 square meters; equity land reserve was 6,567,200 square meters and the newly added real estate reserve was 337,400 square meters;

   New construction area was 1,890,500 square meters, representing a year-on-year decrease of 32.83%; area for new and resumed construction was 8,699,100 square meters, representing a year-on-year increase of 8.10%; the completed area was 2,668,800 square meters, representing a year-on-year increase of 109.24%;

   Sales area was 1,260,400 square meters, representing a year-on-year decrease of 30.52%; sales amount was RMB 18,996,000,000, representing a year-on-year decrease of 32.66%; settlement area was 1,291,800 square meters, representing a year-on-year increase of 43.04%; the settlement amount was RMB 17,352,000,000, representing a year-on-year increase of 14.66%.

2. Investment Properties (Including Hotels)

Insisting on the development strategy of synergistic progress in asset-heavy investment business and asset-light service business, the Company gave full play to the comparative advantages of the three major sub-brands of the service brand, management brand and consulting brand in the exhibition industry, stepped up the outstretch of exhibition industry chain, and scouted for effective approaches to bolster up innovative businesses, resulting in increase in economic returns and social benefits of assets.

In 2019, the Company recorded an operating revenue from investment properties (including hotels) of RMB 2,660,358,000, representing a year-on-year increase of 1.19%. Due to the impact of renovation and upgrade of certain properties, the profit before tax amounted to RMB 822,625,000, representing a year-on-year decrease of 6.91%. The revaluation surplus for this period was RMB 146,641,000, representing an increase of 30.70% as compared to the same period last year.

Qingdao International Convention Center

Management Discussion And Analysis (Continued)

Integrated services properties in Asian Games Village

Further enhanced brand influence of North Star Events. Under the favorable background of Beijing being an international communication center with active international exchanges, comprehensive international services and prominent international influence, North Star Events Group has exerted its professional advantages and fulfilled its responsibilities. During the Reporting Period, North Star Events Group provided prime quality services guarantee for the Second Belt and Road Forum for International Cooperation, the Beijing International Horticultural Exhibition, Conference on Dialogue of Asian Civilizations, 2019 FIBA Basketball World Cup, Beijing Daxing International Airport Launch Ceremony and other major events and was widely acknowledged by the organizing departments and well received by the participants at home and abroad.

Conference on Dialogue of Asian Civilizations held at the National Convention Centre

The Second Belt and Road Forum for International Cooperation held at the National Convention Centre

North Star Events serves the commissioning ceremony of Beijing Daxing International Airport

North Star Events serves the opening ceremony of the Word Horticultural Exhibition in Beijing, China

Management Discussion And Analysis (Continued)

Optimizing and consolidating the possessing asset-heavy business. Leveraging the geographic advantage of the concentration of a large number of properties with core value in the Asian-Olympic core district, the Company took the convention and exhibition as a lead to drive synergetic development of office building, hotel and apartment businesses. In particular, for the National Convention Centre and the Beijing International Convention Centre, emphasis was placed on the potential demands in the international conference market. In this regard, the Company strengthened the operation objectives of specialization, marketization and internationalization, actively built a three-dimensional international communication platform, continued to intensify its efforts to enhance its expansion efforts, resulting in improvement in both market share and comprehensive income. For the office building business, the Company highlighted the office experience, focused on digging customer resources internally and expanding sales channels externally based on its consistent customer needs-oriented principle, thus achieving a relatively high occupancy rate and rent level within the region. For the hotel and apartment businesses, in active response to the market changes, the Company rolled out a series of marketing initiatives as represented by themed activities and parent-child room to polish the service details repeatedly, improve the service quality and experience of the guests. As a result, both the room rate and occupancy rate of our hotels and apartments outperformed the market.

Innovative development of asset-light service business. By capitalizing on the further optimization of the functional positioning of Beijing as the “Four Centers” and space layout “one core, two axes, and four areas”, the Company leveraged the advantages of North Star Events, and constantly shaped the brand image of North Star Events. At the same time, it continued to push through the important nodes of the upstream and downstream industrial chain of North Star Events to give full play to the driving role of the exhibition economy, so as to build a new highland for the development of North Star Events industry, and achieved fruitful operating results during the Reporting Period.

In terms of devotions to the operation and management of convention and exhibition venues as well as hotel branding, the Company has launched a strategic layout featuring business presence in numerous cities across the country and formed the large-scale development, which further cemented its influence in the industry. During the Reporting Period, North Star Events Group successfully entered into contracts in respect of entrusted management for 4 convention and exhibition venue projects, namely Fuzhou Digital China Convention & Exhibition Centre, Agile Zhengzhou Yanming Lake International Conference and Exhibition Town, Chongli International Convention & Exhibition Center and Weihai International Economic and Trade Exchange Center, and consultation for 6 projects located in Shenzhen, Zhengzhou, Weihai and other key convention and exhibition cities. As at the end of the Reporting Period, North Star Events Group established presence in 25 cities across the country, and had a total of 15 contracted convention and exhibition venues under entrusted management covering a total floor area of 3.255 million square meters and 19 contracted hotels under entrusted management. North Star Events has become the convention and exhibition business that runs the largest number of convention and exhibition venues. It is the largest in terms of overall scale and is capable of undertaking the finest convention and exhibition in China. In terms of the convention hosting and undertaking businesses, North Star Events Group summarized the previous project experience, integrated various exhibition resources, resulting in achieving phased results in business development. During the Reporting Period, “2019 China Animation Comic Game Festival” (2019中國遊戲節) and “China (Chengdu) International Supply Chain and Logistics Technologies and Equipment Expo” (2019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 were successfully held. In terms of the convention and exhibition research and development business, with a view that it provided strong theoretical support for the development of the convention and exhibition business of the Company, North Star Events Group actively participated in the construction of urban convention and exhibition system platforms, including participation in municipal exhibition platform research, government project report writing, publication of “China Exhibition Index Report”, school-enterprise cooperation education and training. The Internet + business represented by Internet + Convention and Exhibition and North Star Intelligent Community were continuously promoted.

Management Discussion And Analysis (Continued)

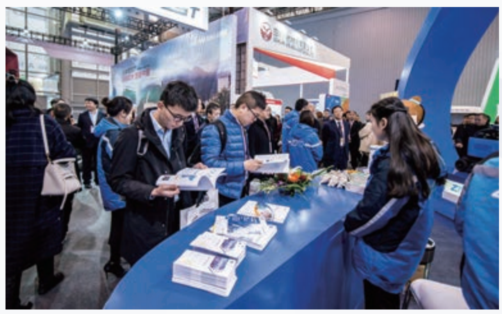
Fuzhou Digital China Convention & Exhibition Centre

Weihai International Economic and Trade Exchange Center

Chongli International Convention & Exhibition Center

Agile Zhengzhou Yanming Lake International Conference and Exhibition Town

China Digital Creative Technology Exhibition and 2019 China Animation Comic Game Festival held by North Star Events Group



China (Chengdu) International Supply Chain and Logistics Technologies and Equipment Expo held by North Star Events Group

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	270,800	70,353	100%
2	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Beijing International Convention Centre	Convention and exhibition	58,000	12,547	100%
3	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Bin Offices	Office building	37,800	7,309	100%
4	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Xin Offices	Office building	40,900	5,666	100%
5	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	North Star Times Tower	Office building	131,300	17,984	100%
6	No. 8 Bei Chen Xi Road, Chao Yang District, Beijing	North Star Century Center	Office building	149,800	31,008	100%
7	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Zhen Building Property	Office building	8,400	1,810	100%
8	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Beijing Continental Grand Hotel	Hotel	42,000	15,254	100%
9	No. 8 Bei Chen Xi Road, Chao Yang District, Beijing	National Convention Centre Hotel	Hotel	42,900	10,838	100%
10	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	V-Continent Beijing Parkview Wuzhou Hotel	Hotel	60,200	15,344	100%
11	No. 8 Bei Chen Xi Road, Chao Yang District, Beijing	Intercontinental Beijing North Star Hotel	Hotel	60,000	17,628	100%
12	No. 1500, Xiang Jiang Bei Road, Kaifu District, Changsha, Hunan Province	Intercontinental Changsha	Hotel	79,200	19,809	100%
13	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Yuan Apartment	Apartment	184,300	26,660	100%
14	A13 Beiyuan Road, Chao Yang District, Beijing	B5 Commercial Area of North Star Green Garden	Commercial	49,700	3,368	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 Xinchenli Shopping Centre commercial 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 RMB 16,426,481 for the year 2019.

Management Discussion And Analysis (Continued)

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

Table 4: Breakdown table 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	Fuzhou Digital China Convention & Exhibition Center	Hangzhou International Expo Center Hotel
13	Chongli International Convention & Exhibition Center and ancillary hotels	Nanchang Greenland Continental Crown Hotel
14	Agile Zhengzhou Yanming Lake International Conference and Exhibition Town	Land Bridge Crown Business Hotel
15	Weihai International Economic and Trade Exchange Center and ancillary hotels	Nantong Kechuang Center Hotel
16		North Star V-Continent Wuhan China Communications City Crown Hotel
17		Zhuhai North Star V-Continent Crown Hotel
18		Xiangxue V-Continent Crown Hotel Guangzhou
19		Tonghua Wanfeng North Star V-Continent Crown Hotel

Management Discussion And Analysis (Continued)

3. Nurturing Business

In terms of health and elderly care, North Star ORPEA International Elderly Nursing Center in Changsha, the Company's first health and elderly care project has been in operation for more than one year since its official launch last year. With advanced service concept, complete hardware facilities and high-quality pension services, it has rapidly grown into a demonstration base of pension services in central China. In respect of cultural creativity, the Company kept a close eye on the business development trend, made thorough analysis on the practical problems in the future development of the industry, actively absorbed more mature practical experience in the operation of cultural and creative industries, and strived to promote the Company's multi-business collaborative development.

4. Financing Work

Against the backdrop of enhanced financial regulation, de-leveraging and de-channel credit tightening, the Company made overall consideration of factors such as policy environment, interest rate levels, asset-liability structure, etc., effectively selected relevant financing instruments, and flexibly adopted diversified financing models including the "headquarters financing", which provided a medium and long-term stable source of funds for the project development and construction of the Company.

Table 5: Financing of the Company during the Reporting Period

Unit: 0'000 Currency: RMB

Total financing amount for the period	Overall average financing cost *(%)*	Interest capitalised
3,066,986	5.98	170,057

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 basic driving force for sustainable development. For a long time, the Company, centering on the objective of becoming China's top-tier complex real estate brand and China's top influential exhibition brand, insists on promoting brand innovation, implements brand strategy and forges ahead during the development and transformation process. During the Reporting Period, leveraging on its outstanding sales performance and strong comprehensive strength, the Company held tightly its position among China Top 100 Real Estate Enterprises, was awarded "2019 China Top 100 Real Estate Enterprises (2019年中國房地產百強企業)" and "2019 Star Enterprise among China Top 100 Real Estate Enterprises (2019年中國房地產百強之星)" again, and was successively awarded "2019 Top 10 Listed Real Estate Enterprises by Investment Value in A-share Market (2019滬深上市房地產公司投資價值TOP10)", "2019 Top 10 Listed Real Estate Enterprises by Wealth Creating Capability in A-share Market (2019滬深上市房地產公司財富創造能力TOP10)" and "2019 Noteworthy Real Estate Enterprises in Capital Market (2019值得資本市場關注的房地產公司)" by authoritative media. In addition, 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) for thirteen consecutive years in the Chinese real estate brand value research and selection event, with its brand value exceeding RMB 10 billion. By virtue of Beijing North Star Co., Prudential Property Management Co., Ltd.'s professional management and quality services, it was rated as "2019 China Property Service Featured Brand Enterprise" (2019中國物業服務特色品牌企業), with its brand value and brand influence continuously improving.

Management Discussion And Analysis (Continued)

Behind the honor is trust and responsibility. Beijing North Star will continue to uphold the corporate mission to "create property value, build a century's foundation", enhance service quality, strive for innovation and forge ahead during the development and transformation process.

6. Investor Relations

By establishing diversified communication platform, such as on-site road show, investors research, teleconference, special column on the website of the Company and telephone hotline, the Company continuously improved the investor relations management mechanism, strengthened timely, effective and two-way communication with its investors, enabled investors to gain more knowledge and better recognition of the Company, reached consensus and lay the foundation for the company's comprehensive and overall management of investor relations.

7. Fulfill social responsibility and promote sustainable development of enterprises

The year 2019 marked the 70th anniversary of the founding of the PRC and was a key year for the implementation of the 13th Five-Year Plan. In the year, the Company actively fulfilled its social responsibilities, made its contributions to poverty alleviation and provided supports for the cause of environmental protection, and all these efforts have brought positive results. During the Reporting Period, for the purpose of promoting the healthy and harmonious development of the society, as part of the social welfare activities carried out by the Company to care for groups with special needs, the Company made a donation of RMB 950,000 to Beijing Chunmiao Charity Foundation; the Company conscientiously advanced the poverty alleviation work under the partner assistance model in Baihutou village, and as a result, all of the 27 low-income families in Baihutou village got above the low income line in 2019, marking a significant progress for our poverty alleviation work; under the guidance of green development, as part of our efforts to contribute to the ecological environment construction of Beijing, the Company participated in the construction of the first micro and small wetland protection and restoration project in Beijing and worked diligently on various environmental protection tasks. The Company achieved a surplus of 5,000 tons of carbon dioxide in terms of carbon emission quota during the year, contributing to the construction of ecological environment in Beijing with concrete actions; further, with sustainable development as its target, the Company has disclosed its "Social Responsibility Report" (namely environmental, social and governance report) for ten consecutive years and has incorporated the essence of sustainable development into its daily operation and management, and with its solid comprehensive capabilities, the Company was awarded the "ESG Outstanding Enterprise of the Year 2019" (2019年度ESG卓越企業).

Management Discussion And Analysis (Continued)

III. INDUSTRY LANDSCAPE AND TREND

The year 2020 is the closing year for building a well-off society in an all-round way and the implementation of the “Thirteenth Five-Year Plan”. China will adhere to the new development philosophy, focus on high-quality development, stabilize growth, accelerate reform, adjust economic structure, benefit people, prevent risks and maintain stability to ensure that the economy operates within a reasonable range. In addition, the impact of the Novel Coronavirus Pneumonia epidemic is short-term and will not change the fundamentals of China economy with good prospects in the long run.

As for development properties, under the general keynotes of “housing properties for accommodation, not speculation”, China will continue to implement different policies for different cities, establish long-standing management and control mechanisms to stabilize the land premium, house price and market expectations, and promote the stable and healthy development of the real estate market. In addition, China has accelerated the establishment of a housing system with multiple house suppliers, various guarantee channels, and houses for rent and purchase, and gradually forms a package of policy instruments covering finance, land, finance and taxation, housing security, and market management, to maintain the long-term effectiveness and stability of policies and create a good environment for the long-term development of the real estate industry.

As for investment properties (including hotels), due to the fact that the continuous progress of China’s opening-up, the great power diplomacy with Chinese characteristics, the “One Belt, One Road” cooperation initiative and regional coordination are exerting increasing impact, the convention and exhibition industry in China will be provided with broader space for development and new opportunities, which will in turn drive the development of relevant industries such as hotel and catering. As at the end of 2019, the Central Economic Working Conference reaffirmed its strong commitment to develop rental housing with the aim of building up a sound policy environment for apartment market.

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 business, on top of these, it will put innovation and high-quality development as driving force 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, the Company will pay attention to relevant policies in a timely manner. As for key areas such as Beijing, Tianjin and Hebei, the Yangtze River Delta, Guangdong, Hong Kong, Macao as well as Chengdu-Chongqing circle which have strong economic vitality and high population density, the Company will increase its preliminary research efforts, adhere to regional deep cultivation, adopt one policy for one city, and actively obtain high-quality land resources, ensuring the Company's sustainable development; In terms of project operation, the Company will, while optimizing project development speed and cash repayment ratio, proactively cater to changes in market demand, optimize product structure, upgrade product services, and enhance the overall competitiveness of the enterprise. As for innovation in the development model, the Company will focus on the main business of real estate development, integrate diversified resources, and seek new opportunities arising from collaborative development, spark the advantages of each business, enhance the pooled effects of all lines and provide new driving force to the business development of the Company through organic integration and interaction of real estate development, convention and exhibition, health and elderly care, cultural creativity and other business lines.

North Star Mansion in Haikou


Villa sketch of
Suzhou Guanlan Mansion

Management Discussion And Analysis (Continued)

2. Investment Properties (Including Hotels)

The Company will, on the basis of maintaining its brand-based, market-oriented, professional and standardized development, strengthen the top-level design and overall planning, and practically improve the ability to integrate convention and exhibition resources, and strengthen the relevance, systemicity and synergy of the various business ends in the industry chain such as exhibition research business, hosting and undertaking of exhibitions, entrusted management of convention and exhibition venues, inspiring the development potential of North Star Events industry to a greater extent, so as to speed up the realization of becoming the most influential convention and exhibition brand enterprise in China.

North Star Times Tower Office Building

Shijiazhuang International Convention & Exhibition Center

3. Nurturing Business

In terms of health and elderly care, the opening and operation of North Star ORPEA International Elderly Nursing Center (北辰歐葆庭國際頤養中心) in Changsha is a beneficial exploration and in-depth implementation of the Company's elderly care industry model. Apart from accumulating its own service management experience in existing elderly care project and forming a sound elderly care system, the Company should also create a sustainable elderly care development model by integrating aged-targeted real estate with existing main business of real estate development at a policy level and in a professional perspective. In respect of cultural creativity, the Company will continue to analyze the penetration and support role of culture and innovation industry on other industries, make full use of its characteristics – high integration, high scalability, and high value-added, and strive to propel the interactive integration and mutual promotion between culture and innovation industry and the Company's main business.

4. Financing and Capital Expenditure

The Company will take action during the best period of financing, fully utilize the advantages of the "headquarters financing" mode, and carry out debt financing in a timely manner, further decrease finance costs, strengthen project cash management and control, increase capital utilization efficiency, continue to expand multiple financing channels, so as to meet the capital needs in project construction and operation of each segment.

In 2020, the Company's investment in fixed assets is expected to be RMB 730 million, which will be paid according to project progress and funded by internal resources.

Management Discussion And Analysis (Continued)

V. SCHEME OF OPERATIONS

In 2020, it is estimated that new construction area of the Company's development properties will be 1,080,000 square meters, the area for new and resumed construction will be 7,530,000 square meters and the completed area will be 2,480,000 square meters. Overcoming the impact of the regulation policy on real estate industry, the Company will strive to achieve sales of 1,260,000 square meters with contracts signed (including parking spaces) amounting to RMB 23 billion in 2020.

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

VI. POTENTIAL RISKS FACED BY THE COMPANY

1. Short-term risks in relation to the Novel Coronavirus Pneumonia Epidemic

In early 2020, the outbreak of the Novel Coronavirus Pneumonia Epidemic has caused relatively material impacts on the economy of China in the first quarter of 2020. All industries including the real estate industry and service industry have been subject to impact of different levels. Due to the outbreak of the epidemic and the introduction of relevant precautionary and control measures, the construction area and sales area of the real estate development business, and occupancy rate and lodging rate of investment properties and hotels of the Company would be affected to some extent in the short term.

In response to the above risks, the Company carefully established and improved the epidemic precautionary and control mechanism, coordinated and implemented epidemic precautionary and control works. Until now, it has basically resumed overall operations. In addition, the Company will actively take effective measures to minimize the possible adverse impact of the epidemic on the production and operation of the Company in accordance with the development of the epidemic. In particular, on the one hand, in respect of development properties, the Company will seize opportunities and promote sales through multiple channels by taking the strategy of "one policy for one city". On the other hand, it will strictly control costs and improve the efficiency of capital use. In respect of investment properties, on the one hand, it will expand marketing channels, stabilize and attract customers by improving and optimizing services. On the other hand, it will actively expand new projects on the basis of consolidating existing businesses and projects.

