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

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

(Stock Code: 588)

2018 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Beijing North Star Company Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2018 as set out below:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	2018	2017
		RMB'000	RMB'000
Continuing operations			
Revenue	2	17,859,790	15,303,224
Cost of sales	3	(12,375,886)	(10,669,859)
Gross profit		5,483,904	4,633,365
Selling and marketing expenses	3	(496,103)	(461,806)
Administrative expenses	3	(884,902)	(868,994)
Fair value gains on investment properties		112,196	147,993
Net impairment losses on financial assets		(6,458)	–
Other income		73,970	17,176
Other gains/(losses) – net		2,614	(43,133)
Operating profit		4,285,221	3,424,601
Finance income	4	124,612	103,729
Finance expenses	4	(665,350)	(594,904)
Finance expenses – net	4	(540,738)	(491,175)
Share of net profit of investments accounted for using the equity method		115,535	46,087
Profit before income tax		3,860,018	2,979,513
Income tax expense	5	(1,606,703)	(1,402,372)
Profit from continuing operations		2,253,315	1,577,141

CONSOLIDATED INCOME STATEMENT (CONTINUED)

		Year ended 31 December	
	<i>Note</i>	2018	2017
		<i>RMB'000</i>	<i>RMB'000</i>
Loss from discontinued operation			
(attributable to owners of the company)		<u>(39,196)</u>	<u>(17,182)</u>
Profit for the year		<u>2,214,119</u>	<u>1,559,959</u>
Attributable to:			
Ordinary shareholders of the Company	6	1,403,430	1,389,761
Holders of perpetual bond		7,059	–
Non-controlling interests		<u>803,630</u>	<u>170,198</u>
		<u>2,214,119</u>	<u>1,559,959</u>
Earnings per share attributable to			
 ordinary shareholders of the			
 Company (basic and diluted)			
<i> (expressed in RMB cents per share)</i>			
From continuing operations		42.84	41.79
From discontinued operations		<u>(1.16)</u>	<u>(0.51)</u>
		<u>41.68</u>	<u>41.28</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31 December	
		2018	2017
		<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Land use rights		294,514	303,166
Investment properties		12,867,800	12,753,600
Property, plant and equipment		2,324,215	2,305,110
Investments accounted for using the equity method		327,773	301,699
Deferred income tax assets		864,640	621,436
Trade and other receivables and prepayments	8	254,952	1,506,726
		16,933,894	17,791,737
Current assets			
Properties under development		51,244,333	44,604,365
Completed properties held for sale		9,102,815	7,898,454
Other inventories		47,552	48,095
Trade and other receivables and prepayments	8	8,825,465	6,464,581
Restricted bank deposits		1,904,818	1,047,706
Cash and cash equivalents		11,851,788	9,846,708
		82,976,771	69,909,909
Total assets		99,910,665	87,701,646

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
	Note	2018	2017
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Long term borrowings		19,768,944	25,889,695
Trade and other payables	9	5,031,574	1,579,476
Long term payables		137,127	139,237
Deferred income tax liabilities		2,004,066	1,930,407
		<u>26,941,711</u>	<u>29,538,815</u>
Current liabilities			
Trade and other payables	9	10,848,489	31,258,635
Contract liabilities		28,444,766	–
Current income tax liabilities		2,327,896	1,743,380
Current portion of long term borrowings		7,391,618	5,307,581
Short term borrowings		1,100,000	700,000
		<u>50,112,769</u>	<u>39,009,596</u>
Total liabilities		<u>77,054,480</u>	<u>68,548,411</u>
Net assets		<u>22,856,185</u>	<u>19,153,235</u>
EQUITY			
Share capital		3,367,020	3,367,020
Other reserves		4,501,602	4,432,663
Retained earnings		11,747,590	10,590,512
Capital and reserves attributable to ordinary shareholders of the Company		19,616,212	18,390,195
Perpetual bond		1,613,451	–
Non-controlling interests		<u>1,626,522</u>	<u>763,040</u>
Total equity		<u>22,856,185</u>	<u>19,153,235</u>

