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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)

CONNECTED TRANSACTION IN RELATION TO ENTERING INTO GENERAL CONSTRUCTION CONTRACT

On 5 August 2019, CHRE, a subsidiary of the Company (as the principal) entered into the General Construction Contract with CCSEB (as the contractor) in respect of the construction of Wuhan Project, pursuant to which CCSEB agreed to undertake the construction of Wuhan Project, be responsible for the civil works, installation and construction, water supply and drainage, fire protection, electrical engineering and other works under Wuhan Project.

IMPLICATIONS UNDER THE LISTING RULES

CCSEB is a substantial shareholder of Hangzhou North Star Real Estate Co., Limited (“**Hangzhou North Star**”), a subsidiary of the Company. With reference to the financial information in the 2018 Annual Report published on 25 April 2019 and the 2018 Annual Results Announcement published on 20 March 2019, Hangzhou North Star no longer falls within the scope of “insignificant subsidiary” under Rule 14A.09(1) of the Listing Rules, and CCSEB is a connected person at subsidiary level of the Company. Accordingly, the transactions under the General Construction Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 1% but are less than 5%, the transactions under the General Construction Contract are subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders’ approval requirements.

1. GENERAL CONSTRUCTION CONTRACT

On 5 August 2019, CHRE, a subsidiary of the Company, entered into the General Construction Contract with CCSEB in respect of the construction of Wuhan Project. The main terms of the General Construction Contract are summarised as follows:

Date: 5 August 2019

Parties: (i) CHRE, as the principal
(ii) CCSEB, as the contractor

Project scope: Pursuant to the requirements under the General Construction Contract, CCSEB is responsible for the civil works, installation and construction, water supply and drainage, fire protection, electrical engineering and other works under Wuhan Project, with a GFA of 121,474.91 square meters.

Contract period: 505 days

Construction contract price: The Group invited public tender for the construction works under the General Construction Contract, and selected CCSEB as the tender winner after conducting relevant evaluation procedures and taking consideration of various factors, including technical experience, professional qualifications, business reputation, project management abilities of all the tenderers, total expenses and other relevant factors.

The total contract price under the General Construction Contract was RMB263,097,581.51, which was determined on arm's length basis after considering (i) all services required by CHRE in respect of Wuhan Project and (ii) relevant design, procurement and prevailing market conditions of each construction project. The Board is of the view that the total contract price is fair and reasonable.

The total contract price will be funded by internal resources of the Group.

Payment terms:

The total contract price shall be payable on a monthly basis based on construction progress. However, after the construction project is completed, accepted and settled, the payment made by CHRE to CCSEB shall not exceed 97% of the total settlement amount, and the remaining 3%, as the retention money, shall be paid upon expiry of the defect liability period.

2. REASONS FOR AND BENEFITS OF ENTERING INTO OF THE GENERAL CONSTRUCTION CONTRACT

It is within the normal business course of the Group to advance the construction of Wuhan Project and develop properties on the Wuhan Land Lot. As a wholly-owned subsidiary of China State Construction Engineering Corporation Ltd. (one of the top 500 enterprises in the world), CCSEB possesses special-grade qualification as general contractor for construction of housing projects issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China. After due and careful consideration and comprehensive evaluation of the tenderers in terms of project quotation, qualification, experience and project quality, the Group selected CCSEB as the general contractor of Wuhan Project in accordance with relevant laws. CCSEB has expertise in general contracting of construction, and has experience of undertaking the construction works of other real estate development projects of the Company, which can foster the smooth progress of Wuhan project. The Group is of view that, entering into of the General Construction Contract is vital to the advancement of Wuhan Project and enables the Company to benefit from the development of its major business.

Directors, including independent non-executive Directors, have confirmed that the terms of the General Construction Contract are fair and reasonable, and the transactions thereunder are on normal commercial terms or better in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole. No Director has any material interest in the transactions contemplated under the General Construction Contract.

3. IMPLICATIONS UNDER THE LISTING RULES

CCSEB is a substantial shareholder of Hangzhou North Star, a subsidiary of the Company. With reference to the financial information in the 2018 Annual Report published on 25 April 2019 and the 2018 Annual Results Announcement published on 20 March 2019, Hangzhou North Star no longer falls within the scope of “insignificant subsidiary” under Rule 14A.09(1) of the Listing Rules, and CCSEB is a connected person at subsidiary level of the Company. Accordingly, the transactions under the General Construction Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 1% but are less than 5%, the transactions under the General Construction Contract are subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders’ approval requirements.

4. GENERAL INFORMATION

The Company is principally engaged in development properties and investment properties (including hotels). CHRE is principally engaged in the development of properties in Wuhan, the PRC.

CCSEB is principally engaged in businesses such as general contracting of housing construction, infrastructure, industrial installation and engineering design.

5. DEFINITIONS

“Board”	the board of Directors of the Company;
“CCSEB”	China Construction Second Engineering Bureau Ltd., a company incorporated in the PRC, which is principally engaged in businesses such as general contracting of housing construction, infrastructure, industrial installation, and engineering design;
“CHRE”	Wuhan North Star Chenhui Real Estate Development Company Limited, a subsidiary of the Company;
“Company”	Beijing North Star Company Limited (北 京 北 辰 實 業 股 份 有 限 公 司), a sino-foreign joint venture joint stock limited company incorporated in the PRC, whose A shares and H shares are listed and traded on the Shanghai Stock Exchange and the Stock Exchange respectively;

“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the directors of the Company;
“General Construction Contract”	the general contraction contract on construction and installation works entered into between CHRE (as principal) and CCSEB (as contractor) in respect of Wuhan Project on 5 August 2019, the details of which are set out in the section “General Construction Contract” in this announcement;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Wuhan Land Lot”	the land located at the west of Chuanlong Avenue, Hengdian Street, Huangpi District, Wuhan and the south of Houhu North Road;
“Wuhan Project”	the phase II construction and installation works of the residential, commercial and business project on the Wuhan Land Lot; and
“%”	Percentage.

By order of the Board
BEIJING NORTH STAR COMPANY LIMITED
GUO Chuan
Executive Director and Company Secretary

Beijing, the PRC, 5 August 2019

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

Should there be any differences between the Chinese and English versions of this announcement, the Chinese version shall prevail.