2. Policy Risks in Development Properties

The development of real estate industry is closely related to national policy directions, which are cyclical. The real estate project has a long operating cycle. Any significant adjustment to relevant policies during the cycle, may pose certain risks to real estate companies regarding aspects such as land acquisition, project development and construction, sales, and fundraising.

Management Discussion And Analysis (Continued)

In response to the aforesaid risks, the Company's development properties will conduct further analysis on national macro policies and pay close attention to market changes, improve the responsiveness to policies and market changes and place equal importance on risk management and control during the fast development of business, so as to minimize the risks of project development and sales resulting from policy uncertainty. Meanwhile, it will continuously optimize the direction of business development, strengthen the potential for sustainability of development properties and enhance overall competitiveness according to policy directions.

3. 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. Land transaction prices remain high, driving up development costs, and excessive housing prices can easily trigger regulatory policies. Under the dual influence of large land costs and difficulty to increase selling price, the profit margin is likely to be narrowed, which will impose certain risks on enterprises in finance and capital position as well as operational stability.

To tackle 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 cities and regions in which market is mature with favorable investment atmosphere, a net inflow of population and a relatively rational housing-price-to-income ratio. The Company will continue to adhere to the idea of low-cost expansion, expand new land acquisition methods, and reduce funding pressure. At the same time, the Company is committed to strengthening professional management, shortening the development cycle and accelerating the turnover rate, and increasing the cash withdrawal ratio and preventing market risks.

4. 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, the Company may be exposed to the risk of talent shortage in the near future.

To tackle the aforementioned risks, the Company promoted the construction of high-quality and professional leadership teams and selected quality cadres by taking measures including internal promotion and external recruitment as well as providing training to corporate leaders and young talents; and expanded talents reserve by nurturing professional talents for the Convention Group and practical talents for the Real Estate Group.

Management Discussion And Analysis (Continued)

VII. ANALYSIS ON CORE COMPETITIVENESS

After more than two decades of development, China's real estate industry has gradually tended to be at a rational and mature stage during the process of initiation, exploration, development and adjustment. In recent years, China's real estate market has been characterized by rapid expansion in scale, continuous increase in industry concentration, constant innovation in business models and increasingly diversified means of financing.

As for future development of China's real estate industry, under the general principal of seeking progress while maintaining a stable performance in the development of China's economy, as the golden fast-growing age of the real estate market has come to an end, it is entering the silver age of relatively stable development at medium and high speed, in which the differentiated development of cities has become a new normal. And against the backdrop of the government's adherence to classification-based control, city-based policies and prevention and control of financial risks, 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 15 cities, namely Beijing, Changsha, Wuhan, Hangzhou, Chengdu, Nanjing, Suzhou, Hefei, Langfang, Chongqing, Ningbo, Wuxi, Haikou, Meishan and Guangzhou, representing the Company's foundations and professional capability for nationwide development.

On the other hand, as one of the PRC's largest exhibition operators, the Company boasts the ability in high-end exhibition and hotel operation and services, and enjoys high brand awareness and influence in the industry. The Company holds and operates more than 1.2 million square meters of investment properties (including hotels) in the Asian-Olympic core district. With more than 20 years of experience in exhibition and hotel operation and the ability in providing internationalized professional operation services, it has successfully delivered hosting services for an array of national, integrated and international conferences such as the Olympic Games, APEC summit, Beijing Fair, G20 Hangzhou Summit and Belt and Road Forum for International Cooperation, 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, International Horticultural Exhibition Beijing China and Conference on Dialogue of Asian Civilizations, 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

Management Discussion And Analysis (Continued)

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 full integration and innovative development of its exhibition economy and new economy, new technologies and new business.

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

Li Wei-Dong
General Manager

Beijing, the PRC, 21 April 2020

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 2019, 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 2019, 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 34 times in total during 2019.

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	33/34	1/34
Mr. LI Wei-Dong	34/34	0/34
Ms. LI Yun	32/34	2/34
Mr. CHEN De-Qi	33/34	1/34
Ms. ZHANG Wen-Lei	34/34	0/34
Mr. GUO Chuan	34/34	0/34
Independent non-executive directors		
Mr. FU Yiu-Man	34/34	0/34
Mr. WU Ge	34/34	0/34
Mr. DONG An-Sheng	34/34	0/34

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 2019, 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 60 to 67 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 2019, 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 2019.

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 2018 of the Company, and the review results of the external auditors on the interim report for the year of 2019 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 2019 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 2019, 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	4

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(viii) 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, it 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 asset acquisitions and other matters 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 2019, 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 2019.

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

Supervisors	No. of meetings attended/ No. of meetings held
Mr. WANG Jian-Xin	5/5
Mr. ZHANG Jin-Li	5/5
Mr. LIU Hui	0/5
Mr. YAN Jing-Hui	5/5
Mr. ZHANG Wei-Yan	5/5

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 2019 was RMB 7,240,000, all of which were related to auditing, reviewing and other annual audit 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 2019, 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 2019, 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 2019 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 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 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.

Report on Corporate Governance (Continued)

GENERAL MEETINGS

In 2019, the Company held two general meetings, including the 2018 annual general meeting and the first extraordinary general meeting of 2019.

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

Directors	Annual general meeting	Extraordinary general meeting	Attendance rate
Executive directors			
Mr. HE Jiang-Chuan	0/1	0/1	0
Mr. LI Wei-Dong	1/1	1/1	100%
Ms. LI Yun	0/1	0/1	0
Mr. CHEN De-Qi	1/1	1/1	100%
Ms. ZHANG Wen-Lei	0/1	1/1	50%
Mr. GUO Chuan	1/1	1/1	100%
Independent non-executive directors			
Mr. FU Yiu-Man	0/1	0/1	0
Mr. DONG An-Sheng	0/1	0/1	0
Mr. WU Ge	0/1	0/1	0

CONSTITUTION

Pursuant to actual operation situation and business development need of the Company and documents such as the Guidelines for the Articles of Association of Listed Companies (2019 Revision) and the Code of Corporate Governance for Listed Companies (issued on 30 September 2018) issued by China Securities Regulatory Commission, the Company made two amendments to the Articles of Association, in relation to expansion of business scope and improvement on the accumulative voting system, which were considered and approved at the 2018 annual general meeting and the first extraordinary general meeting of 2019.

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.

Report on Corporate Governance (Continued)

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.

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 194 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 2020, 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, 21 April 2020

Profile of Directors, Supervisors and Senior Management

CHAIRMAN

HE Jiang-Chuan, aged 55, 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 31 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 51, 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 52, 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. Ms. 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.

Profile of Directors, Supervisors and Senior Management (Continued)

CHEN De-Qi, aged 56, 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 52, 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.

GUO Chuan, aged 51, 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 64, 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 68, 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.

Profile of Directors, Supervisors and Senior Management (Continued)

WU Ge, aged 52, 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), Beijing Mass Data Technology Co., Ltd. (北京海量數據技術股份有限公司) and Minsheng Holdings Co., Ltd.(民生控股股份有限公司). 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 58, 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.

SUPERVISORS

ZHANG Jin-Li, aged 56, 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 56, 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.

Profile of Directors, Supervisors and Senior Management (Continued)

YAN Jing-Hui, aged 59, 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 60, 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.

DEPUTY GENERAL MANAGER

DU Jing-Ming, aged 55, 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 57, 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 57, 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.

Profile of Directors, Supervisors and Senior Management (Continued)

FINANCIAL CONTROLLER

CUI Wei, aged 46, is the financial controller of the Company. Ms. 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 58, 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 2019.

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 2019 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. Subsequent events during the Reporting Period

Subsequent events of the Company during the Reporting Period are set out in Note 41 to the consolidated financial statements.

3. Environmental policies and performance

The environmental policy and its performance of the Group for the year ended 31 December 2019 is set out in the sub-section "Fulfill social responsibility and promote sustainable development of enterprises" paged 21 of the section "Management Discussion and Analysis" of this annual report and the separately published "2019 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 2019 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 2019 and the financial positions of the Group and the Company as at 31 December 2019 prepared in accordance with HKFRS are set out on pages 68 to 71 of this annual report.

DIVIDEND

The Board recommends the payment of a final dividend of RMB 0.15 per share for the year ended 31 December 2019, totalling RMB 505,053,000.

FIVE YEAR FINANCIAL SUMMARY

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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 2019 amounted to RMB 2,500,854,820 (2018: RMB 2,439,041,208).

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 RMB 1 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	*Director*
CHEN De-Qi	*Director*
ZHANG Wen-Lei	*Director*
GUO Chuan	*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	*Chairman of Supervisory committee*
ZHANG Jin-Li	*Supervisor*
LIU Hui	*Supervisor*
YAN Jing-Hui	*Supervisor*
ZHANG Wei-Yan	*Supervisor*

Senior Management

LI Wei-Dong	*General Manager*
CHEN De-Qi	*Deputy General Manager*
ZHANG Wen-Lei	*Deputy General Manager*
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 45 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).

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.

Report of the Directors (Continued)

EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of directors, supervisors and senior management's emoluments are set out in notes 38(viii) and 40 to the consolidated financial statements.

INDIVIDUALS WITH THE HIGHEST PAY

During the year, no director of the Company was one of the five individuals with the highest emolument in the Group.

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 2019, none of the directors, supervisors and chief executives of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (as defined under Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company or Hong Kong Stock Exchange pursuant to the Model Code. None of the directors, supervisors and chief executives of the Company, their spouses or children under the age of 18 had been granted any rights to subscribe for shares in or debentures of the Company or its associated corporations, nor has any of them exercised such rights during the year.

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

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

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

Report of the Directors (Continued)

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	RMB 2.40 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 2019 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.

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 2019, 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")	A shares	1,161,000,031	–	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 2019.

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 2019, 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:	159,322 holders

Shareholdings of top ten shareholders of the Company as at 31 December 2019

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	687,652,199	20.423
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	98,357,500	2.921
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	44,078,948	1.309
Zhong Yan (鍾燕)	A share	23,500,000	0.698
Generali China Life Insurance Co., Ltd-with-profit products 2 (中意人壽保險有限公司－分紅產品2)	A share	16,986,940	0.505
Zheng Peng(鄭鵬)	A share	13,717,587	0.407
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	13,424,975	0.399

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 2019, 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.

EMPLOYEES

As at 31 December 2019, the Company had 5,440 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 and survey tours.

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) 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 RMB 10,000 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.

(2) Land Rental and Transfer of Use Right

The Company entered into a lease agreement on 18 April 1997 with its controlling shareholder, BNSIGC, pursuant to the lease agreement and the subsequent supplemental agreement, 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 from 11 April 1997, subject to the type of usage of different portions of the piece of land. The Company received a letter from BNSIGC on 27 September 2019 which informed the term of the aforesaid lease agreement will expire on 30 September 2019 according to the provisions under the Contract Law.

In order to enhance the asset integrity and operational stability of the Company, on 27 September 2019, it was considered and approved at the 45th meeting of the eighth session of the Board of the Company that the Company proposed to acquire by cash the land use right of a land parcel in the Asian Games Village held by BNSIGC. The total area of land parcel in the Asian Games Village is 235,516.67 square meters, and its preliminary appraised value exclusive of tax is approximately RMB4,739 million. According to the conditional Transfer Agreement on Land Use Right entered into between both parties (the "Transfer Agreement"), the final transfer price shall be based on the appraised value as arrived at in the valuation of the land parcel to be conducted by a third-party asset valuation agency with relevant qualifications and approved by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality and shall be ultimately confirmed by BNSIGC and the Company. The transaction is subject to consideration at the general meeting and H shareholders' class meeting of the Company. For details, please refer to the announcement of the Company dated 27 September 2019. During the Reporting Period, such transfer has not yet been completed.

Report of the Directors (Continued)

Pursuant to the Transfer Agreement and the negotiation between both parties, during the transitional period until the delivery date of the land use right or until a final solution is reached, the Company continues to pay the rent to BNSIGC in accordance with the rental standard as agreed in the Lease Agreement dated 18 April 1997. The rent for 2019 amounts to RMB16,426,481.

(3) Renting Properties from Others

In 2019, 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 2019 and ended at 31 December 2019. The rental for the Reporting Period was RMB 900,000, representing 1.74% of the leases of the Company. Such transaction was settled by cash.

(4) General contracts and construction contracts

China Construction Second Engineering Bureau Ltd. (hereinafter referred to as "CCSEB") is a substantial shareholder of Hangzhou North Star Real Estate Co., Ltd. (hereinafter referred to as "Hangzhou North Star"), a non-wholly owned subsidiary of the Company. CCSEB First Construction Engineering Co., Ltd. (hereinafter referred to as "CCSEB First Company") is a wholly-owned subsidiary of CCSEB. And China Construction Fifth Engineering Bureau Third Construction Co., Ltd. (hereinafter referred to as "CCFEB Third Company") and CCSEB are both indirect wholly-owned subsidiaries of China State Construction Corporation. Therefore, according to Chapter 14A of the Listing Rules, CCSEB, CCSEB First Company and CCFEB Third Company are all connected persons at subsidiary level of the Company.

During the reporting period, the Group signed the following contracts with the above-mentioned connected persons:

(i) On 5 August 2019, Wuhan North Star Chenhui Real Estate Development Company Limited (hereinafter referred to as "CHRE", as the principal), a subsidiary of the Company and CCSEB (as the contractor), entered into a general construction contract, under which, CCSEB agreed to undertake the phase II construction and installation works of residential, commercial, and business projects on the land located at the west of Chuanlong Avenue, Hengdian Street, Huangpi District, Wuhan, and the south of Houhu North Road, be responsible for the civil works, installation and construction, water supply and drainage, fire protection, electrical engineering and other works of various parts of such project. The total contract price is approximately RMB263,097,581.51, which will be settled in cash and paid on a monthly basis based on construction progress. However, after the construction project is completed, accepted and settled, the payment made by CHRE to CCSEB shall not exceed 97% of the total settlement amount, and the remaining 3%, being the retention money, shall be paid upon expiry of the defect liability period.

Report of the Directors (Continued)

(ii) On 5 September 2019, Chengdu North Star Tianchen Properties Co., Ltd. (hereinafter referred to as "Chengdu North Star", as the principal), a subsidiary of the Company, and CCSEB First Company (as the contractor) entered into a general construction contract, under which, CCSEB First Company agreed to undertake the construction and installation works on the land lot 2018-B-017 located at Xiehe Sub-district, Shuangliu District, Chengdu City, Sichuan Province, be responsible for the civil works, installation and construction, water supply and drainage, fire protection, electrical engineering and other works of various parts of such project. The total contract price is approximately RMB466,276,290.37, which will be settled in cash and paid on a monthly basis based on construction progress. However, after the construction project is completed, accepted and settled, the payment made by Chengdu North Star to CCSEB First Company shall not exceed 97% of the total settlement amount, and the remaining 3%, being the quality guarantee deposit, shall be paid upon expiry of the defect liability period.

(iii) On 25 September 2019, Wuhan Chenfa Real Estate Co., Ltd. (hereinafter referred to as "WHCF", as the principal), a subsidiary of the Company, and CCSEB First Company (as a contractor) entered into a construction contract, under which, CCSEB First Company agreed to undertake the construction project on the construction and installation works on the land lot 141R2 in Wuhan Economic and Technological Development Zone in Wuhan, Hubei Province, be responsible for the civil works, installation and construction, water supply and drainage, heating, electrical engineering and other works of various parts of such project. The total contract price is approximately RMB392,510,881.39, which will be settled in cash and paid on a monthly basis based on construction progress. However, after the construction project is completed, accepted and settled, the payment made by WHCF to CCSEB First Company shall not exceed 97% of the total settlement amount, and the remaining 3%, being the quality guarantee deposit, shall be paid upon expiry of the defect liability period.

(iv) On 7 November 2019, Changsha Century Garden Real Estate Co., Ltd. (hereinafter referred to as "Changsha Century Garden", as the principal), a subsidiary of the Company, and CCFEB Third Company (as the contractor) entered into a general construction contract, under which, CCFEB Third Company agreed to undertake the construction works of Buildings 28#-47# in Zone E+F2, the commercial and supporting house -1 in Zone E, the commercial and supporting house -2 in Zone E, the basement in Zone E, the basement in Zone F2, and the basement and garbage station in Zone F2 of Xiangfu Century Residential Community on the land lot located at Shuxiang Road, Tianxin District, Changsha City, Hunan Province, be responsible for the civil works, installation and construction, water supply and drainage, fire protection, electrical engineering and other works of various parts of such project. The total contract price is approximately RMB324,329,132.55, which will be settled in cash and paid on a monthly basis based on construction progress. However, after the construction project is completed, accepted and settled, the payment made by Changsha Century Garden to CCFEB Third Company shall not exceed 97% of the total settlement amount, and the remaining 3%, being the quality guarantee deposit, shall be paid upon expiry of the defect liability period.

(v) On 25 November 2019, Wuhan Chenzhan Real Estate Co. Ltd. (hereinafter referred to as"Wuhan Chenzhan", as the principal), a subsidiary of the Company, and CCSEB First Company (as the contractor) entered into a construction contract, under which, CCSEB First Company agreed to undertake the construction and installation works on the land lot 143R2 located at Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province as a general contractor, including ground and foundation works, the main structure works, fitting out and decoration works, roofing works, water supply and drainage and heating works, ventilation and air conditioning works, electrical works, intelligent building engineering, energy conservation engineering, elevator engineering, landscaping works, and management of and coordination with material suppliers, etc. The total contract price is approximately RMB478,877,641.35, which will be settled in cash and paid on a monthly basis based on construction progress. However, after the construction project is completed, accepted and settled, the payment made by Wuhan Chenzhan to CCSEB First Company shall not exceed 97% of the total settlement amount, and the remaining 3%, being the quality guarantee deposit, shall be paid upon expiry of the defect liability period.

Report of the Directors (Continued)

(vi) On 10 December 2019, Changsha Binchen Real Estate Co. Ltd (hereinafter referred to as "Changsha Binchen", as the principal), a subsidiary of the Company, and CCSEB (as the contractor) entered into a general construction contract, under which, CCSEB agreed to undertake the construction and installation works on the land lot 077 located at the southeast corner of the intersection of Changwang Road and Yuehua Road, Yuelu District, Changsha City (hereinafter referred to as "Changsha Project"), be responsible for the civil works, installation and construction, water supply and drainage, fire protection, electrical engineering and other works of various parts of the Changsha Project. The total contract price is approximately RMB383,068,637.59, which will be settled in cash and paid on a monthly basis based on construction progress. However, after the construction project is completed, accepted and settled, the payment made by Changsha Binchen to CCSEB shall not exceed 97% of the total settlement amount, and the remaining 3%, being the quality guarantee deposit, shall be paid upon expiry of the defect liability period. For the same project, on 25 October 2019, Changsha Binchen, as the principal, and CCSEB First Company (as the contractor) entered into a temporary work construction contract. Accordingly, CCSEB First Company agreed to undertake the construction of the temporary work of the real estate sales center of the Changsha Project, be responsible for the civil works, installation and construction, water supply and drainage, fire protection, electrical engineering and other works under the project. The total contract price is approximately RMB2,169,900.00, which will be settled in cash and paid on a monthly basis based on construction progress. However, after the construction project is completed, accepted and settled, the payment made by Changsha Binchen to CCSEB First Company shall not exceed 97% of the total settlement amount, and the remaining 3%, being the quality guarantee deposit, shall be paid upon expiry of the defect liability period.

The independent non-executive directors of the Company have reviewed the transactions set out in the above paragraphs (1) to (3), 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 (1) to (3), which have constituted the continuing connected transactions for the year ended 31 December 2019, 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 (1) to (3).

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2019, the bank loans and other borrowings of the Group are set out in note 23 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

Report of the Directors (Continued)

SUBSIDIARIES

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

MAJOR LITIGATION OR ARBITRATION

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

POLICIES ON INCOME TAX

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

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2019, the equity attributable to ordinary shareholders of the Company increased by 8.11% compared to 31 December 2018. The increase was mainly due to the additional increase of profit attributable to ordinary shareholders of the Company of RMB 1,788,709,000 during the Period.