Notes:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

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

(a) New and amended standards adopted by the Group

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

(b) New standards and interpretations not yet adopted

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

HKFRS 16, "Leases"

Nature of change

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

Impact

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

(b) New standards and interpretations not yet adopted (continued)

HKFRS 16, “Leases” (continued)

Date of adoption by Group

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

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

(c) Changes in accounting policies

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

HKFRS 9, “Financial Instruments”

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

(c) Changes in accounting policies (continued)

HKFRS 9, “Financial Instruments” (continued)

Impairment of financial assets

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

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

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

HKFRS 15, “Revenue from Contracts with Customers”

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

(c) Changes in accounting policies (continued)

HKFRS 15, “Revenue from Contracts with Customers” (continued)

In summary, the following adjustments were made to the amounts recognized in the balance sheet at the date of initial application (1 January 2018):

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

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

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

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

2. SEGMENT INFORMATION

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

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

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

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

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

2. SEGMENT INFORMATION (CONTINUED)

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

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

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

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

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

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

2. SEGMENT INFORMATION (CONTINUED)

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

Business Segment	Development properties <i>RMB'000</i>	Investment properties and hotels <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Total segment revenues	15,133,498	2,680,031	136,178	17,949,707
Inter-segment revenues	–	(51,011)	(38,906)	(89,917)
Revenue from external customers	15,133,498	2,629,020	97,272	17,859,790
Profit/(loss) before income tax	2,697,947	883,711	(54,400)	3,527,258
Depreciation and amortization	9,194	296,550	6,353	312,097
Finance income	50,710	5,591	193	56,494
Finance expenses	34,345	–	–	34,345
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

2. SEGMENT INFORMATION (CONTINUED)

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

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

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

2. SEGMENT INFORMATION (CONTINUED)

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

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

2. SEGMENT INFORMATION (CONTINUED)

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

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

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

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

2. SEGMENT INFORMATION (CONTINUED)

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

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

2. SEGMENT INFORMATION (CONTINUED)

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

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

2. SEGMENT INFORMATION (CONTINUED)

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

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

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

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

3. EXPENSES BY NATURE

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

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

4. FINANCE INCOME AND EXPENSES

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

5. INCOME TAX EXPENSES

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

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

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

5. INCOME TAX EXPENSES (CONTINUED)

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

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

6. EARNINGS PER SHARE

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

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

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

7. DIVIDENDS

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

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Interim dividend paid	<u>—</u>	<u>—</u>
2018 proposed RMB0.12 per share final dividend (2017: RMB0.11 per share)	<u>404,042</u>	<u>370,372</u>
	<u><u>404,042</u></u>	<u><u>370,372</u></u>

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

(a) Trade and other receivables

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

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade and other receivables (Continued)

(i) Trade receivables

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

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

9. TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Advances from customers (a)	276,385	22,563,894
Trade payables	6,659,150	4,980,815
Dividends payable to non-controlling interests of subsidiaries	17,162	1,162
Accrued interest	484,131	302,793
Amounts due to non-controlling interests	4,495,058	1,209,494
Amounts due to Beijing North Star Industrial Group Limited Liabilities Company	–	700,000
Amounts due to other related parties	686,375	804,718
Tianfeng-North Star Changsha Intercontinental Hotel Commercial Mortgage Backed Securities	1,000,000	–
Amount due to Beijing Third Construction Engineering Company Limited	701,298	701,298
Other payables	1,552,445	1,539,721
Termination benefits	8,059	34,216
	15,880,063	32,838,111
Less: non-current portion of trade and other payables	(5,031,574)	(1,579,476)
	10,848,489	31,258,635