The Group's bank and other borrowings as at 31 December 2019 amounted to RMB 24,726,933,000. 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 RMB 2,148,321,000, RMB 1,494,971,000 and RMB 1,314,638,000, respectively. Asset-backed securities were RMB 985,000,000 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 RMB 82,849,732,000, whereas the current liabilities amounted to RMB 50,103,124,000. As at 31 December 2019, balances of cash at bank and on hand amounted to RMB 11,775,741,000 (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 2019, the Group had secured borrowings from banks and other financial institutions of RMB 15,737,585,000 with certain right-of-use assets, investment properties, hotel properties and properties under development as the collaterals. The asset-liability ratio calculated by total liabilities divided by total assets for the Group was 74% as at the end of the Reporting Period (31 December 2018: 77%).

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 material exposure to the significant risk of exchange rate fluctuations.

Save for the mortgage guarantee provided for the home buyers and the financing guarantee provided for the joint venture company in proportion of its shareholding, the Company did not have any other contingent liabilities during the year.

PROVISION FOR IMPAIRMENT OF INVENTORIES

During the Reporting Period, after having comprehensively taken into account the market conditions of the real estate project location, project positioning, development and sales plans and other factors, the Company performed the impairment tests on the net realisable value of its projects, and made provision for the impairment of inventories whose cost is higher than its net realisable value. As confirmed by the test, the Company is required to make provision for the impairment of inventories for real estate projects of RMB 764 million.

Report of the Directors (Continued)

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 2019 according to its terms of reference.

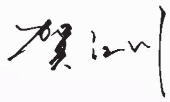
PUBLIC FLOAT

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

AUDITOR

The accounts of the Company have been audited by PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP who retire and being eligible, offer themselves for re-appointment as auditors of the Company. A resolution re-appointing PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company's PRC and international auditors will be proposed at the 2019 annual general meeting.

By Order of the Board



HE Jiang-Chuan
Chairman

Beijing, the PRC, 21 April 2020

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 2019, the Supervisory Committee met 5 times in total and the supervisors attended the Board meetings, 2018 annual general meeting as well as the first extraordinary general meetings of 2019 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 2019, 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 2019 and has great confidence to the future of the Company.

In 2020, 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, 21 April 2020

Independent Auditor's Report

羅兵咸永道

Independent Auditor's Report
To the Shareholders 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 68 to 191, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 2019, 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 SHAREHOLDERS 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 SHAREHOLDERS 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 2019, the Group's investment properties were measured at fair value and carried at approximately RMB 15,025 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 completed office units, apartment units, shopping malls and convention centres, investment properties under development. • Completed office units, apartment units(except block A) 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. • Completed convention centres and apartment block A: the valuation was derived using the discounted cash flow approach, the relevant key assumptions included rental value and discount rate. • Investment properties under development: the valuation was derived using the residual method, the relevant key assumptions included adjustment on term yield, reversionary yield and development costs to completion.	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 or method and key assumptions as adopted in the valuations. 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 approach or method applied based on our knowledge of the business and industry. 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. Based on the procedures performed above, we found the significant judgements and estimates applied by management in the valuations of investment properties were supportable by available evidence.

Independent Auditor's Report (Continued)

pwc 羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS 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 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 of investment properties in the consolidated financial statements, and key assumptions in valuation involved significant judgements and estimates.	

Independent Auditor's Report (Continued)

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS 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 Notes 13 and 14 to the consolidated financial statements The properties under development ("PUD") and completed properties held for sale ("PHS") amounted to approximately RMB 60,684 million as at 31 December 2019 (representing approximately 59% of the Group's total assets). The management assessed the net realisable value ("NRV") of PUD and PHS as at 31 December 2019, 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 the costs to completion (applicable to PUD) 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 of PUD and PHS in the consolidated financial statements, and significant management's judgements and estimates were involved in the assessment of the NRV of these properties.	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 Group's recent pre-sales of units in the same project 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 by reference to the 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 in the assessment of NRV of PUD and PHS were supportable by available evidence.

Independent Auditor's Report (Continued)

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS 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 of the company is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report (Continued)

pwc 羅兵咸永道

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

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

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

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

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

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

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

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

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

Independent Auditor's Report (Continued)

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS 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 of the Company 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 of the Company 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 of the Company, 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 Wong Cheuk Kay.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 April 2020

Consolidated Balance Sheet

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Right-of-use assets	6	**333,799**	—
Land use rights	6	**–**	294,514
Investment properties	7	**15,025,176**	12,867,800
Property, plant and equipment	8	**2,125,927**	2,324,215
Investments accounted for using the equity method	10	**463,981**	327,773
Deferred income tax assets	24	**1,340,213**	864,640
Other receivables and prepayments	12	**299,963**	254,952
		19,589,059	16,933,894
Current assets			
Properties under development	13	**55,341,162**	51,244,333
Completed properties held-for-sale	14	**5,342,597**	9,102,815
Other inventories	15	**49,528**	47,552
Trade and other receivables and prepayments	12	**7,304,766**	8,825,465
Restricted bank deposits	16	**3,035,938**	1,904,818
Cash and cash equivalents	17	**11,775,741**	11,851,788
		82,849,732	82,976,771
Total assets		**102,438,791**	99,910,665
LIABILITIES			
Non-current liabilities			
Long term borrowings	23	**22,046,678**	19,768,944
Loans from other parties	21	**1,434,826**	5,031,574
Employee termination benefit obligations	36	**125,671**	137,127
Deferred income tax liabilities	24	**2,156,777**	2,004,066
Lease liabilities	6	**31,483**	—
Deferred income		**1,943**	–
		25,797,378	26,941,711

Consolidated Balance Sheet (Continued)

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
Current liabilities			
Trade and other payable	21	**10,599,741**	9,130,120
Loans/advances from other parties	21	**4,524,262**	1,718,369
Contract liabilities	5	**24,287,096**	28,444,766
Current income tax liabilities	22	**3,028,096**	2,327,896
Lease liabilities	6	**25,744**	—
Current portion of long term borrowings	23	**6,738,185**	7,391,618
Short term borrowings	23	**900,000**	1,100,000
		50,103,124	50,112,769
Total liabilities		**75,900,502**	77,054,480
Net assets		**26,538,289**	22,856,185
EQUITY			
Share capital	18	**3,367,020**	3,367,020
Other reserves	19	**4,773,482**	4,501,602
Retained earnings	19	**13,067,511**	11,747,590
Capital and reserves attributable to ordinary shareholders of the Company		**21,208,013**	19,616,212
Perpetual bond	20	**2,630,380**	1,613,451
Non-controlling interests		**2,699,896**	1,626,522
Total equity		**26,538,289**	22,856,185

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

The financial statements on pages 68 to 191 were approved by the Board of Directors on 21 April 2020 and were signed on its behalf.

He Jiang Chuan
Director

Li Wei Dong
Director

Consolidated Income Statement

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Continuing operations			
Revenue	5	20,122,314	17,859,790
Cost of sales	25	(13,912,152)	(12,375,886)
Gross profit		6,210,162	5,483,904
Selling and marketing expenses	25	(555,161)	(496,103)
Administrative expenses	25	(916,414)	(884,902)
Fair value gains on investment properties	7	146,641	112,196
Net impairment losses on financial assets		(14,845)	(6,458)
Other income	26	7,183	73,970
Other gains – net	27	30,855	2,614
Operating profit		4,908,421	4,285,221
Finance income	29	137,298	124,612
Finance expenses	29	(551,820)	(665,350)
Finance expenses – net	29	(414,522)	(540,738)
Share of net profit of investments accounted for using the equity method	10	187,469	115,535
Profit before income tax		4,681,368	3,860,018
Income tax expense	30	(2,579,488)	(1,606,703)
Profit from continuing operations		2,101,880	2,253,315
Loss from discontinued operation (attributable to ordinary shareholders of the Company)	37	(6,421)	(39,196)
Profit for the year		2,095,459	2,214,119
Attributable to:			
Ordinary shareholders of the Company	31	1,788,709	1,403,430
Holders of perpetual bond	20	116,859	7,059
Non-controlling interests		189,891	803,630
		2,095,459	2,214,119
Earnings per share attributable to ordinary shareholders of the Company (expressed in RMB cents per share) (basic and diluted)			
From continuing operations	31	53.31	42.84
From discontinued operations	31	(0.19)	(1.16)
		53.12	41.68

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

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Profit for the year		**2,095,459**	2,214,119
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of properties newly transferred to investment properties	19	**275,353**	–
Remeasurement of post-employment benefit obligations	19	**619**	(3,844)
Income tax relating to these items	19	**(68,838)**	–
Other comprehensive income/(loss) for the year, net of tax		**207,134**	(3,844)
Total comprehensive income for the year		**2,302,593**	2,210,275
Attributable to:			
Ordinary shareholders of the Company		**1,995,843**	1,399,586
Holders of perpetual bond		**116,859**	7,059
Non-controlling interests		**189,891**	803,630
		2,302,593	2,210,275
Total comprehensive income/(loss) for the year attributable to ordinary shareholders of the Company arises from:			
Continuing operations		**2,002,264**	1,438,782
Discontinued operations		**(6,421)**	(39,196)
		1,995,843	1,399,586

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

Consolidated Statement of Changes in Equity

	Note	Attributable to ordinary shareholders of the Company 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 2019		3,367,020	4,501,602	11,747,590	19,616,212	1,613,451	1,626,522	22,856,185
Profit for the year		–	–	1,788,709	1,788,709	116,859	189,891	2,095,459
Other comprehensive income	19	–	207,134	–	207,134	–	–	207,134
Total comprehensive income		–	207,134	1,788,709	1,995,843	116,859	189,891	2,302,593
Transactions with owners in their capacity as owners								
2018 final dividends	32	–	–	(404,042)	(404,042)	–	–	(404,042)
Appropriation of statutory reserves	19	–	64,746	(64,746)	–	–	–	–
Issue of perpetual bond	20	–	–	–	–	991,600	–	991,600
Distribution to holders of perpetual bond	20	–	–	–	–	(91,530)	–	(91,530)
Dividends provided for or paid to non-controlling interests		–	–	–	–	–	(77,017)	(77,017)
Proceeds from capital injection from non-controlling interests		–	–	–	–	–	960,500	960,500
Total transactions with owners in their capacity as owners		–	64,746	(468,788)	(404,042)	900,070	883,483	1,379,511
Balance at 31 December 2019		3,367,020	4,773,482	13,067,511	21,208,013	2,630,380	2,699,896	26,538,289

Consolidated Statement of Changes in Equity (Continued)

	Note	Attributable to ordinary shareholders of the Company						
		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	4,434,295	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	32	–	–	(370,372)	(370,372)	–	–	(370,372)
Appropriation of statutory reserves	19	–	71,151	(71,151)	–	–	–	–
Issue of perpetual bond	20	–	–	–	–	1,606,392	–	1,606,392
Dividends provided for or paid to non-controlling interests		–	–	–	–	–	(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

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 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	33	1,989,680	4,707,852
Interest received		137,298	124,844
Interest paid		(2,213,453)	(1,951,189)
Income tax paid		(2,006,084)	(2,299,787)
Net cash (used in)/generated from operating activities		(2,092,559)	581,720
Cash flows from investing activities			
Purchase of property, plant and equipment		(71,395)	(118,816)
Increase in investment properties		(64,290)	(3,954)
Loans granted to associates and joint ventures		–	(120,000)
Loan repayments from associates and joint ventures		181,789	1,409,000
Interests received on loans granted	38(iii)	2,542	81,348
Proceeds from sale of property, plant and equipment and investment properties	33(a)	1,187	2,086
Dividends from associates and joint ventures		51,261	100,087
Net cash generated from investing activities		101,094	1,349,751
Cash flows from financing activities			
Proceeds from borrowings and issuance of bonds		11,690,584	5,894,214
Proceeds from borrowings from Beijing North Star Industrial Group Limited Liabilities Company("BNSIGC")		–	3,000,000
Proceeds from borrowings from issuance of Tianfeng-North Star Changsha Intercontinental Hotel Commercial Mortgage Backed Securities("CMBS")		–	1,000,000
Repayment of CMBS		(15,000)	–
Repayments of borrowings and bonds		(10,276,428)	(9,540,427)
Proceeds from borrowings from non-controlling interests		667,357	4,944,944
Repayments of borrowings from BNSIGC		–	(3,700,000)
Proceeds from borrowings from associates and joint ventures	38(v)	555,226	372,000
Repayments of loans/funds to non-controlling interests		(1,505,452)	(2,994,773)
Repayment of borrowings from associates and joint ventures	38(v)	(519,803)	(172,759)
Proceeds from capital injection from non-controlling interests		960,500	48,750
Dividends paid to the Company's shareholders	32	(404,042)	(370,372)
Dividends paid to the non-controlling interests		(77,017)	–
Dividends paid to the holders of perpetual bond		(91,530)	–
Proceeds from issuance of perpetual bond	20	991,600	1,606,392
Principal elements of lease payments		(16,314)	–
Proceeds from loans from a third party		18,358	–
Net increase in deposits paid for obtaining borrowings		(62,621)	(14,360)
Net cash generated from financing activities		1,915,418	73,609
Net (decrease)/increase in cash and cash equivalents		(76,047)	2,005,080
Cash and cash equivalents at beginning of year		11,851,788	9,846,708
Cash and cash equivalents at end of year	17	11,775,741	11,851,788

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. On 14 May 1997, the Company completed the global offering of its H share, and 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 Renminbi("RMB") 2.4 per share and these shares were listed on the Shanghai Stock Exchange on 16 October 2006. Since then, the Company's shares have been jointly listed on the Main Board of The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange.

The Company is principally engaged in property leasing, land and property development, property investment, provision of food and beverage services as well as the operation of hotels 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 RMB, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 21 April 2020.

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, except for investment properties and certain financial assets 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, interpretation and annual improvements adopted by the Group

The Group has applied the following standards and amendments, interpretation and annual improvements for the first time for their annual reporting period commencing 1 January 2019:

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2.2. Most of the other amendments, interpretation and annual improvements listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iii) New and amended standards and revised conceptual framework not yet adopted

Certain new and amended accounting standards and revised conceptual framework have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These new and amended standards and revised conceptual framework are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.29.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.20%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) Adjustments recognised in the consolidated balance sheet on 1 January 2019

The adoption of HKFRS 16 did not have any material impact on the Group's consolidated financial information and did not require any retrospective adjustments or adjustments on the opening retained earnings as at 1 January 2019.

The only impact as recognised upon the adoption of HKFRS 16 is to redesignate the Group's land use rights (which were previously presented as a separate item in the consolidated balance sheet) as "right-of-use assets" with effect from 1 January 2019.

(iii) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

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 to direct the activities of 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.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity respectively.

(a) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

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)

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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 recognised in profit or loss.

(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.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (Continued)

2.3.1 Consolidation (Continued)

(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 recognised 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 recognised 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 recognised 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 recognised at cost, and the carrying amount is increased or decreased to recognise 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 recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised 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 recognise 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 recognises the amount adjacent to 'share of net profit of investments accounted for using equity method' in the income statement.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised 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 recognised 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, rather than the legal structure of the joint arrangement. 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 recognised at cost and adjusted thereafter to recognise 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised 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 RMB, which is the Group's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated 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 consolidated 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 recognised 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 derecognised. 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 recognised 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 amortised 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 realisable 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 amortised 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 recognised 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 recognised 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 amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 consolidated income statement.

2.12 Financial assets

(a) Classification

The Group classifies its financial assets as amortised 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 recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised 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.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

(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 amortised 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 recognised directly in profit or loss and presented in other gains/(losses) – net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised 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 recognised from initial recognition of the receivables, see note 12 for further details.

2.13 Financial guarantee contracts

Financial guarantee contracts are recognised 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 recognised less, where appropriate, the cumulative amount of income recognised 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 recognised.

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 recognised as part of the cost of the investment.

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 realisable 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 realisable value takes into account the price ultimately expected to be realised, 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 realisable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to the purchases. Net realisable 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 recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised 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

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents includes 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; Any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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 recognised 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 capitalised as a pre-payment for liquidity services and amortised 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 that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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 capitalisation.

All other borrowing costs are expensed 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 and associate's 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 recognised 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 realised 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 recognised 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 recognised 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 realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised 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 recognised as employee benefit expense when they are due. Prepaid contributions are recognised 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 when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises 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 recognises 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 recognised 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 recognised in consolidated income statement when incurred.

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 recognised 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 recognised 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 recognised 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised 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 recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

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

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

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

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property, and 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.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition (Continued)

(b) Rental income

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

(c) Provision of services

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised 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 recognised. If the payments exceed the services rendered, a contract liability is recognised.

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 capitalised and recorded in other receivables and prepayments.

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 recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised 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 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (note 35). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Leases (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and;
- restoration costs.

Certain right-of-use assets meet the definition of investment property and are measured at fair value subsequently.

The rest of Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Leases (Continued)

Payments associated with short-term leases of building and equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 6). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.30 Government Grants

Grants from the government are recognised 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 recognised in the consolidated 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 are included in non-current liabilities as deferred income and are credited to 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 recognised 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 minimise 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 summarised 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 2019, 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 capitalisation, would have decreased/increased by approximately RMB 20,587,000 (2018: RMB 18,749,000).

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 bank deposits 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 bank deposits 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 realisation 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 amortised 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. 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 2019 and 2018, the loss allowance was determined as follows for trade receivables:

31 December 2019	Current	Less than 30 days past due	More than 90 days past due	Total *RMB'000*
Property development				
Expected loss rate	1%	25%	100%	
Gross carrying amount	279	–	5	284
Loss allowance	3	–	5	8
Property management fee				
Expected loss rate	1%	20%	100%	
Gross carrying amount	9,232	–	10,369	19,601
Loss allowance	92	–	10,369	10,461
Hotel				
Expected loss rate	1%	30%	100%	
Gross carrying amount	13,474	166	1,101	14,741
Loss allowance	135	50	1,101	1,286
Conference and exhibition-state-owned enterprise				
Expected loss rate	0.50%	2%	10%	
Gross carrying amount	–	2,000	–	2,000
Loss allowance	–	40	–	40
Conference and exhibition-other enterprise				
Expected loss rate	0.50%	5%	50%	
Gross carrying amount	1,044	3,044	230	4,318
Loss allowance	5	152	115	272
Leasing-shopping mall				
Expected loss rate	–	–	100%	
Gross carrying amount	–	–	26,548	26,548
Loss allowance	–	–	26,548	26,548
Leasing-others				
Expected loss rate	0.20%	1%	20%	
Gross carrying amount	2,763	22,225	2,005	26,993
Loss allowance	6	222	401	629

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)

31 December 2018	Current	Less 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 2019 (2018: Nil).

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 recognised 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 2019 and 2018, the loss allowance was determined as follows for other receivables:

	Deposit RMB'000	Engineering fund RMB'000	Due from related parties RMB'000	Due from non-controlling interests RMB'000	Disbursements RMB'000	others RMB'000	Total *RMB'000*
Closing loss allowance as at 1 January 2019	(577)	(13)	(1,556)	(1,743)	(2,764)	(12,318)	(18,971)
(Increase)/decrease in the allowance recognised in profit or loss	(4,724)	4	297	30	(114)	(7)	(4,514)
Closing loss allowance as at 31 December 2019	(5,301)	(9)	(1,259)	(1,713)	(2,878)	(12,325)	(23,485)
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 recognised in profit or loss	(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 2019 (2018: Nil).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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 2019					
Borrowings (including interest)	**9,282,811**	**8,406,973**	**13,128,505**	**3,923,860**	**34,742,149**
Trade and other payables (including interest) *(Note i)*	**14,484,063**	**538,708**	**221,273**	**1,420,374**	**16,664,418**
Lease liabilities (including interest)	**27,572**	**14,674**	**23,159**	**–**	**65,405**
	23,794,446	**8,960,355**	**13,372,937**	**5,344,234**	**51,471,972**
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 i)*	10,419,934	4,187,806	218,232	1,495,154	16,321,126
	20,343,525	14,089,175	8,242,948	6,750,769	49,426,417

Notes:

(i) Excluding staff welfare benefit payable, other tax payable and prepaid rental income from tenants.