9. TRADE AND OTHER PAYABLES (CONTINUED)

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

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

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

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2018 in accordance with the Basic Standard and 38 specific Standard of the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (“CAS”). The differences between the financial statements prepared under CAS and HKFRS are summarized as follows:

	Profit attributable to owners of the Company For the year ended 31 December 2018		Capital and reserves attributable to owners of the Company As at 31 December 2018	
	RMB'000	RMB'000	RMB'000	RMB'000
As stated in accordance with CAS	1,189,511	1,140,410	15,217,462	12,598,972
Impact of HKFRS adjustments:				
1. Reversal of depreciation of investment properties under CAS	136,831	138,356	1,666,840	1,530,009
2. Fair value adjustment of investment properties under HKFRS	84,147	110,995	4,345,361	4,261,214
As stated in accordance with HKFRS	<u>1,410,489</u>	<u>1,389,761</u>	<u>21,229,663</u>	<u>18,390,195</u>

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group’s results for the year ended 31 December 2018 have been agreed upon by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. 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 this preliminary results announcement.

RESULTS AND DIVIDEND

The Group's revenue increased by 16.71% to RMB17,859,790,000. The Group's profit attributable to ordinary shareholders for the year ended 31 December 2018 increased by 0.98% as compared with the same period of last year to RMB1,403,430,000.

The Board has recommended the payment of a final dividend of RMB0.12 per share (2017: RMB0.11 per share) for the year ended 31 December 2018, totalling RMB404,042,000 to those shareholders whose names appear on the register of shareholders after the close of business at 4:30 p.m. on Tuesday, 11 June 2019. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the final dividend is expected to be payable on or before Friday, 26 July 2019.

CLOSURE OF REGISTER OF SHAREHOLDERS

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 required 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 non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees or other groups and organisations will be treated as being held by non-resident enterprise shareholders and therefore the dividend payable therein will be subject to the withholding of the corporate income tax.

The register of shareholders of the Company will be closed from Saturday, 27 April 2019 to Tuesday, 28 May 2019 (both days inclusive), during which no transfer of the Company's shares will be registered. For the purpose of ascertaining the shareholders' entitlement to attend and vote at the 2018 annual general meeting, all completed transfer documents relating to H shares, accompanied by the relevant share certificates, must be lodged with the H share registrar of the Company, Hong Kong Registrars Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 26 April 2019.

Subject to the approval of the shareholders at the annual general meeting, the proposed final dividend will be payable to the shareholders whose names appear on the register of shareholders of the Company after the close of business at 4:30 p.m. on Tuesday, 11 June 2019. The register of shareholders of the Company will be closed from Monday, 3 June 2019 to Tuesday, 11 June 2019 (both days inclusive), during which no transfer of the Company's shares will be registered. In order to qualify for the proposed final dividend, all completed transfer documents relating to H shares, accompanied by the relevant share certificates, must be lodged with the H share registrar of the Company, Hong Kong Registrars Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 31 May 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

I. DISCUSSION AND ANALYSIS ON OPERATION

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

1. Development Properties

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

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

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

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

Sources: CREIS China Index Database.

2. Investment Properties (Including Hotels)

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

II. BUSINESS REVIEW DURING THE REPORTING PERIOD

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

1. Development Property

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

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

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

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

Table 2: Real Estate Projects during the Reporting Period

Unit: RMB 100 million, square meter

No.	Project name	Location	Operating state	Project status	Project interests	Total investment	Actual investment amount during the Reporting Period	Project area	Total floor area	Planned plot ratio-based gross floor area	Equity area held for development	Land area during Reporting Period	New construction area during Reporting Period	Floor area under construction during Reporting Period	Completed area during Reporting Period	Accumulated completed area	Saleable area during Reporting Period	Contracted area during Reporting Period	
1	Beijing North Star Red Oak Villa	Changping, Beijing	Villa	Under Construction	100%	34.00	1.75	287,500	213,800	150,000	-	-	-	213,800	69,500	-	144,300	13,310	1,595
2	Beijing Modern Beichen Yue MOMA	Shunyi, Beijing	Owner occupied commercial housing and housing of two limits	Under Construction	50%	23.47	0.98	52,800	132,500	109,300	54,700	-	-	132,500	1,400	-	131,100	5,923	1,020
3	Beijing North Star • Villa 1900	Shunyi, Beijing	Residence	Under Construction	100%	24.45	-	101,200	213,300	140,000	-	-	-	213,300	5,400	-	207,900	51,567	4,340
4	Beijing Beiqijia Project	Changping, Beijing	Residence	Under Construction	51%	93.09	35.05	86,600	250,000	170,400	87,000	250,000	-	-	-	-	-	-	-
5	Changsha North Star Delta	Changsha, Hunan	Residence, commercial and office building	Under Construction	100%	330.00	18.85	780,000	5,200,000	3,820,000	-	751,000	337,900	4,449,000	1,382,900	443,900	3,510,000	574,492	432,886
6	Changsha North Star Central Park	Changsha, Hunan	Residence	Under Construction	51%	48.00	6.81	336,300	906,300	720,000	367,200	141,100	-	765,200	479,400	169,200	455,000	205,896	166,169
7	Changsha Lot 077 Project ▲	Changsha, Hunan	Residence and commercial	Newly acquired land reserve in 2018, (yet to commence construction)	100%	13.07	2.22	27,700	146,000	107,900	-	146,000	-	-	-	-	-	-	-
8	Wuhan North Star Contemporary Best+	Wuhan, Hubei	Residence and commercial	Under Construction	45%	21.00	2.35	104,700	313,800	241,100	108,500	-	-	313,800	-	-	313,800	8,974	2,771
9	Wuhan North Star Guangguli	Wuhan, Hubei	Commercial Service	Under Construction	51%	33.94	3.46	84,200	492,000	337,000	171,900	134,800	-	357,200	357,200	-	-	78,304	41,374
10	Wuhan Blue City	Wuhan, Hubei	Residence and commercial	Under Construction	100%	86.63	7.16	358,000	976,000	716,000	-	352,000	386,500	624,000	624,000	-	-	186,187	180,754
11	Wuhan North Star • Gendale • China Chic	Wuhan, Hubei	Residence	Under Construction	51%	22.83	1.43	41,800	182,000	127,000	64,900	-	182,000	182,000	182,000	-	-	28,024	12,266
12	Wuhan North Star Peacock Shoal ▲	Wuhan, Hubei	Residence	Under Construction	60%	12.97	5.09	75,200	220,000	172,800	103,700	-	220,000	220,000	220,000	-	-	22,470	21,959
13	Wuhan Lot P067 Project ▲	Wuhan, Hubei	Residence and commercial	Newly acquired land reserve in 2018, (yet to commence Construction)	100%	20.00	4.77	50,500	177,200	126,200	-	177,200	-	-	-	-	-	-	-
14	Wuhan Lot P068 Project ▲	Wuhan, Hubei	Residence and commercial	Newly acquired land reserve in 2018, (yet to commence Construction)	100%	16.20	5.99	63,200	223,700	158,100	-	223,700	-	-	-	-	-	-	-
15	Wuhan Lot P164 Project ▲	Wuhan, Hubei	Residence and commercial	Newly acquired land reserve in 2018, (yet to commence Construction)	100%	18.72	7.87	50,500	213,800	151,400	-	213,800	-	-	-	-	-	-	-
16	Hangzhou North Star Shushan Project	Hangzhou, Zhejiang	Residence and commercial	Completed	80%	26.78	1.86	83,900	317,500	235,000	188,000	-	-	317,500	142,900	142,900	317,500	15,764	3,649
17	Hangzhou Honor Mansion	Hangzhou, Zhejiang	Residence and commercial	Completed	35%	14.85	1.10	41,900	108,400	75,000	26,300	-	-	108,400	-	-	108,400	140	140