(ii) The table above does not include any potential liabilities which may be arising from the financial guarantee as disclosed in Note 34.

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 2019 and 2018 were as follows:

	As at 31 December	
	2019	2018
Asset-liability ratio	**74%**	77%

3.3 Fair value estimation

Other than investment properties, the Group has no other assets that carried at fair value as at 31 December 2019 and 2018. 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 realisable value. The net realisable 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 realisable 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 recognised 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 finalised 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 recognised 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 finalised with local tax authorities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

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

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

4.2 Critical judgements in applying the entity's accounting policies

(a) Revenue recognition

The Group has recognised 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.

Notes to the Consolidated Financial Statement (Continued)

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 product/service perspectives. From product/service perspectives, management assesses the performance of the segments of properties development and investment properties and hotels. Properties development 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 segments of the Group mainly comprise businesses relating to property management, restaurant and recreation operations, the revenue of which have not been included within the reportable operating segments, as they are not included within the reports provided to the Board.

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

Total segments' assets mainly exclude assets of discontinued segment, deferred income tax assets at corporate level and corporate cash, which are managed on a centralised basis; and the investment properties included in the segment assets are the amounts as if they are measured at cost less accumulated depreciation. These are part of the reconciliation to total balance sheet assets.

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

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

The Group's revenue consists of revenue from sales of developed properties and revenue from the operation of investment properties and hotels. Revenues recognised during the years ended 31 December 2019 and 2018 are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue		
Properties development segment	**17,352,471**	15,133,498
Investment properties and hotels segment	**2,660,358**	2,629,020
	20,012,829	17,762,518
Other segments	**109,485**	97,272
	20,122,314	17,859,790

During the years ended 31 December 2019 and 2018, the Group derives revenue from the deliveries of properties, goods and services over time and at a point in time from the following segments:

	At a point in time	**Over time**
	RMB'000	*RMB'000*
Year ended 31 December 2019		
Properties development segment	**16,486,602**	**865,869**
Investment properties and hotels segment*	**355,143**	**428,983**
Other segments	**27,573**	**81,912**
	16,869,318	**1,376,764**
Year ended 31 December 2018		
Properties development segment	14,183,487	950,011
Investment properties and hotels segment	369,454	431,416
Other segments	22,906	74,366
	14,575,847	1,455,793

* Rental income from investment properties is recognised on a straight-line basis over the term of the lease and has not been included in the above analysis.

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

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 provided to the Board for the reportable segments for the year ended 31 December 2019 is as follows:

Business segment	Properties development *RMB'000*	Investment properties and hotels *RMB'000*	Other segments *RMB'000*	Total *RMB'000*
Total segment revenues	**17,352,471**	**2,719,852**	**151,856**	**20,224,179**
Inter-segment revenues	**–**	**(59,494)**	**(42,371)**	**(101,865)**
Revenues from external customers	**17,352,471**	**2,660,358**	**109,485**	**20,122,314**
Adjusted profit/(loss) before income tax	**2,682,071**	**822,625**	**(66,574)**	**3,438,122**
Adjusted profit/(loss) before income tax is stored after (charging)/crediting the following:				
Adjusted cost of sales or services rendered	**(11,722,304)**	**(1,070,490)**	**(111,637)**	**(12,904,431)**
Adjusted depreciation and amortisation	**(19,968)**	**(307,381)**	**(5,752)**	**(333,101)**
Finance income	**66,218**	**5,865**	**456**	**72,539**
Finance expenses	**(64,339)**	**–**	**–**	**(64,339)**
Share of net profit from investments accounted for using the equity method	**187,469**	**–**	**–**	**187,469**
Adjusted income tax expenses	**(2,450,035)**	**(202,693)**	**–**	**(2,652,728)**

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	Properties development	Investment properties and hotels	Other segments	Total
	RMB'000	*RMB'000*	*RMB'000*	*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
Adjusted profit/(loss) before income tax	2,697,947	883,711	(54,400)	3,527,258
Adjusted profit/(loss) before income tax is stored after (charging)/crediting the following:				
Adjusted cost of sales or services rendered	(10,761,891)	(1,011,343)	(103,532)	(11,876,766)
Adjusted depreciation and amortisation	(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)

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

The segment information as at 31 December 2019 and 2018 is as follows:

Business segment	**Properties development** *RMB'000*	**Investment properties and hotels** *RMB'000*	**Other segments** *RMB'000*	**Total** *RMB'000*
As at 31 December 2019				
Total segments' assets	**78,568,330**	**7,297,195**	**83,582**	**85,949,107**
Total assets include:				
Investments accounted for using the equity method	**463,981**	**–**	**–**	**463,981**
Additions to non-current assets (other than deferred income tax assets)	**49,809**	**133,359**	**5,528**	**188,696**
Total segments' liabilities	**65,213,870**	**1,317,491**	**104,744**	**66,636,105**
Contract liabilities	**24,145,579**	**133,303**	**8,214**	**24,287,096**
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 income 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

The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the consolidated 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 centralised treasury function.

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities.

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Development properties	**15,888,660**	13,434,735
Investment properties and hotels	**64,870**	44,368
All other segments	**52,347**	8,150
	16,005,877	13,487,253

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit before income tax for reportable segments	**3,438,122**	3,527,258
Corporate overheads	**(263,486)**	(206,839)
Corporate finance expense	**(482,982)**	(624,261)
Corporate finance income	**64,759**	68,120
Other income	**6,815**	73,970
Other gains – net	**11,413**	1,267
Fair value gains on investment properties	**146,641**	112,196
Reversal of depreciation of investment properties	**183,836**	182,441
Land appreciation tax	**1,576,250**	725,866
Profit before income tax	**4,681,368**	3,860,018

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Total segments' assets	**85,949,107**	85,257,680
Deferred income tax assets at corporate level	**818,673**	573,430
Corporate cash	**7,034,814**	6,034,756
Accumulated fair value gains on investment properties	**6,220,824**	5,793,814
Reversal of accumulated depreciation of investment properties	**2,406,290**	2,222,454
Assets of discontinued segment	**9,083**	28,531
Total assets per balance sheet	**102,438,791**	99,910,665
Total segments' liabilities	**66,636,105**	67,769,798
Deferred income tax liabilities at corporate level (Note 24)	**2,156,777**	2,004,066
Corporate borrowings	**6,372,133**	6,247,383
Other corporate liabilities	**721,516**	1,006,230
Liabilities of discontinued segment	**13,971**	27,003
Total liabilities per balance sheet	**75,900,502**	77,054,480

The reconciliation between the Group's depreciation and amortisation for reportable segments and corresponding amount per disclosure for property, plant and equipment (Note 8) and right-of-use assets (Note 6) are mainly reversal of depreciation of investment properties and other related adjustments amounting to RMB 174,549,000 (2018: RMB 174,096,000).

The reconciliation between reportable segments' income tax expenses and total income tax expenses is amounting to RMB 73,240,000 (2018: RMB 64,476,000), 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.

The Company and its subsidiaries were incorporated in the PRC and all the revenue from external customers of the Group for the years ended 31 December 2019 and 2018 are derived in the PRC.

At 31 December 2019 and 2018, all the Group's non-current assets other than deferred income 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 was no significant revenue derived from any specific external customers for the years ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statement (Continued)

6. RIGHT-OF-USE ASSETS AND LEASES

(a) Right-of-use assets

	Right-of-use assets *(Note i)* *RMB'000*
At 1 January 2019	–
Redesignation upon the adoption of HKFRS 16 (Note 2.2)	**294,514**
At 1 January 2019, as restated	**294,514**
Addition	**62,719**
Amortisation	**(23,434)**
At 31 December 2019	**333,799**

	Land use rights *RMB'000*
At 1 January 2018	303,166
Amortisation	(8,652)
At 31 December 2018	294,514
At 1 January 2019	294,514
Redesignation as right-of-use assets upon the adoption of HKFRS16	(294,514)
At 1 January 2019 as, restated	–

Notes:

(i) As at 31 December 2019, the Group's right-of-use assets comprise of land use rights, leased land, properties and equipment and details of which has been set out in Note (b)(i) below.

(ii) As at 31 December 2019, certain right-of-use assets with net book value of RMB 285,042,000 (2018: land use rights with net book value of RMB 293,662,000) are pledged as securities for bank and other borrowings (Note 23).

Notes to the Consolidated Financial Statement (Continued)

6. RIGHT-OF-USE ASSETS AND LEASES (CONTINUED)

(b) Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated balance sheet

	As at 31 December 2019 *RMB'000*
Right-of-use assets	
Land use rights and leased land*	**288,736**
Leased properties	**44,875**
Leased equipment	**188**
	333,799

* Land use rights with carrying amounts of RMB 285,862,000 represent the prepaid lease payments made to the Mainland China government for the use of land for a lease term of 40 years, net of the accumulated depreciation or amortisation as of that date. Leased land with carrying amount of RMB 2,874,000 represent the net book amount of the land as leased from BNSIGC, details of which has been set out in Note 38(i)(a).

	As at 31 December 2019 *RMB'000*
Lease liabilities	
Current	**25,744**
Non-current	**31,483**
	57,227

(ii) Amounts recognised in the consolidated income statement.

The consolidated income statement shows the following amounts relating to leases:

	2019 *RMB'000*
Depreciation charge of right-of-use assets	
Land use right, leased land, properties and equipment	**(23,434)**
Interest expense (included in finance expenses)	**(2,393)**
Expense relating to short-term leases (included in administrative expenses)	**(39,462)**

Notes to the Consolidated Financial Statement (Continued)

6. RIGHT-OF-USE ASSETS (CONTINUED)

(b) Lease (Continued)

(iii) The Group's leasing activities and how these are accounted for

In addition to the land use rights as mentioned in Note 6(b)(i) above, the Group leases various land use right, properties and equipment. Rental contracts are typically made for fixed periods of 3 months to 6 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The lease agreements do not contain variable lease payments terms, extension and termination options and the Group does not provide any residual value guarantees.

7. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
At fair value		
At 1 January	**12,867,800**	12,753,600
Additions	**72,866**	3,954
Disposal	**(132)**	(1,950)
Transfer from owner-occupied property and completed properties held for sale	**1,662,648**	–
Fair value gains credited to profit or loss	**146,641**	112,196
Fair value gains credited to other comprehensive income	**275,353**	–
At 31 December	**15,025,176**	12,867,800

(a) Amounts recognised in income statement for investment properties

	Year ended 31 December 2019 RMB'000	 2018 RMB'000
Rental income	**1,766,812**	1,750,003
Direct operating expenses arising from investment properties that generate rental income	**(539,737)**	(573,270)
Direct operating expenses that did not generate rental income	**(338,296)**	(210,785)
	888,779	965,948

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(a) Amounts recognised in income statement for investment properties (Continued)

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).

Refer to Note 35(a) for disclosure of contractual obligations for repairs, maintenance or enhancements.

The investment properties are leased to tenants under operating leases with rentals payable monthly or quarterly, and there are no variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of leases. Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

The minimum lease payments receivable on leases of investment properties, has been set out in Note 35(b).

(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 2019 and 2018. 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)	
	2019	2018
	RMB'000	*RMB'000*
Recurring fair value measurements for investment properties including:		
Office units	**6,412,600**	6,086,900
Apartments	**1,943,200**	1,891,000
Convention centers	**3,712,000**	3,599,000
Shopping malls	**2,948,800**	1,290,900
Others	**8,576**	–
	15,025,176	12,867,800

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

(i) Fair value hierarchy (Continued)

All of the Group's investment properties are located in Beijing and Changsha, the PRC and the fair value of all investment properties of the Group are included in level 3 of the fair value hierarchy.

The Group's policy is to recognise 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 2019 by the independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the chief financial officer ("CFO"). Discussions of valuation processes and results are held between the CFO, the valuation team and the valuer at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2019 and 2018, the fair value of the investment properties have been determined by GCAL.

(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 analysed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

(iii) Valuation techniques

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

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

(iii) Valuation techniques (Continued)

For convention centers and apartment block A, 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 or room rates for similar properties;
Discount rates	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
Estimated vacancy rates	Based on current and expected future market conditions after expiry of any current lease;
Maintenance costs	Including necessary investments to maintain functionality of the property for its expected useful life;
Capitalisation rates	Based on actual location, size and quality of the properties and taking into account market data at the valuation date;
Terminal value	Taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

For the properties under development, the valuations have assumed that the properties will be renovated and completed in accordance with the latest renovation proposals. In arriving at the market value, it has taken into account the renovation costs relevant to the stage of renovation as at the valuation date and the remainder of the costs and fees to be expended to complete the renovation. In assessing the gross development values, it was based on income capitalisation approach (term and reversionary method) which largely used unobservable inputs (e.g. market rent, yield, etc.). These input include:

Rental income	Based on actual location, size, quality and floor level of the properties and taking into account market data at the valuation date;
Capitalisation rates	Based on actual location, size and quality of the properties and taking into account market data at the valuation date;
Cost to completion	Based on latest renovation plan and relevant costs estimated.

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 2019 *(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 (except block A), and shopping malls	9,357,600	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 4% to 13%	The higher the reversionary yield, the lower the fair value
Investment properties-convention centers	3,712,000	Discounted cash flow	Rental value	For Year 1 to 5 RMB 5.94–7.37/sq.m/day	The higher the rental value, the higher the fair value
			Discount rate	From 12.5% to 16.5%	The higher the discount rate, the lower the fair value
Investment properties-apartment (block A)	89,000	Discounted cash flow	Room rate	For Year 1 to 5 RMB 398 – 448/room/day	The higher the room rate, the higher the fair value
			Discount rate	10%	The higher the discount rate, the lower the fair value
Investment properties – under development-office units	228,000	Income approach (term and reversionary method)	Term yield	0.5% downward adjustment on the reversionary yield	The higher the term yield, the lower the fair value
			Reversionary yield	From 7% to 8%	The higher the reversionary yield, the lower the fair value
		Residual method	Rental value	RMB 4.21 – 8.71/sq.m/day	The higher the rental value, the higher the fair value
			Development costs to completion	Approximately RMB 3,700/sq.m	The higher the cost, the lower the fair value

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis *(Continued)*

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

Description	Fair value at 31 December 2019 *(RMB'000)*	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Investment properties – under development-shopping malls	**1,630,000**	Income approach (term and reversionary method)	Term yield	1.0% downward adjustment on the reversionary yield	The higher the term yield, the lower the fair value
			Reversionary yield	7%	The higher the reversionary yield, the lower the fair value
		Residual method	Rental value	RMB 1.8 – 7.3/sq.m/day	The higher the rental value, the higher the fair value
			Development costs to completion	Approximately RMB 4,600/sq.m	The higher the cost, the lower the fair value
Investment properties-others	**8,576**	Discounted cash flow	Annual rent	Approximately RMB 16,000,000	The higher the annual rent, the higher the fair value
			Discount rate	6.20%	The higher the discount rate, the lower the fair value

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

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

Description	Fair value at 31 December 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 RMB 5.68–7.12/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

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 securities

As at 31 December 2019, certain investment properties with fair value of RMB 12,437,200,000 (2018: RMB 12,672,900,000) 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 2018						
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
Year ended 31 December 2019						
Opening net book amount	**419,429**	**1,643,354**	**96,147**	**162,254**	**3,031**	**2,324,215**
Additions	**–**	**–**	**18,015**	**39,880**	**1,829**	**59,724**
Disposals	**–**	**–**	**(2,420)**	**(4,832)**	**–**	**(7,252)**
Transfer to investment properties	**(31,545)**	**–**	**(1,058)**	**(45)**	**–**	**(32,648)**
Transfers	**(35,637)**	**–**	**24,581**	**12,344**	**(1,288)**	**–**
Depreciation (Note 25)	**(7,687)**	**(48,210)**	**(28,822)**	**(50,399)**	**–**	**(135,118)**
Others (i)	**(19,197)**	**(63,768)**	**(29)**	**–**	**–**	**(82,994)**
Closing net book amount	**325,363**	**1,531,376**	**106,414**	**159,202**	**3,572**	**2,125,927**
At 31 December 2019						
Cost	**599,700**	**2,290,946**	**567,725**	**701,946**	**3,572**	**4,163,889**
Accumulated depreciation	**(274,337)**	**(759,570)**	**(461,311)**	**(542,744)**	**–**	**(2,037,962)**
Net book amount	**325,363**	**1,531,376**	**106,414**	**159,202**	**3,572**	**2,125,927**

Notes to the Consolidated Financial Statement (Continued)

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(i) Others represent the amounts adjusted for the differences between the final settled costs and the estimated costs as originally recognised based on the budgeted completion costs of the related assets.

(ii) Depreciation expense of RMB 103,009,000 (2018: RMB 93,673,000) has been charged in cost of sales, RMB 3,312,000 (2018: RMB 5,185,000) in selling and marketing expenses and RMB 28,797,000 (2018: RMB 30,491,000) in administrative expenses in the consolidated income statement.

(iii) As at 31 December 2019, certain hotel properties with net book value of RMB 1,529,853,000 (2018: RMB 1,641,952,000) are pledged as securities for bank and other borrowings (Note 23).

9. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2019. 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 2019	2018	Ownership interest held by non-controlling interest 2019	2018
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	RMB 500,180,000	**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*(Notes iii and xi)*	Beijing	Trading in Beijing	RMB 1,000,000	**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*(Notes iii and xi)*	Beijing	Property management in Beijing	RMB 5,000,000	**100%**	100%	**–**	–
Beijing Jiang Zhuang Hu Property Co., Limited 北京姜莊湖園林別墅開發有限公司*(Notes ii, xi and xii)*	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*(Notes iii and xi)*	Beijing	Property development in Beijing	RMB 11,000,000	**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*(Notes iii and xi)*	Beijing	Multimedia information network development, system integration and software development in Beijing	RMB 20,000,000	**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 in Changsha	RMB 1,200,000,000	**100%**	100%	**–**	–
Beijing North Star Supermarket Chain Co., Limited 北京北辰超市連鎖有限公司*(Notes iii and xi)*	Beijing	Retail in Beijing	RMB 10,000,000	**100%**	100%	**–**	–
Beijing Shouchang Property Management Co., Limited 北京首倡物業管理有限公司*(Notes iii and xi)*	Beijing	Property management in Beijing	RMB 5,140,600	**100%**	100%	**–**	–
Beijing North Star Hotel Management Co., Limited 北京北辰酒店管理有限公司*(Notes iii and xi)*	Beijing	Hotel and restaurant management consulting service in Beijing	RMB 20,500,000	**100%**	100%	**–**	–
Beijing North Star Times Exhibition Co., Limited 北京北辰時代會展有限公司*(Notes iii and xi)*	Beijing	Convention and exhibition in Beijing	RMB 10,000,000	**100%**	100%	**–**	–
Beijing North Star Exhibition Research Co., Limited 北京北辰會展研究院有限公司*(Notes iii and xi)*	Beijing	Convention and exhibition in Beijing	RMB 10,000,000	**100%**	100%	**–**	–
Beijing North Star Exhibition Information Service Co., Limited北京北辰會展信息服務有限公司*(Notes iii and xi)*	Beijing	Convention and exhibition in Beijing	RMB 20,000,000	**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 2019	Ownership interest held by the Group 2018	Ownership interest held by non-controlling interest 2019	Ownership interest held by non-controlling interest 2018
Beijing North Star Convention Group Co., Limited ("BCHZJT") 北京北辰會展集團有限公司*(Notes iii and xi)*	Beijing	Convention and exhibition in Beijing	RMB 63,196,100	**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 *(Notes iii and xi)*	Beijing	Convention and exhibition in Beijing	RMB 10,000,000	**100%**	100%	**–**	–
Changsha Central Garden Real Estate Co., Limited 長沙世紀御景房地產有限公司 *(Notes iii and xii)*	Changsha	Property development in Changsha	RMB 20,410,000	**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	RMB 50,000,000	**80%**	80%	**20%**	20%
Beijing North Star MOMA Real Estate Co., Limited 北京北辰當代置業有限公司 *(Notes iii and xii)*	Beijing	Property development in Beijing	RMB 50,000,000	**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 *(Notes iii and xii)*	Wuhan	Property development in Wuhan	RMB 40,816,000	**51%**	51%	**49%**	49%
Chengdu Chenshi Real Estate Co., Limited 成都辰詩置業有限公司 *(Notes iii and xii)*	Chengdu	Property development in Chengdu	RMB 70,000,000	**40%**	40%	**60%**	60%
Nanjing Xunchen Real Estate Co., Limited ("NJXC") 南京旭辰置業有限公司 *(Notes iii and xii)*	Nanjing	Property development in Nanjing	RMB 50,000,000	**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	RMB 31,000,000	**100%**	100%	**–**	–
Suzhou North Star Xuzhao Real Estate Co., Limited ("SZNSXZ") 蘇州北辰旭昭置業有限公司 *(Notes iii and xii)*	Suzhou	Property development in Suzhou	RMB 700,000,000	**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	RMB 50,000,000	**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	RMB 50,000,000	**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	RMB 50,000,000	**100%**	100%	**–**	–
Hefei Chenxu Real Estate Development Co., Limited ("HFCX")合肥辰旭房地產開發有限公司 *(Notes iii and xii)*	Hefei	Property development in Hefei	RMB 50,000,000	**50%**	50%	**50%**	50%
Ningbo North Star Jinghua Investment Co.,Limited 寧波北辰京華置業有限公司 *(Note iii)*	Ningbo	Property development in Ningbo	RMB 20,000,000	**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	RMB 10,000,000	**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	RMB 30,000,000	**100%**	100%	**–**	–
Ningbo Chenxin Investment Co., Limited 寧波辰新置業有限公司 *(Notes iii and xii)*	Ningbo	Property development in Ningbo	RMB 50,000,000	**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 in Beijing	RMB 6,974,093,600	**100%**	100%	**–**	–
Wuhan North Star Chenzhi Real Estate Development Company Limited 武漢北辰辰智房地產開發有限公司 *(Note iii)*	Wuhan	Property development in Wuhan	RMB 30,000,000	**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	RMB 30,000,000	**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 2019	Ownership interest held by the Group 2018	Ownership interest held by non-controlling interest 2019	Ownership interest held by non-controlling interest 2018
Haikou Chenzhi Real Estate Company Limited 海口辰智置業有限公司*(Note iii)*	Haikou	Property development in Haikou	RMB 50,000,000	**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	RMB 50,000,000	**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	RMB 100,000,000	**100%**	100%	**–**	–
Wuhan North Star Pilot Business Exhibition Co. Limited 武漢北辰領航商務會展有限公司 *(Notes iii and xi)*	Wuhan	Convention and exhibition in Wuhan	RMB 6,000,000	**60%**	60%	**40%**	40%
Chengdu North Star Zhongjin Exhibition Co. Limited 成都北辰中金展覽有限公司 *(Notes iii, xi and xii)*	Chengdu	Convention and exhibition in Chengdu	RMB 5,000,000	**51%**	51%	**49%**	49%
Wuhan Jinchenyingzhi Real Estate Co. Limited 武漢金辰盈智置業有限公司 *(Notes iii and xii)*	Wuhan	Property development in Wuhan	RMB 20,000,000	**51%**	51%	**49%**	49%
Wuhan Yuchen Real Estate Co. Limited 武漢裕辰房地產開發有限公司 *(Note iii)*	Wuhan	Property development in Wuhan	RMB 30,000,000	**60%**	60%	**40%**	40%
Wuhan North Star Guangda Creative Industry Operation Management Co., Limited 武漢北辰廣大創意產業運營管理有限公司 *(Notes iii and xii)*	Wuhan	Property development in Wuhan	RMB 2,000,000	**51%**	51%	**49%**	49%
Hangzhou North Star Jingcheng Real Estate Co. Limited 杭州北辰京誠置業有限公司 *(Note iii)*	Hangzhou	Property development in Hangzhou	RMB 20,000,000	**100%**	100%	**–**	–
Beijing Chenyu Real Estate Co. Limited ("BJCY") 北京宸宇房地產開發有限公司 *(Notes iii and xii)*	Beijing	Property development in Beijing	RMB 50,000,000	**51%**	51%	**49%**	49%
Wuhan Chenfa Real Estate Co. Limited 武漢辰發房地產開發有限公司 *(Note iii)*	Wuhan	Property development in Wuhan	RMB 30,000,000	**100%**	100%	**–**	–
Wuhan Chenzhan Real Estate Co. Limited 武漢辰展房地產開發有限公司 *(Note iii)*	Wuhan	Property development in Wuhan	RMB 30,000,000	**100%**	100%	**–**	–
Changsha Binchen Real Estate Co. Limited 長沙濱辰置業有限公司 *(Note iii)*	Changsha	Property development in Changsha	RMB 40,000,000	**100%**	100%	**–**	–
Langfang Chenzhi Real Estate Co. Limited("LFCZ") 廊坊辰智房地產開發有限公司 *(Notes iii and iv)*	Langfang	Property development in Langfang	RMB 31,000,000	**100%**	Not applicable	**–**	Not applicable
Chengdu Tianchen Real Estate Co. Limited ("CDTC") 成都天辰置業有限公司 *(Notes iii and v)*	Chengdu	Property development in Chengdu	RMB 50,000,000	**100%**	Not applicable	**–**	Not applicable
Wuhan Jinchenyingchuang Real Estate Co. Limited ("WHJCYC")武漢金辰盈創置業有限公司 *(Notes iii and vi)*	Wuhan	Property development in Wuhan	RMB 24,500,000	**100%**	Not applicable	**–**	Not applicable
Chongqing Beichen Heyue Real Estate Co. Limited ("CQHY") 重慶北辰合悦置業有限公司 *(Notes iii and vii)*	Chongqing	Property development in Chongqing	RMB 50,000,000	**100%**	Not applicable	**–**	Not applicable
Guangzhou Chenxu Real Estate Co. Limited ("GZCX") 廣州辰旭置業有限公司 *(Notes iii and viii)*	Guangzhou	Property development in Guangzhou	RMB 50,000,000	**100%**	Not applicable	**–**	Not applicable
Beijing North Star Xingshun Exhibition Co. Limited ("BJXS") 北京北辰興順會展有限公司 *(Notes iii, ix and xi)*	Beijing	Convention and exhibition in Beijing	RMB 50,000,000	**90%**	Not applicable	**10%**	Not applicable

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.

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(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 January 2019, the Company established a wholly owned subsidiary LFCZ by investing RMB 31,000,000. LFCZ is a limited liability company incorporated in the PRC and engaged mainly in property development in Langfang, the PRC.

(v) In January 2019, the Company established a wholly owned subsidiary CDTC by investing RMB 50,000,000. CDTC is a limited liability company incorporated in the PRC and engaged mainly in property development in Chengdu, the PRC.

(vi) In January 2019, the Company established a wholly owned subsidiary WHJCYC by investing RMB 24,500,000. WHJCYC is a limited liability company incorporated in the PRC and engaged mainly in property development in Wuhan, the PRC.

(vii) In April 2019, the Company established a wholly owned subsidiary CQHY by investing RMB 50,000,000. CQHY is a limited liability company incorporated in the PRC and engaged mainly in property development in Chongqing, the PRC.

(viii) In May 2019, the Company established a wholly owned subsidiary GZCX by investing RMB 50,000,000. GZCX is a limited liability company incorporated in the PRC and engaged mainly in property development in Guangzhou, the PRC.

(ix) In May 2019, BCHZJT established a subsidiary, BJXS by investing RMB 45,000,000 or 90% of the total paid in capital of BJXS. BJXS is a limited liability company incorporated in the PRC and engaged mainly in convention and exhibition in Beijing, the PRC.

(x) Hangzhou Weijie Investment Consultancy Co., Limited (杭州威杰投資諮詢有限公司)and Chongqing Fuwang Investment Co., Limited (重慶涪望投資有限責任公司) have completed the industrial and commercial cancellation in October and November 2019, respectively.

(xi) Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 3.85% of the Group's total net assets.

(xii) Although the Group only owns 51% or less equity interests in these companies, the Group has the power to control and direct the key operating and financing activities of these companies through the Groups presence in the board of directors of these companies. Consequently, these companies are considered as subsidiaries of the Group.

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 ended 31 December 2019 amounting to approximately RMB189,891,000, which are mainly from SZNSXZ, HFCX and BJCY. The total non-controlling interest in respect of other subsidiaries is not material.

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

Summarised balance sheet

(i) SZNSXZ

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current		
Assets	**1,707,039**	2,417,152
Liabilities	**184,573**	1,043,076
Total net current assets	**1,522,466**	1,374,076
Non-current		
Assets	**13,266**	12,369
Liabilities	**–**	–
Total net non-current assets	**13,266**	12,369
Net assets	**1,535,732**	1,386,445

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarised balance sheet (Continued)

(ii) HFCX

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current		
Assets	**1,243,559**	2,424,186
Liabilities	**652,161**	2,029,082
Total net current assets	**591,398**	395,104
Non-current		
Assets	**18,808**	5,644
Liabilities	**–**	–
Total net non-current assets	**18,808**	5,644
Net assets	**610,206**	400,748

(iii) BJCY

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current		
Assets	**8,161,947**	7,128,504
Liabilities	**5,819,937**	407,501
Total net current assets	**2,342,010**	6,721,003
Non-current		
Assets	**272**	116
Liabilities	**610,269**	6,674,400
Total net non-current liabilities	**(609,997)**	(6,674,284)
Net assets	**1,732,013**	46,719

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarised statement of comprehensive income

(i) SZNSXZ

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue	**572,578**	1,493,962
Profit before income tax	**280,283**	620,049
Income tax expense	**(130,996)**	(272,117)
Post-tax profit	**149,287**	347,932
Other comprehensive income	**–**	–
Total comprehensive income	**149,287**	347,932
Total comprehensive income allocated to non- controlling interests	**74,644**	173,966
Dividends paid to non-controlling interests	**–**	–

(ii) HFCX

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue	**1,910,995**	2,138,645
Profit before income tax	**333,524**	594,867
Income tax expense	**(124,066)**	(209,487)
Post-tax profit	**209,458**	385,380
Other comprehensive income	**–**	–
Total comprehensive income	**209,458**	385,380
Total comprehensive income allocated to non- controlling interests	**104,729**	192,690
Dividends paid to non-controlling interests	**–**	–

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarised statement of comprehensive income (Continued)

(iii) BJCY

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue	**–**	–
Loss before income tax	**(264,706)**	(3,281)
Income tax expense	**–**	–
Post-tax loss	**(264,706)**	(3,281)
Other comprehensive income	**–**	–
Total comprehensive loss	**(264,706)**	(3,281)
Total comprehensive loss allocated to non-controlling interests	**(129,706)**	(1,608)
Dividends paid to non-controlling interests	**–**	–

Summarised cash flows

(i) SZNSXZ

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cash (used in)/generated from operations	**(198,809)**	493,796
Interest paid	**–**	(10,870)
Income tax paid	**(313,385)**	(319,100)
Net cash (used in)/generated from operating activities	**(412,194)**	174,696
Net cash used in investing activities	**(48)**	(87)
Net cash generated from/(used in) financing activities	**420,000**	(317,870)
Net increase/(decrease) in cash and cash equivalents	**7,758**	(143,261)
Cash and cash equivalents at beginning of the year	**37,262**	180,523
Exchange gains on cash and cash equivalents	**–**	–
Cash and cash equivalents at end of the year	**45,020**	37,262

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarised cash flows (Continued)

(ii) HFCX

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cash generated from operations	**301,415**	722,391
Interest paid	**–**	(25,971)
Income tax paid	**(121,932)**	(85,316)
Net cash generated from operating activities	**179,483**	637,075
Net cash generated from/(used in) investing activities	**18**	(51)
Net cash used in financing activities	**(356,412)**	(639,011)
Net decrease in cash and cash equivalents	**(176,911)**	(1,987)
Cash and cash equivalents at beginning of the year	**260,254**	262,241
Exchange gains on cash and cash equivalents	**–**	–
Cash and cash equivalents at end of the year	**83,343**	260,254

(iii) BJCY

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cash used in operations	**(265,061)**	(6,490,364)
Interest paid	**(752,033)**	–
Income tax paid	**(11,281)**	(197,749)
Net cash used in operating activities	**(276,342)**	(6,688,113)
Net cash used in investing activities	**(218)**	(117)
Net cash (used in)/generated from financing activities	**(409,074)**	6,724,400
Net increase in cash and cash equivalents	**132,514**	36,170
Cash and cash equivalents at beginning of the year	**36,170**	–
Exchange gains on cash and cash equivalents	**–**	–
Cash and cash equivalents at end of the year	**168,684**	36,170

Notes to the Consolidated Financial Statement (Continued)

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Associates	**29,302**	65,524
Joint ventures	**434,679**	262,249
	463,981	327,773

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Associates	**15,039**	27,631
Joint ventures	**172,430**	87,904
	187,469	115,535

(a) Investments in associates

	2019	2018
	RMB'000	*RMB'000*
At 1 January	**65,524**	37,893
Share of net profit accounted for using the equity method	**15,039**	27,631
Dividends paid	**(51,261)**	–
At 31 December	**29,302**	65,524

Set out below are the associates of the Group as at 31 December 2019, which in the opinion of the directors, are the major associates to the Group. The associates as listed below has registered capital which are held directly by the Group, and the country of incorporation or registration as shown are also their respective principal place of business.

Nature of investment in associates as at 31 December 2019

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

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

(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. The Group can only exercise significant influence over the key operating and financing activities of WXCW through its representatives in the board of directors of WXCW. Accordingly, WXCW is accounted for as an associate of the Group.

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

Summarised financial information for associates

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

Summarised balance sheet

(i) HZXF

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current		
Cash	**105,474**	14,068
Other current assets (excluding cash)	**6,554**	309,507
Total current assets	**112,028**	323,575
Financial liabilities (excluding trade payables)	**127**	20,284
Other current liabilities (including trade payables)	**57,036**	149,481
Total current liabilities	**57,163**	169,765
Non-current		
Assets	**5,009**	14,772
Net assets	**59,874**	168,582

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Summarised financial information for associates (Continued)

Summarised balance sheet (Continued)

(ii) WXCW

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current		
Cash	**758,433**	338,425
Other current assets (excluding cash)	**2,491,181**	2,007,962
Total current assets	**3,249,614**	2,346,387
Financial liabilities (excluding trade payables)	**130,544**	492,161
Other current liabilities (including trade payables)	**3,172,559**	1,844,518
Total current liabilities	**3,303,103**	2,336,679
Non-current		
Assets	**40,391**	4,930
Net (liabilities)/assets	**(13,098)**	14,638

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Summarised financial information for associates (Continued)

Summarised statement of comprehensive income

(i) HZXF

	2019 RMB'000	2018 RMB'000
Revenue	2,897	562,640
Cost of sales	48,758	(412,000)
Depreciation and amortisation	(33)	(20)
Interest income	185	645
Interest expense	(5)	(11)
Other expenses	(3)	(33,535)
Profit before income tax expense	51,799	117,719
Income tax expense	(14,044)	(56,815)
Post-tax profit	37,755	60,904
Other comprehensive income	–	–
Total comprehensive profit	37,755	60,904
Dividends received from the associate	51,261	–

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Summarised financial information for associates (Continued)

Summarised statement of comprehensive income (Continued)

(ii) WXCW

	2019	2018
	RMB'000	*RMB'000*
Revenue	**166**	–
Cost of sales	**(1,288)**	–
Depreciation and amortisation	**(13)**	(15)
Interest income	**439**	643
Interest expense	**(2,185)**	(4,103)
Other expenses	**(33,727)**	(14,809)
Loss before income tax expense	**(36,608)**	(18,284)
Income tax credit	**8,872**	4,354
Post-tax loss	**(27,736)**	(13,930)
Other comprehensive income	**–**	–
Total comprehensive loss	**(27,736)**	(13,930)
Dividends received from the 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)

Summarised financial information for associates (Continued)

Reconciliation of summarised financial information

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

Summarised financial information

(i) HZXF

	2019 *RMB'000*	2018 *RMB'000*
Opening net assets	**168,582**	107,678
Profit for the year	**37,755**	60,904
Dividends paid	**(146,463)**	–
Closing net assets	**59,874**	168,582
Interest in the associate(35%)	**20,956**	59,004
Adjusted for eliminations resulting from upstream transactions	**–**	–
Carrying value	**20,956**	59,004

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Summarised financial information for associates (Continued)

Summarised financial information (Continued)

(ii) WXCW

	2019 RMB'000	2018 RMB'000
Opening net assets	14,638	28,568
Loss for the year	(27,736)	(13,930)
Closing net (liabilities)/assets	(13,098)	14,638
Interest in the associate(49%) (Note)	–	7,173
Adjusted for eliminations resulting from upstream transactions	–	(7,173)
Carrying value	–	–

Note: The Group has share the loss of the associate only up to the extent that the Group's interest in the associate was reduced to zero as the Group has not incurred any legal or constructive obligations to recognise additional losses.

Individually immaterial associate

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

	2019 RMB'000	2018 RMB'000
Aggregate carrying amount of the immaterial associate	8,346	6,520
Aggregate amounts of the Group's share of:		
Post-tax profit	1,826	172
Other comprehensive income	–	–
Total comprehensive income	1,826	172

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures

	2019 RMB'000	2018 RMB'000
At 1 January	**262,249**	328,433
Share of net profit accounted for using the equity method	**172,430**	87,904
Dividends paid	**–**	(154,088)
At 31 December	**434,679**	262,249

Set out below are the joint ventures of the Group as at 31 December 2019. The joint ventures as listed below have registered capital which are held directly or indirectly by the Group and the place of incorporation or registration as shown are also their respective principal place of business.

Nature of investment in joint ventures as at 31 December 2019

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

For the companies as listed above, neither the Group nor the joint venturers can exercise absolute control over the key operating and financing activities of these companies through their respective representatives in the board of directors of these companies. Accordingly, they are accounted for as joint ventures of the Group.

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (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.