No.	Project name	Location	Operating state	Project status	Project interests	Actual investment amount during the Reporting Period		Planned plot ratio-based gross floor area	Equity area development	New construction area during the Reporting Period		Floor area under construction during the Reporting Period		Completed area during the Reporting Period		Saleable area during the Reporting Period		Contracted area during the Reporting Period	
						Total investment	Reporting Period	Total floor area		Land area held for development	Reporting Period	construction area	Reporting Period	Completed area	Reporting Period	area	Reporting Period	area	Reporting Period
18	Hangzhou Scenery Mansion	Hangzhou, Zhejiang	Residence and commercial	Completed	35%	4.90	1.25	32,600	8,100	-	-	32,600	-	-	-	-	-	-	-
19	Hangzhou Guosongfu	Hangzhou, Zhejiang	Residence	Under Construction	100%	16.06	2.28	69,900	-	-	-	69,900	-	-	-	-	39,019	34,041	-
20	Hangzhou Jinhui Art Villa of City	Hangzhou, Zhejiang	Residence and commercial	Under Construction	25%	5.50	4.87	209,700	36,000	-	-	209,700	-	-	-	-	79,417	78,090	-
21	Hangzhou Jubao Project ▲	Hangzhou, Zhejiang	Residence	Newly acquired land reserve in 2018, (yet to commence Construction)	100%	11.03	7.02	44,400	-	44,400	-	-	-	-	-	-	-	-	-
22	Ningbo Beichenfu	Ningbo, Zhejiang	Residence	Under Construction	100%	41.71	3.65	189,700	-	-	-	189,700	-	-	-	-	130,443	25,847	-
23	Ningbo Mansion • Jintian	Ningbo, Zhejiang	Residence and commercial	Under Construction	51%	59.50	2.68	404,800	149,200	-	-	404,800	-	-	-	-	208,040	195,759	-
24	Nanjing North Star CIFI Park Mansion • Jin Ling	Nanjing, Jiangsu	Residence	Completed	51%	29.76	1.33	105,000	36,100	-	-	105,000	-	105,000	105,000	1,716	1,559	-	-
25	Suzhou North Star CIFI No. 1 Courtyard	Suzhou, Jiangsu	Residence and commercial	Under Construction	50%	28.78	0.94	178,700	90,300	-	-	102,500	-	102,500	102,500	33,627	33,304	-	-
26	Suzhou Guanlan Mansion	Suzhou, Jiangsu	Residence and commercial	Under Construction	100%	58.82	4.07	170,000	-	-	-	392,900	-	-	-	-	37,134	815	-
27	Wuxi Tianyi Jiu Zhu	Wuxi, Jiangsu	Residence	Under Construction	49%	28.60	3.85	88,000	96,000	-	-	255,400	-	-	-	-	155,068	88,341	-
28	Wuxi Times City	Wuxi, Jiangsu	Residence	Under Construction	40%	46.79	5.32	137,900	165,500	-	-	532,600	-	-	-	-	241,007	146,531	-
29	Chengdu North Star • Landsea Southern Gate Green Shire	Chengdu, Sichuan	Residence and commercial	Under Construction	40%	20.04	0.80	63,600	63,400	-	-	236,900	-	152,700	152,700	10,512	7,484	-	-
30	Chengdu North Star • Xianglu	Chengdu, Sichuan	Residence and commercial	Under Construction	100%	14.71	1.24	40,400	-	-	-	150,800	-	-	-	-	2,143	599	-
31	Chengdu North Star • South Lake Xianglu	Chengdu, Sichuan	Residence	Under Construction	100%	29.16	3.33	88,000	-	-	-	299,100	-	-	-	-	158,457	140,177	-
32	Chengdu North Star Royal Palace	Chengdu, Sichuan	Residence and commercial	Commenced	100%	15.26	2.17	26,600	-	-	-	120,000	-	-	-	-	-	-	-
33	Chengdu Xiehe Lot 017 Project ▲	Chengdu, Sichuan	Residence and commercial	Newly acquired land reserve in 2018, (yet to commence Construction)	100%	26.51	3.80	80,100	-	225,900	-	-	-	-	-	-	-	-	-
34	Sichuan Guosongfu	Meishan, Sichuan	Residence and commercial	Commenced	100%	27.18	0.69	339,000	-	139,800	-	199,200	-	-	-	-	23,488	9,513	-
35	Langfang North Star Aoyuan New Town	Langfang, Hebei	Residence and commercial	Under Construction	100%	25.73	2.69	140,700	-	141,100	-	278,100	-	-	-	-	55,606	31,504	-
36	Langfang Lot 2018-4 Project ▲	Langfang, Hebei	Residence	Newly acquired land reserve in 2018, (yet to commence Construction)	100%	25.31	9.28	82,500	-	241,600	-	-	-	-	-	-	-	-	-
37	Hefei North Star CIFI Park Mansion • Luzhou	Hefei, Anhui	Residence and commercial	Under Construction	50%	42.14	2.84	141,700	119,500	22,200	-	333,500	-	159,300	159,300	34,036	29,091	-	-
38	Chongqing Yuelai No.1	Yubei, Chongqing	Residence and commercial	Under Construction	100%	100.66	7.27	429,100	-	685,500	-	588,500	-	-	-	-	209,069	122,373	-
39	Haikou West Coast Project	Haikou, Hainan	Residence and commercial	Under Construction	100%	45.47	2.82	106,800	-	149,300	-	114,100	-	-	-	-	-	-	-
Total						1,543.62	180.93	4,840,400	1,956,300	4,039,400	12,682,000	8,047,400	1,275,500	5,910,000	2,609,833	1,813,951			

Notes:

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

2. Investment Properties (Including Hotels)

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

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

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

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

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

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

Table 3: Leasing of Real Estate during the Reporting Period*Unit: 0'000 Currency: RMB*

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

Note:

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

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

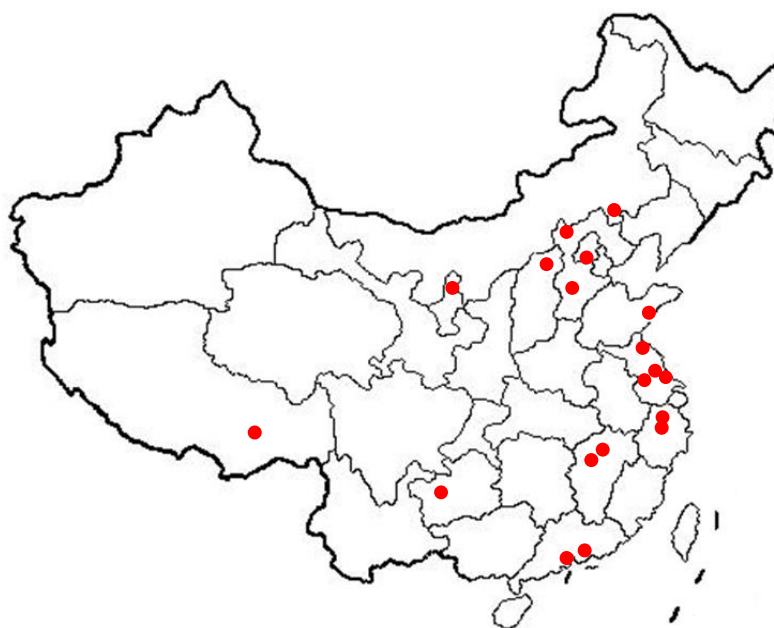


**Table 4: Breakdown of entrusted management projects of the Company
as at the end of the Reporting Period**

No.	Convention center projects under entrusted management	Hotel projects under entrusted management
1.	Zhuhai International Convention & Exhibition Center	V-Continent Nyingchi Hotel
2.	Beijing Yanqi Lake International Convention & Exhibition Center	North Star V-Continent Huidong Executive Apartment
3.	Nanchang Greenland International Expo Center	Jiangxi Hongwei Continental Crown Hotel
4.	Lianyungang Land Bridge International Convention Center	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	Nanjing Wangyudao North Star V-Continent Garden-style Hotel
12.		Hangzhou International Expo Center Hotel
13.		Nanchang Greenland Continental Crown Hotel
14.		Land Bridge Crown Business Hotel
15.		Nantong Kechuang Center Hotel