Summarised financial information for joint ventures

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

Summarised balance sheet

(i) WHML

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current		
Cash	**38,356**	123,403
Other current assets (excluding cash)	**305,366**	238,744
Total current assets	**343,722**	362,147
Financial liabilities (excluding trade payables)	**30,477**	32,705
Other current liabilities (including trade payables)	**134,028**	147,242
Total current liabilities	**164,505**	179,947
Non-current		
Assets	**893**	–
Net assets	**180,110**	182,200

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Summarised financial information for joint ventures (Continued)

Summarised balance sheet (Continued)

(ii) HZCX

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current		
Cash	**4,365**	19,603
Other current assets (excluding cash)	**157,369**	248,356
Total current assets	**161,734**	267,959
Financial liabilities (excluding trade payables)	**16,016**	47,566
Other current liabilities (including trade payables)	**86,019**	151,992
Total current liabilities	**102,035**	199,558
Non-current		
Assets	**170**	287
Net assets	**59,869**	68,688

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Summarised financial information for joint ventures (Continued)

Summarised balance sheet (Continued)

(iii) HZJH

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current		
Cash	**740,610**	917,397
Other current assets (excluding cash)	**1,424,232**	2,246,803
Total current assets	**2,164,842**	3,164,200
Financial liabilities (excluding trade payables)	**11,602**	4,508
Other current liabilities (including trade payables)	**893,967**	2,517,052
Total current liabilities	**905,569**	2,521,560
Non-current		
Assets	**72,171**	392
Net assets	**1,331,444**	643,032

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Summarised financial information for joint ventures (Continued)

Summarised balance sheet (Continued)

(iv) WXSY

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current		
Cash	**992,795**	519,205
Other current assets (excluding cash)	**1,769,009**	2,336,920
Total current assets	**2,761,804**	2,856,125
Financial liabilities (excluding trade payables)	**573,071**	1,477,749
Other current liabilities (including trade payables)	**1,600,407**	1,405,860
Total current liabilities	**2,173,478**	2,883,609
Non-current		
Assets	**11,928**	9,130
Net assets/(liabilities)	**35,254**	(18,354)

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Summarised financial information for joint ventures (Continued)

Summarised statement of comprehensive income

(i) WHML

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue	**42,204**	717,021
Cost of sales	**(26,008)**	(497,397)
Depreciation and amortisation	**(242)**	(129)
Interest income	**256**	1,176
Interest expense	**(8)**	(30)
Other expenses	**(12,317)**	(45,903)
Profit before income tax expense	**3,885**	174,738
Income tax expense	**(5,975)**	(82,353)
Post-tax (loss)/profit	**(2,090)**	92,385
Other comprehensive income	**–**	–
Total comprehensive (loss)/income	**(2,090)**	92,385
Dividends received from the 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)

Summarised financial information for joint ventures (Continued)

Summarised statement of comprehensive income (Continued)

(ii) HZCX

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue	**–**	2,094,733
Cost of sales	**(2)**	(1,443,116)
Depreciation and amortisation	**(117)**	(118)
Interest income	**398**	277
Interest expense	**(4)**	(3)
Other expenses	**(6,148)**	(90,475)
(Loss)/profit before income tax expense	**(5,873)**	561,298
Income tax expense	**(2,946)**	(256,647)
Post-tax (loss)/profit	**(8,819)**	304,651
Other comprehensive income	**–**	–
Total comprehensive (loss)/income	**(8,819)**	304,651
Dividends received from the joint venture	**–**	–

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Summarised financial information for joint ventures (Continued)

Summarised statement of comprehensive income (Continued)

(iii) HZJH

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue	**2,447,640**	626,005
Cost of sales	**(1,169,975)**	(336,624)
Depreciation and amortisation	**(7)**	(66)
Interest income	**5,743**	5,179
Interest expense	**(79)**	(88)
Other expenses	**(28,486)**	(37,889)
Profit before income tax expense	**1,254,836**	256,517
Income tax expense	**(566,424)**	(134,555)
Post-tax profit	**688,412**	121,962
Other comprehensive income	**–**	–
Total comprehensive income	**688,412**	121,962
Dividends received from the joint venture	**–**	–

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Summarised financial information for joint ventures (Continued)

Summarised statement of comprehensive income (Continued)

(iv) WXSY

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue	**1,481,368**	–
Cost of sales	**(1,372,007)**	–
Depreciation and amortisation	**(170)**	(36)
Interest income	**5,996**	4,582
Interest expense	**(3,733)**	(9,071)
Other expenses	**(52,723)**	(30,834)
Profit/(loss) before income tax expense	**58,731**	(35,359)
Income tax (expense)/credit	**(5,123)**	8,740
Post-tax profit/(loss)	**53,608**	(26,619)
Other comprehensive income	**–**	–
Total comprehensive income/(loss)	**53,608**	(26,619)
Dividends received from the joint venture	**–**	–

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

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

Reconciliation of summarised financial information

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

Summarised financial information

(i) WHML

	2019 *RMB'000*	2018 *RMB'000*
Opening net assets	**182,200**	209,815
(Loss)/profit for the year	**(2,090)**	92,385
Dividends paid	**–**	(120,000)
Closing net assets	**180,110**	182,200
Interest in the joint venture (45%)	**81,050**	81,990
Adjusted for eliminations resulting from upstream transactions	**–**	–
Carrying value	**81,050**	81,990

(ii) HZCX

	2019 *RMB'000*	2018 *RMB'000*
Opening net assets/(liabilities)	**68,688**	(235,963)
(Loss)/profit for the year	**(8,819)**	304,651
Closing net assets	**59,869**	68,688
Interest in the joint venture (35%)	**20,954**	24,041
Adjusted for eliminations resulting from upstream transactions	**–**	–
Carrying value	**20,954**	24,041

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investment in joint ventures (Continued)

Reconciliation of summarised financial information (Continued)

Summarised financial information (Continued)

(iii) HZJH

	2019 *RMB'000*	2018 *RMB'000*
Opening net assets	**643,032**	521,070
Profit for the year	**688,412**	121,962
Closing net assets	**1,331,444**	643,032
Interest in the joint venture (25%)	**332,861**	160,758
Adjusted for eliminations resulting from upstream transactions	**(185)**	(4,540)
Carrying value	**332,676**	156,218

(iv) WXSY

	2019 *RMB'000*	2018 *RMB'000*
Opening net (liabilities)/assets	**(18,354)**	8,265
Profit/(loss) for the year	**53,608**	(26,619)
Closing net assets/(liabilities)	**35,254**	(18,354)
Interest in the joint venture (40%) *(Note)*	**14,102**	–
Adjusted for eliminations resulting from upstream transactions	**(14,102)**	–
Carrying value	**–**	–

Note: The Group had share the loss of the joint venture only up to the extent that the Group's interest in the joint venture was reduced to zero as the Group had not incurred any legal or constructive obligations to recognise additional losses.

Notes to the Consolidated Financial Statement (Continued)

11. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets	As at 31 December 2019 RMB '000	2018 RMB '000
Financial assets at amortised cost		
Trade receivables *(Note 12)*	**55,241**	70,175
Other receivables(b)*(Note 12)*	**4,149,761**	3,519,078
Restricted bank deposits *(Note 16)*	**3,035,938**	1,904,818
Cash and cash equivalents *(Note 17)*	**11,775,741**	11,851,788
	19,016,681	17,345,859

Financial liabilities	As at 31 December 2019 RMB '000	2018 RMB '000
Liabilities at amortised cost		
Trade and other payables and loans/advances from other parties (c)	**16,030,054**	15,073,648
Borrowings (Note 23)	**29,684,863**	28,260,562
	45,714,917	43,334,210

(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 subsidiaries of CIFI Holdings (Group) Co., Ltd. ("CIFI"), 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 and other related parties, accrued interest, commercial mortgage backed securities and other payables excluding statutory liabilities.

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December					
	2019			2018		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Trade and other receivables(a)	**4,034,519**	**170,483**	**4,205,002**	3,478,934	110,319	3,589,253
Prepayments(b)	**3,270,247**	**129,480**	**3,399,727**	5,346,531	144,633	5,491,164
	7,304,766	**299,963**	**7,604,729**	8,825,465	254,952	9,080,417

Notes to the Consolidated Financial Statement (Continued)

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade and other receivables

	As at 31 December					
	2019			2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables(i)	**94,485**	**–**	**94,485**	85,798	–	85,798
Less: provision for impairment of trade receivables	**(39,244)**	**–**	**(39,244)**	(15,623)	–	(15,623)
Trade receivables – net	**55,241**	**–**	**55,241**	70,175	–	70,175
Receivables due from related parties(Note 38(vii))	**2,658**	**–**	**2,658**	107,919	74,507	182,426
Receivables due from subsidiaries of CIFI (Note 38(vii))	**1,255,900**	**–**	**1,255,900**	1,373,200	–	1,373,200
Receivables due from non-controlling interests	**1,713,426**	**–**	**1,713,426**	1,742,853	–	1,742,853
Deposit paid to local government authority for land bidding	**758,110**	**–**	**758,110**	–	–	–
Other receivables	**271,812**	**171,340**	**443,152**	203,503	36,067	239,570
Less: provision for impairment of other receivable	**(22,628)**	**(857)**	**(23,485)**	(18,716)	(255)	(18,971)
Other receivables – net	**3,979,278**	**170,483**	**4,149,761**	3,408,759	110,319	3,519,078
	4,034,519	**170,483**	**4,205,002**	3,478,934	110,319	3,589,253

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

Note3.1 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 2019 and 2018, the ageing analysis of the trade receivables were as follows:

	As at 31 December	
	2019	2018
	RMB '000	*RMB '000*
0 – 30 days	**26,792**	44,856
31 – 90 days	**27,435**	1,620
Over 90 days	**40,258**	39,322
	94,485	85,798

(b) Prepayments

	As at 31 December					
	2019			2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	**RMB'000**	**RMB'000**	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid land use rights consideration	**148,500**	**–**	**148,500**	2,241,720	–	2,241,720
Prepaid tax	**3,062,045**	**–**	**3,062,045**	3,046,799	–	3,046,799
Prepaid costs to obtain customer contracts	**–**	**129,480**	**129,480**	–	144,633	144,633
Other prepayments	**59,702**	**–**	**59,702**	58,012	–	58,012
	3,270,247	**129,480**	**3,399,727**	5,346,531	144,633	5,491,164

Notes to the Consolidated Financial Statement (Continued)

13. PROPERTIES UNDER DEVELOPMENT

	2019	2018
	RMB '000	*RMB '000*
As at 1 January	**51,244,333**	44,571,330
Addition	**14,846,997**	19,671,494
Transfer to completed properties held-for-sale *(Note 14)*	**(9,290,005)**	(12,102,739)
Transfer to cost of sales in connection with those property sales revenue as recognised over time	**(697,684)**	(659,425)
Impairment	**(762,479)**	(236,327)
As at 31 December	**55,341,162**	51,244,333

	As at 31 December	
	2019	2018
	RMB '000	*RMB '000*
Land use rights	**38,168,362**	37,749,631
Development costs and capitalised expenditure	**12,438,434**	9,382,153
Finance expenses capitalised	**4,734,366**	4,112,549
	55,341,162	51,244,333

	As at 31 December	
	2019	2018
	RMB '000	*RMB '000*
Land use rights:		
In PRC, held on leases of:		
Between 40 – 50 years	**7,166,740**	3,154,275
Over 50 years	**31,001,622**	34,595,356
	38,168,362	37,749,631

As at 31 December 2019, certain properties under development with net book value of RMB 21,480,428,000 (2018: RMB 18,107,317,000) are pledged as securities for bank and other borrowings (Note 23).

As at 31 December 2019, 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 amounted to appropriately RMB 38,213,801,000 (2018: RMB 40,833,848,000). The remaining balance is expected to be completed and available for sale within one year.

Notes to the Consolidated Financial Statement (Continued)

14. COMPLETED PROPERTIES HELD FOR SALE

	2019 RMB '000	2018 RMB '000
As at 1 January	**9,102,815**	7,327,041
Transfer from properties under development *(Note 13)*	**9,290,005**	12,102,739
Transfer to investment properties	**(1,624,984)**	–
Transfer to cost of sales	**(11,239,411)**	(10,300,552)
Impairment	**(1,125)**	–
Others (note)	**(183,703)**	(26,413)
As at 31 December	**5,342,597**	9,102,815

Note:

Others represent the amounts adjusted for the differences between the final settled costs and the estimated costs as originally recognised based on the budgeted completion cost of the related properties.

	As at 31 December	
	2019 RMB '000	2018 RMB '000
Land use rights	**2,016,465**	3,273,207
Development costs and capitalised expenditure	**2,906,543**	5,090,330
Finance expenses capitalised	**419,589**	739,278
	5,342,597	9,102,815

	As at 31 December	
	2019 RMB '000	2018 RMB '000
Land use rights:		
In PRC, held on leases of:		
Between 40 – 50 years	**347,388**	632,358
Over 50 years	**1,669,077**	2,640,849
	2,016,465	3,273,207

As at 31 December 2018, properties held for sale with carrying amounts of RMB 2,257,933,000 were pledged as securities for bank borrowings (Note 23).

Notes to the Consolidated Financial Statement (Continued)

15. OTHER INVENTORIES

	As at 31 December	
	2019	2018
	RMB '000	*RMB '000*
Goods for resale	**29,232**	14,175
Consumables	**21,090**	34,171
Less: provision for inventories	**(794)**	(794)
	49,528	47,552

The cost of inventories recognised as expense and included in cost of sales amounted to RMB 221,475,000 (2018: RMB 213,869,000).

16. RESTRICTED BANK DEPOSITS

Restricted bank deposits mainly 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	
	2019	2018
	RMB '000	*RMB '000*
Cash at bank and on hand	**7,225,741**	7,251,788
Short-term bank deposits(a)	**4,550,000**	4,600,000
	11,775,741	11,851,788
Maximum exposure to credit risk	**11,774,864**	11,850,849

(a) The deposits are repayable with seven days' notice, without loss of interest earned. The effective interest rate on short-term bank deposits was from 1.50% to 2.025% (2018: 1.62%) per annum.

Notes to the Consolidated Financial Statement (Continued)

17. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	As at 31 December	
	2019	2018
	RMB '000	*RMB '000*
Renminbi	**11,767,817**	11,844,679
US dollar	**5,681**	5,511
HK dollar	**1,635**	1,598
EUR dollar	**608**	–
	11,775,741	11,851,788

The Group's cash and cash equivalents denominated in Renminbi, HK dollar, US dollar and EUR 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.

18. SHARE CAPITAL

	As at 31 December	
	2019	2018
	RMB '000	*RMB '000*
Registered, issued and fully paid(a)	**3,367,020**	3,367,020

(a) Pursuant to the document titled "Implementation Measure for Transfer of Part of the State-owned Shares in Domestic Securities Market to the National Social Security Fund (Cai Qi [2010] No.94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企(2010)94號)) and announcement No.63 of 2010 jointly issued by the Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund ("NCSSF"), a total of 150,000,000 shares in the Company held by BNSIGC (the "Shares") should be transferred to NCSSF. On 30 October 2015, BNSIGC issued a letter of commitment to NCSSF, claimed to pay an equivalent proceed of RMB 360,000,000 to NCSSF in order to keep the Shares. As at 25 January 2018, BNSIGC has already fully paid cash of RMB 360,000,000 to NCSSF prior to 25 January 2018 and therefore, the Shares are not subjected to any sales restriction, and could be traded at the discretion of BNSIGC.

Notes to the Consolidated Financial Statement (Continued)

19. RESERVES AND RETAINED EARNINGS

	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 2019	3,372,229	877,962	161,468	89,943	4,501,602	11,747,590
Profit for the year	–	–	–	–	–	1,788,709
2018 final dividends	–	–	–	–	–	(404,042)
Appropriation of statutory reserves	–	64,746	–	–	64,746	(64,746)
Revaluation of properties newly transferred to investment properties, net of tax	–	–	–	206,515	206,515	–
Remeasurement of post-employment benefit obligations	–	–	–	619	619	–
At 31 December 2019	3,372,229	942,708	161,468	297,077	4,773,482	13,067,511

	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 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)
Appropriation of statutory reserves	–	71,151	–	–	71,151	(71,151)
Remeasurement of post-employment benefit obligations	–	–	–	(3,844)	(3,844)	–
At 31 December 2018	3,372,229	877,962	161,468	89,943	4,501,602	11,747,590

(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, 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 2019 and 2018.

Notes to the Consolidated Financial Statement (Continued)

20. PERPETUAL BOND

On 20 November 2018, the National Association of Financial Market Institutional Investors has approved the Company to issue perpetual bond with principal amounts of RMB 1,620,000,000 and RMB RMB 1,760,000,000 on or before 20 November 2020.

On 3 December 2018, the Company issued perpetual bond, which were redeemable only at the Company's discretion, with initial aggregate principal amount of RMB 1,620,000,000 and net proceeds of RMB 1,606,392,000. The Company may elect to defer interest payments and are not subject to any limit as to the number of times of deferral of interest payments.

On 28 June 2019, the Company issued perpetual bond, which were redeemable only at the Company's discretion, with initial aggregate principal amount of RMB 1,000,000,000 and net proceeds of RMB 991,600,000. The Company may elect to defer interest payments and are not subject to any limit as to the number of times of deferral of interest payments.

As the perpetual bonds only impose contractual obligations on the Group to repay principals 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 obligations. Therefore, the net proceeds of the perpetual bonds are presented in the equity of the Group. The carrying amounts of the perpetual bond as at 31 December 2019 is net of the accrued distribution payments of RMB 91,530,000 (2018: Nil).

21. TRADE AND OTHER PAYABLES AND LOANS/ADVANCES FROM OTHER PARTIES

	As at 31 December					
		2019			2018	
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables (a)	**10,599,741**	**–**	**10,599,741**	9,130,120	–	9,130,120
Loans/advances from other parties (b)	**4,524,262**	**1,434,826**	**5,959,088**	1,718,369	5,031,574	6,749,943
	15,124,003	**1,434,826**	**16,558,829**	10,848,489	5,031,574	15,880,063

Notes to the Consolidated Financial Statement (Continued)

21. TRADE AND OTHER PAYABLES AND LOANS/ADVANCES FROM OTHER PARTIES (CONTINUED)

(a) Trade and other payables

	As at 31 December					
	2019			2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	**6,682,732**	**–**	**6,682,732**	6,659,150	–	6,659,150
Prepaid rental income from tenants	**239,102**	**–**	**239,102**	276,385	–	276,385
Dividends payable to non-controlling interests of subsidiaries	**17,162**	**–**	**17,162**	17,162	–	17,162
Accrued interests	**306,072**	**–**	**306,072**	484,131	–	484,131
Amounts due to subsidiaries of CIFI(Note 38(vii))	**98,123**	**–**	**98,123**	132,788	–	132,788
Amounts due to a related party(Note 38(vii))	**5,780**	**–**	**5,780**	6,791	–	6,791
Employee termination benefit obligations current portion	**6,981**	**–**	**6,981**	8,059	–	8,059
Other payables	**3,243,789**	**–**	**3,243,789**	1,545,654	–	1,545,654
	10,599,741	**–**	**10,599,741**	9,130,120	–	9,130,120

At 31 December 2019 and 2018, the ageing analyses of the trade payables based on date of services/goods received at the reporting balance sheet date is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
0 – 180 days	**3,210,242**	4,182,195
181 – 365 days	**814,286**	336,843
Over 365 days	**2,658,204**	2,140,112
	6,682,732	6,659,150

Notes to the Consolidated Financial Statement (Continued)

21. TRADE AND OTHER PAYABLES AND LOANS/ADVANCES FROM OTHER PARTIES (CONTINUED)

(b) Loans/advances from other parties

	As at 31 December					
	2019			2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Loans from non-controlling interests *(i)*	**3,047,121**	**465,826**	**3,512,947**	260,801	4,046,574	4,307,375
Loans from a third party contractor *(ii)*	**701,298**	**–**	**701,298**	701,298	–	701,298
Loan from a third party *(iii)*	**18,358**	**–**	**18,358**	–	–	–
Commercial mortgage backed securities ("CMBS") issued by a subsidiary of the Company *(iv)*	**16,000**	**969,000**	**985,000**	15,000	985,000	1,000,000
Advances from non-controlling interests	**152,475**	**–**	**152,475**	187,683	–	187,683
Advances from related parties *(Note 38(vii))*	**589,010**	**–**	**589,010**	553,587	–	553,587
	4,524,262	**1,434,826**	**5,959,088**	1,718,369	5,031,574	6,749,943

(i) Loans from non-controlling shareholders of subsidiaries ("non-controlling interests") are all unsecured loans. Except for loan amounts of RMB 104,801,000 (2018: RMB 104,801,000) which have no fixed terms of repayment, the loans from non-controlling interests are all repayable by installments within two years from the dates of grant of the respective loan amounts.

Loans from non-controlling interests of RMB 2,793,286,000, RMB 614,860,000 and RMB 104,801,000 (2018: RMB 3,270,464,000, RMB 932,118,000 and RMB 104,801,000) bear interests at fixed rates of 6.5%, 7% and 10.5% (2018: 6.5%, 7% and 10.5%) per annum respectively.

(ii) The loans are unsecured, bear interests of a fixed rate of 6.5% per annum, and are originally repayable in November 2019 and repayment date has been subsequently extended to November 2020.

(iii) The loan is unsecured, bears interests of a fixed rate of 7.0% per annum, and is repayable in April 2020.

(iv) On 20 December 2018, NSREG issued CMBS of RMB 1,050,000,000, which has a term of 18 years and are divided into senior tranche A, senior tranche B and junior tranche with principal of RMB 527,000,000, RMB 473,000,000 and RMB 50,000,000 respectively. NSREG has purchased all the junior tranches of the CMBS. The senior tranches A and B of the CMBS were guaranteed by the Group. In 2019, the Group repaid RMB 15,000,000 according to the payment schedule.

(c) The carrying amounts of the Group's trade and other payables and loans/advances from other parties are denominated in Renminbi.

(d) The carrying amounts of current trade and other payables and loans/advances from other parties approximate their fair values. The fair values of the non-current loans from non-controlling interests and CMBS are not materially different from their carrying amounts as they bear interests at rates which are comparable to market interest rates for similar instruments.

Notes to the Consolidated Financial Statement (Continued)

22. CURRENT INCOME TAX LIABILITIES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Income tax payable	**583,373**	852,994
Land appreciation tax payable	**2,444,723**	1,474,902
	3,028,096	2,327,896

23. BORROWINGS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Non-current		
Long term borrowings		
– Secured and guaranteed borrowings (a)	**23,551,983**	22,263,179
– Unsecured borrowings	**274,950**	–
– 5 year bonds of 2014 (b)	**600,022**	597,802
– 7 year bonds of 2014 (b)	**1,494,971**	1,492,715
– 5 year bonds of 2016 (b)	**356,668**	1,494,322
– 5 year medium term notes of 2017 (b)	**1,314,638**	1,312,544
– 5 year bonds of 2019 (b)	**1,191,631**	–
	28,784,863	27,160,562
Less: current portion of long term borrowings	**(6,738,185)**	(7,391,618)
	22,046,678	19,768,944
Current		
Short term borrowings		
– Guaranteed short term borrowings (c)	**100,000**	300,000
– Unsecured short term borrowings	**800,000**	800,000
– Current portion of long term borrowings	**6,738,185**	7,391,618
	7,638,185	8,491,618
Total borrowings	**29,684,863**	28,260,562

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS (CONTINUED)

(a) Secured and guaranteed borrowings

Secured borrowings

As at 31 December 2019, long term borrowings of RMB 15,737,585,000 were secured by certain right-use-of assets (Note 6), investment properties (Note 7), hotel properties (Note 8) and properties under development (Note 13) (2018: long term borrowings of RMB 21,563,179,000 were secured by certain land use rights, investment properties, hotel properties, properties under development and completed properties held for sale). Out of these secured borrowings, borrowings of RMB 4,178,444,442 (2018: RMB 4,465,555,554) are guaranteed by BNSIGC (Note 38(x)) and borrowings of RMB 1,141,400,000 (2018: RMB 1,168,400,000) are additionally guaranteed by the non-controlling shareholder of certain subsidiaries.

Guaranteed borrowings

As at 31 December 2019, long term borrowings of RMB 7,398,000,000 (2018: RMB 700,000,000) obtained by certain subsidiaries are unsecured and guaranteed by the Company; long term borrowings of RMB 416,398,000 (2018: Nil) obtained by the Company is unsecured and guaranteed by a subsidiary.

(b) On 20 January 2015, the Company issued corporate bonds amounting to RMB 2,500,000,000. Among which, corporate bonds of RMB 1,000,000,000 has a term of 5 years ("5 year bonds"), carries a coupon rate of 4.8% per annum and also embedded a put option at the end of the third year. On 22 January 2018, the investors put to sell back 5 year bonds of RMB 400,798,000 to Company and the remaining 5 year bonds carries an interest rate of 5.65% per annum. Corporate bonds of RMB 1,500,000,000 has a term of 7 years ("7 year bonds"), carries an interest rate of 5.2% per annum and also embedded a put option at the end the fifth year. The interests on these 5 year bonds and 7 year bonds would be paid annually and the principals are 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 RMB 1,500,000,000. It has a term of 5 years, carries a coupon rate of 4.48% per annum and also embedded a put option at the end of the third year. The net proceeds of this bond were RMB 1,488,000,000 (net of issuance costs of RMB 12,000,000). On 22 April 2019, the investors put to sell back bonds of RMB 1,140,000,000 to the Company and the remaining bonds carries an interest rate of 4.48% per annum. The interest on these bonds were paid annually and the principal is fully repayable on 21 April 2021.

On 18 September 2017, the Company issued medium term note with an aggregate principal amount of RMB 1,320,000,000. It has a term of 5 years, carries a coupon rate of 5.14% per annum, and also embedded a put option at the end the third year. The net proceeds of this medium term note were RMB 1,310,100,000 (net of issuance costs of RMB 9,900,000). The interests on this medium term note were paid annually and the principal is fully repayable on 20 September 2022.

On 16 April 2019, the Company issued corporate bonds with an aggregate principal amount of RMB 1,200,000,000. It has a term of 5 years, carries a coupon rate of 4.80% per annum and also embedded a put option at the end of the third year. The net proceeds of this bond were RMB 1,190,400,000 (net of issuance costs of RMB 9,600,000). The interests on these bonds were paid annually and the principal is fully repayable on 16 April 2024.

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS (CONTINUED)

(c) As at 31 December 2019, short term bank borrowings of RMB 100,000,000 (2018: RMB 300,000,000) were guaranteed by BNSIGC (Note 38(x)).

(d) The Group's borrowings mature until 2031 and bonds mature until 2024. As at 31 December 2019 and 2018, the Group's borrowings were repayable as follows:

	Bank borrowings As at 31 December		Borrowings from non-bank financial institutions As at 31 December		Long term bonds As at 31 December	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**3,099,553**	2,245,296	**1,129,000**	4,752,000	**3,409,631**	1,494,322
Between 1 and 2 years	**3,257,158**	2,546,795	**2,979,000**	2,836,970	**356,668**	3,403,061
Between 2 and 5 years	**3,574,163**	3,963,413	**7,325,000**	2,706,000	**1,191,631**	–
Over 5 years	**2,375,057**	3,322,705	**988,000**	990,000	**–**	–
	12,305,931	12,078,209	**12,421,000**	11,284,970	**4,957,930**	4,897,383

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

	As at 31 December	
	2019	2018
Bank and other long term borrowings	**5.90%**	5.83%
5 year bonds of 2014	**6.04%**	6.04%
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%
5 year bonds of 2019	**4.98%**	–

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
– expiring within one year	**519,710**	1,244,692
– expiring between one and five years	**6,019,677**	3,640,899
– expiring over five years	**2,611,255**	2,611,255
	9,150,642	7,496,846

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS (CONTINUED)

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
6 months or less	**13,435,053**	13,468,178
between 6 and 12 months	**1,564,200**	2,154,308
between 1 and 5 years	**13,623,000**	11,567,802
over 5 years	**1,062,610**	1,070,274
	29,684,863	28,260,562

(h) The carrying amounts and fair values of non-current borrowings which bears interests at fixed rates are as follows:

	Carrying amount As at 31 December		Fair value As at 31 December	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-current borrowings from bank and non-bank financial institutions	**11,660,356**	4,986,000	**11,567,643**	4,888,233
5 year bonds of 2014	**–**	597,802	**–**	606,992
7 year bonds of 2014	**–**	1,492,715	**–**	1,517,100
5 year bonds of 2016	**356,668**	–	**353,943**	–
5 year medium term note of 2017	**–**	1,312,544	**–**	1,392,760
5 year bonds of 2019	**1,191,631**	–	**1,186,070**	–
	13,208,655	8,389,061	**13,107,656**	8,405,085

The fair values of 5 year bonds and 7 year bonds of 2014 are based on market prices as at 31 December 2019. The fair value of 5 year bonds of 2016, 5 year medium term note of 2017 and 5 year bonds of 2019 are based on cash flows discounted using rates based on the borrowing rate of 4.75% as at 31 December 2019.

For the non-current bank borrowings which bear interests at the prevailing market floating 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 are as follows:

	As at 31 December	
	2019	2018
	RMB '000	*RMB '000*
Deferred income tax assets:		
– To be recovered after more than 12 months	**1,096,585**	731,468
– To be recovered within 12 months	**243,628**	133,172
	1,340,213	864,640
Deferred income tax liabilities:		
– To be settled after more than 12 months	**(2,156,777)**	(2,004,066)
Deferred income tax liabilities-net	**(816,564)**	(1,139,426)

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

	2019	2018
	RMB '000	*RMB '000*
At 1 January	**(1,139,426)**	(1,334,572)
Credited to profit or loss (Note 30)	**391,700**	195,146
Charged to other comprehensive income	**(68,838)**	–
At 31 December	**(816,564)**	(1,139,426)

Notes to the Consolidated Financial Statement (Continued)

24. DEFERRED INCOME TAX (CONTINUED)

The movements in deferred income 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 assets:

	Provisions	Deductible loss	Accrued expense and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	5,627	96,004	519,805	621,436
Credited/(charged) to profit or loss	27,726	(28,819)	244,297	243,204
At 31 December 2018	33,353	67,185	764,102	864,640
Credited/(charged) to profit or loss	7,844	(571)	468,300	475,573
At 31 December 2019	41,197	66,614	1,232,402	1,340,213

Deferred tax liabilities:

	Investment properties revaluation	Tax depreciation allowances	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2018	(1,310,634)	(619,773)	(1,930,407)
Charged to profit or loss	(28,049)	(45,610)	(73,659)
At 31 December 2018	(1,338,683)	(665,383)	(2,004,066)
Charged to profit or loss	(37,914)	(45,959)	(83,873)
Charged to other comprehensive income	(68,838)	–	(68,838)
At 31 December 2019	(1,445,435)	(711,342)	(2,156,777)

Notes to the Consolidated Financial Statement (Continued)

24. DEFERRED INCOME TAX (CONTINUED)

Deferred tax assets: (Continued)

(a) Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognised deferred income tax assets of RMB 111,848,000 (2018: RMB 41,290,500) in respect of losses amounting to RMB 447,391,000 (2018: RMB 165,162,000) that can be carried forward against future taxable income, these tax losses will expire in the period from 2020 to 2024 as follows:

Year ending 31 December					
2020	**2021**	**2022**	**2023**	**2024**	**Total**
RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
10,079	8,035	10,101	109,663	309,513	447,391

25. EXPENSES BY NATURE

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment and right-of-use assets *(Notes 6 and 8)*	**158,552**	129,349
Amortisation of land use rights *(Note 6)*	**–**	8,652
Provision of impairment for properties *(Notes 13 and 14)*	**763,604**	236,327
Employee benefit expense *(Note 28)*	**1,035,735**	880,274
Advertising costs	**126,396**	136,258
Cost of properties sold	**11,722,304**	10,761,891
Cost of consumables used	**221,475**	208,399
Taxes and levies (other than income tax expenses)	**428,580**	445,240
Office and consumable expenses	**145,549**	233,072
Properties management fee	**92,474**	93,622
Energy and utilities expenses	**132,142**	134,397
Consulting and service expenses	**335,933**	224,804
Repair and maintenance expenses	**98,896**	108,318
Operating leases	**39,462**	51,221
Auditor's remuneration	**7,240**	7,240
Others	**75,385**	97,827
	15,383,727	13,756,891

Notes to the Consolidated Financial Statement (Continued)

26 OTHER INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Gain from revaluation of investment properties as transferred from completed properties held-for-sales	**5,016**	–
Interest income on loans to an associate and a joint venture	**2,167**	73,970
	7,183	73,970

27. OTHER GAINS – NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment and investment properties	**(6,106)**	(4,447)
Donation	**(8,460)**	(950)
Government grants	**23,114**	7,602
Penalty and compensation income	**15,738**	12,586
Penalty and compensation expense	**(4,568)**	(14,478)
Gains on exemption of long-term payables	**5,670**	–
Others	**5,467**	2,301
	30,855	2,614

28. EMPLOYEE BENEFIT EXPENSE

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Wages and salaries	**836,951**	764,066
Social security costs	**232,690**	169,178
Retirement benefit costs – defined contribution plans (a)	**108,198**	99,206
	1,177,839	1,032,450
Less: capitalised in properties under development	**(142,104)**	(152,176)
	1,035,735	880,274

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 in 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 the four months ended 30 April 2019, and 16% for the eight months from 1 May 2019 to 31 December 2019.

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 will contribute the same amount to the plan for the participants.

There were no forfeited contributions during the year or available at 31 December 2019 (2018: Nil) to reduce future contributions.

Contribution totaling RMB 9,418,000 (2018: RMB 9,305,000) were payable to the funds at the year end.

(b) Five highest paid individuals

During the year ended 31 December 2019, none of directors (whose emoluments are reflected in the analysis shown in Note 40) is one of the five individuals whose emoluments were the highest in the Group for the year (2018: one director). The emoluments payable to the five (2018: the remaining four) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Basic salaries and other allowances	**5,521**	4,471
Employer's contribution to retirement benefit scheme	**372**	250
	5,893	4,721

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2019	2018
Emolument bands		
RMB nil – RMB900,000 (equivalent to HK$ Nil – HK$1,000,000)	**–**	1
Over RMB 900,000 – RMB 1,340,000 (equivalent to HK$1,000,000 – HK$1,500,000)	**5**	4

(c) During the year ended 31 December 2019, 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 (2018: Nil). No directors waived or agreed to waive any emoluments during the years ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statement (Continued)

29. FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Interest expenses:		
– bank and other borrowings	**(1,985,338)**	(1,885,623)
– bonds and medium term notes	**(262,556)**	(255,364)
	(2,247,894)	(2,140,987)
Less: amounts capitalised in properties under development at a capitalisation rate of 6.17% (2018: 5.85%) per annum	**1,700,573**	1,483,422
	(547,321)	(657,565)
Bank charges and others	**(4,499)**	(7,785)
Finance expense	**(551,820)**	(665,350)
Finance income – interest income	**137,298**	124,612
Finance expenses – net	**(414,522)**	(540,738)

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% (2018: 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	
	2019	2018
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**1,394,938**	1,075,983
– PRC land appreciation tax	**1,576,250**	725,866
Deferred income tax credit (Note 24)	**(391,700)**	(195,146)
	2,579,488	1,606,703

The discontinued operations as mentioned in Note 37 have losses before income tax for both the years ended 31 December 2019 and 2018 and hence are not subject to any PRC enterprise income tax in the respective years.

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	
	2019	2018
	RMB'000	*RMB'000*
Profit from continuing operations before income tax expense	**4,681,368**	3,860,018
Loss from discontinued operation before income tax expense (Note 37)	**(6,421)**	(39,196)
	4,674,947	3,820,822
Less: share of net profit of investments accounted for using the equity method	**(187,469)**	(115,535)
	4,487,478	3,705,287
Tax calculated at the statutory tax rate of 25% (2018: 25%)	**1,121,870**	926,322
Expenses not deductible for tax purposes	**7,384**	71,919
Tax losses not recognised	**77,378**	27,689
Temporary differences not recognised	**190,893**	36,373
Effect of the land appreciation tax in the PRC	**1,182,188**	544,400
Utilisation of previously unrecognised tax losses	**(225)**	–
Income tax expenses	**2,579,488**	1,606,703

Notes to the Consolidated Financial Statement (Continued)

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 2019 and 2018.

	Year ended 31 December	
	2019	2018
Profit attributable to ordinary shareholders of the Company *(RMB'000)*	**1,788,709**	1,403,430
Number of ordinary shares in issue *(thousands)*	**3,367,020**	3,367,020
Earnings per share (basic and diluted) *(RMB cents per share)*	**53.12**	41.68
From continuing operations	**53.31**	42.84
From discontinued operations	**(0.19)**	(1.16)

32. DIVIDENDS

The dividends paid in 2019 are RMB 404,042,000 (2018: RMB 370,372,000). Proposed dividends of 2019 and 2018 were as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Interim dividend paid	**–**	–
2019 proposed final dividend of RMB 0.15 (2018: RMB 0.12 per share)	**505,053**	404,042
	505,053	404,042

The Board recommended the payment of a 2019 final dividend of RMB 0.15 per ordinary share. Total amount of the 2019 final dividend would be RMB 505,053,000 which is calculated according to the ordinary shares in issue as of 31 December 2019. Such dividend is subject to approval by the shareholders at the 2019 annual general meeting. These consolidated financial statements do not reflect this dividend payable.

Notes to the Consolidated Financial Statement (Continued)

33. CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit before income tax (net of loss from discontinued operation)	**4,674,947**	3,820,822
Adjustments for:		
– Loss allowance for receivables	**28,135**	19,893
– Impairment for properties under development and completed properties held-for-sale (Notes 13 and 14)	**763,604**	236,327
– Depreciation of property, plant and equipment and right-of-use assets (Notes 6 and 8)	**158,552**	129,349
– Amortisation of land use rights	**–**	8,652
– Fair value gains on investment properties	**(146,641)**	(112,196)
– Loss on disposal of property, plant and equipment and investment properties (a)	**6,197**	6,559
– Other income	**(7,183)**	(73,970)
– Interest income	**(137,298)**	(124,844)
– Interest expense	**547,321**	658,605
– Share of net profit of investments accounted for using the equity method	**(187,469)**	(115,535)
Operating profit before working capital changes	**5,700,165**	4,453,662
Changes in working capital:		
– Increase in restricted bank deposits	**(1,131,120)**	(857,112)
– (Increases)/decrease in other inventories	**(1,976)**	543
– Increase in properties under development and completed properties held-for-sales, net	**(1,024,626)**	(7,201,682)
– Decrease/(increase) in trade and other receivables	**908,012**	(145,764)
– (Decrease)/increase in trade and other payables	**(496,208)**	2,734,491
– (Decrease)/increase in contract liabilities	**(1,964,567)**	5,723,714
Cash generated from operations	**1,989,680**	4,707,852

Notes to the Consolidated Financial Statement (Continued)

33. CASH GENERATED FROM OPERATIONS (CONTINUED)

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

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Net book amount	**7,384**	8,645
Loss on disposal of property, plant and equipment and investment properties	**(6,197)**	(6,559)
Proceeds from disposal of property, plant and equipment and investment properties	**1,187**	2,086

(b) Reconciliation of liabilities from financing activities

This section sets out an analysis of liabilities from financing activities and the movements for each of the years presented.

	Liabilities from financing activities						
	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Amounts due to non-controlling interests RMB'000	CMBS RMB'000	Loans from third parties RMB'000	Amounts due to other related parties RMB'000	Total RMB'000
At 1 January 2019	(8,491,618)	(19,768,944)	(4,495,058)	(1,000,000)	(701,298)	(553,587)	(35,010,505)
Cash flows	860,003	(2,274,159)	1,028,504	15,000	(18,358)	(35,423)	(424,433)
Amortisation of the bonds	(6,570)	(3,575)	–	–	–	–	(10,145)
Non-cash financing activities *(Note 33(c)(i))*	–	–	(198,868)	–	–	–	(198,868)
At 31 December 2019	(7,638,185)	(22,046,678)	(3,665,422)	(985,000)	(719,656)	(589,010)	(35,643,951)

Notes to the Consolidated Financial Statement (Continued)

33. CASH GENERATED FROM OPERATIONS (CONTINUED)

(b) Reconciliation of liabilities from financing activities (Continued)

	Liabilities from financing activities							
	Borrowings due within 1 year *RMB'000*	Borrowings due after 1 year *RMB'000*	Amounts due to non-controlling interests *RMB'000*	Amounts due to BNSIGC *RMB'000*	CMBS *RMB'000*	Loans from third parties *RMB'000*	Amounts due to other related parties *RMB'000*	Total *RMB'000*
At 1 January 2018	(6,007,581)	(25,889,695)	(1,209,494)	(700,000)	–	(701,298)	(408,346)	(34,916,414)
Cash flows	(2,481,675)	6,127,888	(3,285,564)	700,000	(1,000,000)	–	(199,241)	(138,592)
Amortisation of the bonds	(2,362)	(7,137)	–	–	–	–	–	(9,499)
Non-cash financing activities (Note 33(c)(ii))	–	–	–	–	–	–	54,000	54,000
At 31 December 2018	(8,491,618)	(19,768,944)	(4,495,058)	–	(1,000,000)	(701,298)	(553,587)	(35,010,505)

(c) Major non-cash investing or financing activities

(i) During the year ended 31 December 2019, the interests payable on loans from minority interests of approximately RMB198,868,000 (2018: Nil) has been converted as part of the loan principal owing to the minority interests.