3. Nurturing Business

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

4. Financing Work

Against the backdrop of deepened financial reform featuring financial deleveraging to prevent risks and promote the sound and sustainable development of enterprises, the Company furthered the implementation of its capital expansion strategy by leveraging the platform of "headquarters financing", developed new ways of financing, expanded the financing channel and adjusted its liability structure. During the Reporting Period, the Company, after integrating its quality assets, successfully achieved financing through the securitization of its own property leveraging its Intercontinental Changsha for the first time, and obtained proceeds of RMB1,050 million successfully therefrom (the Group purchased RMB50 million), which further optimized and enriched the existing financing system of the Company.

Table 5: Financing of the Company during the Reporting Period

Unit: 0'000 Currency: RMB

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

5. Comprehensive Strength and Brand Building

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

6. Investor Relations

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

7. Fulfill social responsibility and promote sustainable development of enterprises

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

III. INDUSTRY LANDSCAPE AND TREND

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

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

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

IV. DEVELOPMENT STRATEGY OF THE COMPANY

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

1. Development Properties

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

2. Investment Properties (Including Hotels)

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

3. Nurturing Business

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

4. Financing and Capital Expenditure

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

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

V. SCHEME OF OPERATIONS

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

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

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

VI. POTENTIAL RISKS FACED BY THE COMPANY

1. Policy Risks in Development Properties

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

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

2. Market Risks

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

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

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

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

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

VII. CORE COMPETITIVENESS ANALYSIS

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

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

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

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

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

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

FINANCIAL RESOURCES AND LIQUIDITY

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

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

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

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

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

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

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.

DESIGNATED DEPOSITS AND OVERDUE FIXED DEPOSITS

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

EMPLOYEES

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

STAFF HOUSING QUARTERS

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

CORPORATE GOVERNANCE CODE

The Company strives to maintain and establish a high level of corporate governance and had 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 Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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 chairman), Mr. FU Yiu-Man and Mr. DONG An-Sheng. Their duties include reviewing and supervising the Company’s financial reporting process, risk management and internal control systems. The audit committee and the management have jointly reviewed the accounting principles and major policies adopted by the Group and have discussed matters on auditing, risk management, internal control and financial reporting, as well as reviewing the unaudited interim financial report and the audited annual financial statements of the Group. The audit committee has also reviewed the annual results and draft financial statements of the Group for the year ended 31 December 2018.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The proposed amendments to the existing Articles of Association of Beijing North Star Company Limited (the “**Article of Association**”) was considered and approved at the 25th Board meeting of the eighth session of the Board of the Company. Such proposed amendments shall be subject to consideration and approval by the shareholders at the annual general meeting of the Company. Details of the proposed amendments to the Article of Association will be included in the circular of the annual general meeting of the Company.

By Order of the Board
BEIJING NORTH STAR COMPANY LIMITED
HE Jiang-Chuan
Chairman

Beijing, the PRC, 20 March 2019

As at the date of this announcement, the Board comprises 9 directors, of which Mr. HE Jiang-Chuan, Mr. LI Wei-Dong, Ms. LI Yun, Mr. CHEN De-Qi, Ms. ZHANG Wen-Lei and Mr. GUO Chuan are executive directors and Mr. FU Yiu-Man, Mr. DONG An-Sheng and Mr. WU Ge are independent non-executive directors.