(ii) During the year ended 31 December 2018, the Group's dividends receivables from a joint venture of RMB 54,000,000 have been offset against the amounts due to the joint venture.

(iii) The recognition of right-of-use assets and lease liabilities for the leased land, properties and equipment as detailed in Notes 2.2 and 6 are considered as non-cash investing and financing transactions.

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 RMB 18,439,722,000 as at 31 December 2019 (2018: RMB 19,118,450,000).

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.

The Group has not recognised any liabilities in connection with the aforesaid financial guarantee contracts as the directors of the Company are of the view that it is remote for the Group to suffer from any significant losses on these financial guarantee contracts.

Notes to the Consolidated Financial Statement (Continued)

35. COMMITMENTS

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Properties under development		
– Contracted but not provided for	**10,390,505**	8,526,083
– Authorised but not contracted for	**12,023,029**	14,099,937
	22,413,534	22,626,020

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Investment properties		
– Contracted but not provided for	**105,516**	–
– Authorised but not contracted for	**763,519**	–
	869,035	–

(b) At 31 December 2019 and 2018, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as leasor as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Rental receivables in respect of investment properties		
Not later than one year	**844,818**	970,951
Later than one year and not later than five years	**951,637**	1,174,457
Later than five years	**690,766**	784,518
	2,487,221	2,929,926

As detailed in Notes 6 and 38(i)(a), the Group leases various land, properties and equipment under non-cancellable operating leases expiring within 3 months to 6 years. For 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short- term lease.

Notes to the Consolidated Financial Statement (Continued)

36. TERMINATION BENEFITS

	As at 31 December					
	2019			2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Termination benefits	**6,981**	**125,671**	**132,652**	8,059	137,127	145,186

As detailed in Note 37, the operations of retail business in supermarkets and shopping centres (the "discontinued operations") have been eventually ceased on 8 January 2018. To terminate the Group's employment relationships with the employees for the discontinued operations prior to their statutory retirement ages, the Group has already paid certain once-off compensations to these ex-employees for their voluntary redundancy in the prior year. The Group has also committed to continuing paying certain defined benefit medical or living expenses allowances to these ex-employees on a monthly basis (prior to their death) and the present value of the Group's unfunded obligations in respect of these committed defined benefits have been recognised as the Group's liability for the termination benefits as of the balance sheet date.

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Present value of unfunded obligations	**132,652**	145,186

The significant actuarial assumptions were as follows:

	2019	2018
	Beijing	Beijing
Discount rate	**2.75%-3.50%**	3.00%-3.75%
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 2019	**Increase in assumption 2019** *RMB'000*	**Decrease in assumption 2019** *RMB'000*
Discount rate	**one percentage point**	**18,373**	**24,711**
Salary growth rate	**one percentage point**	**1,364**	**1,315**

		Impact on defined benefit obligation	
	Change in assumption 2018	Increase in assumption 2018 *RMB'000*	Decrease in assumption 2018 *RMB'000*
Discount rate	one percentage point	18,889	25,306
Salary growth rate	one percentage point	1,960	1,873

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 consolidated 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 above-mentioned discontinued operation is set out below.

The financial performance and cash flow information presented are for the years ended 31 December 2019 and 2018.

	2019 RMB'000	2018 RMB'000
Revenue	50	4,373
Expenses	(6,471)	(43,569)
Loss before income tax	(6,421)	(39,196)
Income tax expense	–	–
Loss from discontinued operation	(6,421)	(39,196)
Net cash outflow from operating activities	(9,939)	(110,716)
Net cash inflow from investing activities	–	211
Net cash used in the discontinued operation	(9,939)	(110,505)

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 years ended 31 December 2019 and 2018, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government (collectively the "government controlled entities") mainly include the drawdown of bank borrowings and purchases of certain goods and services from these government controlled entities. The transactions with the government controlled entities are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

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 government controlled entities (including state-owned enterprises). Many government controlled entities have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatization programmes. Due to the pervasiveness of the Group's properties development, investment properties and hotels transactions with the government controlled entities, their employees, 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 all material related party transactions and balances, of which they are aware of, have been adequately disclosed.

Notes to the Consolidated Financial Statement (Continued)

38. RELATED PARTY TRANSACTIONS (CONTINUED)

For the years ended 31 December 2019 and 2018, CIFI (a non-controlling shareholder of certain subsidiaries of the Group) has significant influence over the related subsidiaries which are material to the Group and hence is deemed as a related party of the Group for the purpose of this related party transaction disclosure note. Nanjing Ningkang Investment Management Co., Ltd. ("NJNK"), Hefei Xuhui Business Management Co., Ltd ("HFXH"), Xu Zhao (HK) Co., Ltd. ("XZHK"), and Shanghai Xinzhi Construction Engineering Co., Ltd. ("SHXZ") are subsidiaries of CIFI (collectively the "subsidiaries of CIFI") and hence their transactions with the Group are also considered as related party transactions for the purpose of this disclosure note.

In addition to the above-mentioned transactions with the government related entities and the related party information shown elsewhere in these 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/provision of services with related parties and subsidiaries of CIFI

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
BNSIGC (operating lease payment in respect of the Land) *(Note a)*	**12,320**	16,089
BNSIGC (rental income)	**900**	900
BNSIGC (right-of-use assets in respect of the Land) *(Note a)*	**11,450**	—
Beijing North Star Exhibition Investment Co., Ltd ("BNSEIC") (rental income)	**4,039**	14
BNSEIC (internet service income)	**943**	–
BNSIGC (brand royalty fee)	**10**	10
XZHK (project management consulting service fee)	**6,606**	–
SHXZ (project construction service fee)	**28,528**	178,622
Beijing Asia Olympic Technology Co.,Ltd ("KCYA") (purchases of various goods and services)	**11,280**	8,101
	76,076	203,736

Notes to the Consolidated Financial Statement (Continued)

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Purchases/provision of services with related parties and subsidiaries of CIFI (Continued)

Note:

(a) As at 31 December 2019, certain of the Group's investment properties and hotel properties with carrying amounts of RMB 791,053,000 (2018: RMB 771,542,000) are erected on a piece of land (located in Beijing, the PRC) (the "Land") as leased from BNSIGC (as the legal owner of the Land) (the "Leases") at an annual rental of RMB16 million pursuant to the long-term lease agreement and a supplemental lease agreement as entered into between the Company and BNSIGC dated 18 April 1997 and 28 July 2003 respectively (collectively the "Lease Agreements"). The Lease Agreements were deemed as expired on 30 September 2019 based on the PRC Contract Law (effective 1 October 1999).

On 27 September 2019, the Company and BNSIGC have entered into an Asset Transfer Agreement pursuant to which the Company will acquire the Land from BNSIGC at a preliminary transfer price of approximately RMB 4,739 million (tax exclusive) (which will be adjusted to the final transfer price as determined by reference to a valuation of the Land to be conducted by a qualified independent assets appraiser and approved by State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality ("Beijing SASAC")) (the "Proposed Land Acquisition").

As of the date of these consolidated financial statements, the Proposed Land Acquisition has not yet been completed because the final transfer price has yet to be approved by Beijing SASAC and the Proposed Land Acquisition has to be approved by the independent shareholders of the Company.

Prior to the completion of the aforesaid Proposed Land Acquisition, BNSIGC is obliged to continue leasing the Land to the Group at the same annual rental amount as set out in the Lease Agreements. On the condition that the aforesaid necessary approvals could be obtained, the directors of the Company estimated that the Proposed Land Acquisition could be completed prior to 30 September 2020 (the "Expected Completion Date"). Considering the Group will continue to lease the Land till the Expected Completion Date, the Group has recognised a right-of-use asset and lease liability of approximately RMB 11,450,000 and RMB 11,389,000 respectively based on the requirements as set out in HKFRS 16.

If the Proposed Land Acquisition fails to be completed eventually, BNSIGC and the Company will seek other solutions through negotiations.

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

Notes to the Consolidated Financial Statement (Continued)

38. RELATED-PARTY TRANSACTIONS (CONTINUED)

(ii) Advances to BNSEIC

	2019
	RMB'000
At 1 January 2019	–
Advances during the year	2,658
At 31 December 2019	2,658

(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 2019			
At 1 January 2019	74,881	107,545	182,426
Repayments of project cooperation funds	(74,508)	(107,283)	(181,791)
Interest income accrued	931	976	1,907
Interest income received	(1,304)	(1,238)	(2,542)
At 31 December 2019	–	–	–
Year ended 31 December 2018			
At 1 January 2018	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 2018	74,881	107,545	182,426

(a) The funds to WXSY were unsecured, bore interests at fixed rate of 9% per annum and were repayable by instalments prior to September 2020. In February 2019, the joint venture has early repaid all of the remaining amount of the funds.

(b) The funds to WXCW were unsecured, bore interests at fixed rate of 8% per annum and were repayable by instalments prior to July 2019. In April 2019, the associate has repaid all of the remaining amount of the funds.

Notes to the Consolidated Financial Statement (Continued)

38. RELATED-PARTY TRANSACTIONS (CONTINUED)

(iv) Funds advanced to subsidiaries of CIFI

	XZHK RMB'000	HFXH RMB'000	NJNK RMB'000	SHXZ RMB'000	Total RMB'000
At 1 January 2019	**1,015,000**	**25,000**	**333,200**	**–**	**1,373,200**
Funds granted	**40,000**	**176,000**	**–**	**12,098**	**228,098**
Repayment of funds	**(250,000)**	**–**	**(83,300)**	**(12,098)**	**(345,398)**
At 31 December 2019	**805,000**	**201,000**	**249,900**	**–**	**1,255,900**

	XZHK RMB'000	HFXH RMB'000	NJNK RMB'000	SHXZ RMB'000	Total RMB'000
At 1 January 2018	1,265,000	–	294,000	–	1,559,000
Funds granted	150,000	25,000	196,000	39,570	410,570
Repayment of funds	(400,000)	–	(156,800)	(39,570)	(556,800)
At 31 December 2018	1,015,000	25,000	333,200	–	1,373,200

The funds are interest free, unsecured and have no fixed terms of repayment.

(v) Funds advanced from related parties

The Group has received funds from its joint ventures, WHML, HZJH, HZCX and WXSY, and its associates, HZXF and WXCW.

	WHML RMB'000	HZJH RMB'000	HZXF RMB'000	HZCX RMB'000	WXSY RMB'000	WXCW RMB'000	Total RMB'000
At 1 January 2019	**68,000**	**312,500**	**76,886**	**96,201**	**–**	**–**	**553,587**
Funds granted	**–**	**–**	**10,917**	**21,809**	**400,000**	**122,500**	**555,226**
Repayment of funds	**(10,000)**	**–**	**(87,803)**	**(42,000)**	**(380,000)**	**–**	**(519,803)**
At 31 December 2019	**58,000**	**312,500**	**–**	**76,010**	**20,000**	**122,500**	**589,010**

	WHML RMB'000	HZJH RMB'000	HZXF RMB'000	HZCX RMB'000	Total RMB'000
At 1 January 2018	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 2018	68,000	312,500	76,886	96,201	553,587

The funds advanced from related parties are interest free, unsecured and have no fixed terms of repayment.

Notes to the Consolidated Financial Statement (Continued)

38. RELATED-PARTY TRANSACTIONS (CONTINUED)

(vi) The Group's associate, HZXF, has declared a dividend of RMB 89,236,000 and 57,226,000 on 28 June and 18 July 2019, respectively, among which dividend of RMB 51,261,000 is entitled by the Group.

(vii) Balances arising from purchases of goods and services, advances and funds

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade and other receivables from related parties and subsidiaries of CIFI		
XZHK	**805,000**	1,015,000
HFXH	**201,000**	25,000
NJNK	**249,900**	333,200
WXCW	**–**	107,544
WXSY	**–**	74,880
BNSEIC	**2,658**	–
	1,258,558	1,555,624
Trade and other payables to related parties and subsidiaries of CIFI		
WHML	**58,000**	68,000
HZXF	**–**	76,886
HZJH	**312,500**	312,500
HZCX	**76,010**	96,201
WXSY	**20,000**	–
WXCW	**122,500**	–
NJNK	**29,153**	31,787
SHXZ	**34,546**	65,785
XZHK	**34,424**	35,216
KCYA	**5,780**	6,791
	692,913	693,166

Notes to the Consolidated Financial Statement (Continued)

38. RELATED-PARTY TRANSACTIONS (CONTINUED)

(viii) Key management compensation

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Salaries and other short-term employee benefits	**16,955**	16,524
Post-employment benefit	**1,613**	1,585
	18,568	18,109

(ix) Lease liabilities

	As at 31 December 2019 RMB'000	2018 RMB'000
BNSIGC (lease liability in respect of the Land *(Note 38 (i)(a))*	**11,389**	—

(x) Accept financial guarantee

Pursuant to the agreements as entered into between BNSIGC and the Group, BNSIGC provides joint liability counter-guarantee for the Group's borrowings from Beijing Rural Commercial Bank, Beijing International Trust Company Limited and Industrial and Commercial Bank of China, which amounted to RMB 1,086,000,000, RMB 998,000,000 and RMB 2,194,444,442 as at 31 December 2019 (As at 31 December 2018: RMB 1,460,000,000, RMB 1,000,000,000 and RMB 2,305,555,554), respectively.

(xi) Provide financial guarantee

Pursuant to an agreement signed by the Company dated 24 May 2019, the Company provides joint liability counter-guarantee for the syndicated borrowings as drawndown by the joint venture, WXSY, from Construction Bank of China and Bank of Jiangsu, which amounted to RMB 226,000,000 as at 31 December 2019.

Pursuant to an agreement signed by the Company dated 9 February 2018, the Company provides joint liability counter-guarantee for the borrowings as drawndown by the joint venture, WXSY, from Agricultural Bank of China which amounted to RMB 544,714,000 as at 31 December 2018.

Notes to the Consolidated Financial Statement (Continued)

39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Right-of-use assets		**17,414**	—
Investment properties		**13,366,971**	12,756,300
Property, plant and equipment		**1,087,410**	1,157,914
Investments in subsidiaries		**6,515,697**	2,849,803
Deferred income tax assets		**271,274**	197,240
Other receivables and prepayment		**17,118,867**	11,389,652
		38,377,633	28,350,909
Current assets			
Loans to subsidiaries		**8,391,783**	9,538,209
Properties under development		**–**	1,405,966
Completed properties held for sale		**1,232,871**	1,375,902
Other inventories		**45,057**	42,472
Trade and other receivables and prepayments		**166,897**	2,612,154
Restricted bank deposits		**9,860**	9,839
Cash and cash equivalents		**7,094,713**	6,167,841
		16,941,181	21,152,383
Total assets		**55,318,814**	49,503,292

Notes to the Consolidated Financial Statement (Continued)

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

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Long term borrowings		**12,523,516**	15,560,574
Lease liabilities		**10,855**	—
Employee termination benefit obligations		**125,671**	137,127
Deferred income tax liabilities		**2,103,027**	1,930,841
		14,763,069	17,628,542
Current liabilities			
Trade and other payables		**11,980,450**	8,590,649
Advances from other parties		**589,010**	553,587
Contract liabilities		**701,931**	391,160
Current income tax liabilities		**646,579**	658,110
Lease liabilities		**15,495**	—
Current portion of long term borrowings		**6,036,990**	2,556,618
Short term borrowings		**900,000**	1,100,000
		20,870,455	13,850,124
Total liabilities		**35,633,524**	31,478,666
Net assets		**19,685,290**	18,024,626
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,367,020**	3,367,020
Other reserves		**4,833,133**	4,561,253
Retained earnings		**8,854,757**	8,482,902
Equity attributable to ordinary shareholders of the Company		**17,054,910**	16,411,175
Perpetual bond		**2,630,380**	1,613,451
Total equity		**19,685,290**	18,024,626

The balance sheet of the Company was approved by the Board of Directors on 21 April 2020 and was signed on its behalf.

He Jiang Chuan	Li Wei Dong

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 2018	8,016,914	4,493,946
Profit for the year	907,511	–
Dividends relating to 2017	(370,372)	–
Appropriation of statutory reserves	(71,151)	71,151
Other comprehensive income	–	(3,844)
At 31 December 2018	8,482,902	4,561,253
At 1 January 2019	**8,482,902**	**4,561,253**
Profit for the year	**840,643**	**–**
Dividends relating to 2018	**(404,042)**	**–**
Appropriation of statutory reserves	**(64,746)**	**64,746**
Other comprehensive income	**–**	**207,134**
At 31 December 2019	**8,854,757**	**4,833,133**

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 2019:

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	–	702	74	38	814
Mr. Li Wei Dong	–	702	74	38	814
Ms. Li Yun	–	609	74	38	721
Mr. Chen De Qi	–	586	74	38	698
Ms. Zhang Wen Lei	–	618	74	38	730
Mr. Guo Chuan	–	586	74	38	698
Mr. Fu Yiu Man	86	–	–	–	86
Mr. Dong An Sheng	86	–	–	–	86
Mr. Wu Ge	86	–	–	–	86
	258	3,803	444	228	4,733

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 2018:

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	–	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

41. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 21 April 2020, the Board has resolved to recommend the payment of a final dividend of RMB0.15 per share for the year ended 31 December 2019(2018: RMB0.12 per share).

(b) Following the outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak) in early 2020, a series of precautionary and control measures have been and continued to be implemented across China, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in offices and encouraged social distancing, etc.

The Group has assessed that the COVID-19 outbreak may have a temporary unfavorable impact on the progress of the Group's property construction activities and the sales of its properties. In addition, the occupancy rates of the Group's investment properties and hotels and hence the income as generated from the operations of these properties may also be reduced temporary due to the COVID-19 outbreak. The financial effect of the abovementioned impact cannot be reliably estimated as of the date of these consolidated financial statements. The Group will continue to pay close attention to the development of the COVID-19 outbreak and perform further assessment of its impact and take relevant measures accordingly.

Supplementary Information

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2019 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 summarised as follows:

	Profit attributable to the owners of the Company for the year ended 31 December		Capital and reserves attributable to the owners of the Company as at 31 December	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As stated in accordance with CAS	**1,653,949**	1,189,511	**17,368,058**	15,217,462
Impact of HKFRS adjustments				
1. Reversal of depreciation of investment properties under CAS	**137,877**	136,831	**1,804,717**	1,666,840
2. Fair value adjustment of investment properties under HKFRS	**113,742**	84,147	**4,665,618**	4,345,361
As stated in accordance with HKFRS	**1,905,568**	1,410,489	**23,838,393**	21,229,663

Directors' Proposal on the Appropriation of Profit for the Year of 2019

In accordance with the pertinent regulations and based on the actual situation of the Company, the Board of Beijing North Star Company Limited, at a meeting held on 21 April 2020, proposed that the appropriation of profit of the Company for the year of 2019 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 RMB0.15 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, 30 June 2020. If the proposal is approved by the shareholders at the 2019 annual general meeting, the final dividend is expected to be paid on or before Friday, 24 July 2020. 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 2019 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 Link Square 2 202 Hu Bin Road, Huangpu District Shanghai, the PRC
Postal code:	200021
Telephone:	(8621) 2323 8888
Fax:	(8621) 2323 8800
International auditor:	PricewaterhouseCoopers *Certified Public Accountants* Registered Public Interest Entity Auditor
Address:	22/F, Prince's Building Central, Hong Kong
Telephone:	(852) 2289 8888
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Corporate Information (Continued)

LEGAL ADVISERS

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