



HKEx Stock Code: 0588
SSE Stock Code: 601588



2021

Annual Report

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Financial Highlights

RESULTS

Year ended 31 December	2021	2020	2019	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	22,094,296	17,995,842	20,122,314	17,859,790	15,303,224
Profit before income tax	1,581,214	1,512,580	4,681,368	3,860,018	2,979,513
Income tax expenses	1,349,879	1,042,383	2,579,488	1,606,703	1,402,372
Profit for the year	231,335	470,197	2,095,459	2,214,119	1,559,959
Attributable to:					
Ordinary shareholders of the Company	197,051	21,658	1,788,709	1,403,430	1,389,761
Investors of perpetual bonds	137,783	143,530	116,859	7,059	–
Non-controlling interests	(103,499)	305,009	189,891	803,630	170,198

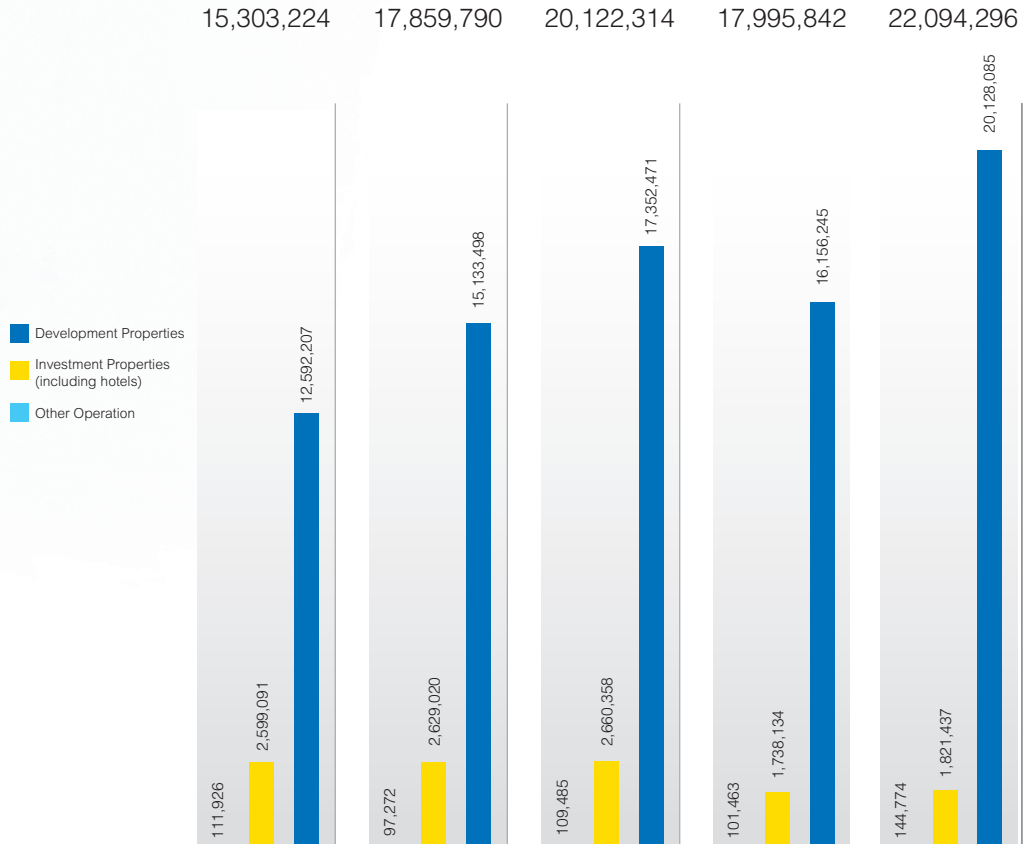
ASSETS AND LIABILITIES

As at 31 December	2021	2020	2019	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	88,367,267	94,929,518	102,438,791	99,910,665	87,701,646
Total liabilities	62,561,175	68,835,886	75,900,502	77,054,480	68,548,411
Total equity	25,806,092	26,093,632	26,538,289	22,856,185	19,153,235

Financial Highlights (Continued)

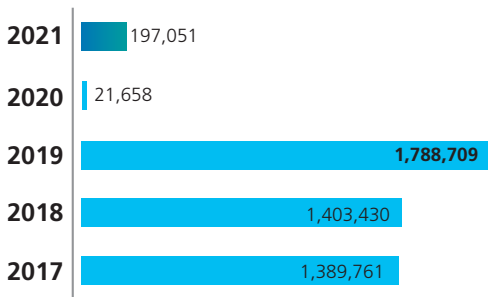
REVENUE BY BUSINESS

RMB'000



PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

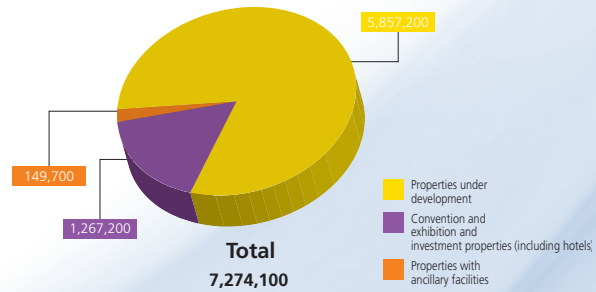
RMB'000



GROSS AREA OF PROPERTY PORTFOLIO

m²

For the year ended 31 December 2021



Chairman's Report

Dear Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present you the operating results of the Company for the year ended 31 December 2021.

As of 31 December 2021, according to the Hong Kong Financial Reporting Standards ("HKFRS"), during the Reporting Period, the Company recorded an operating revenue of RMB22,094,296,000, representing a year-on-year increase of 22.77%. Profit before tax amounted to RMB1,581,214,000, representing a year-on-year increase of 4.54%. Profit attributable to Ordinary Shareholders amounted to RMB197,051,000, representing a year-on-year increase of 809.83%. In particular, the after-tax core operating results of the principal businesses of the Company (excluding losses arising from the changes in fair value) were RMB297,723,000, representing a year-on-year increase of 22.77%. Losses (after tax) arising from the changes in fair value of investment properties were RMB100,672,000 in the period. Earnings per share were RMB0.0585.

Looking back on 2021, China calmly responded to the changes and pandemic in the century, maintaining its leading position in economic development and pandemic prevention and control around the world, and achieving a good start to the "14th Five-Year Plan". For the Company, under the situation of repeated pandemics and strictly industry supervision, the whole team of the Company made concerted efforts to overcome difficulties and achieved stable growth in operating income throughout the year. The development properties of the Company has continuously optimized its development strategies, to focus on refined management and maintain stable operation amidst the rapid changes in the industry. The exhibition industry of the Company has introduced high-quality strategic investors and established the Capital Convention (Group) (首都會展集團), focusing on four major positions of professional operator of the Service Trade Fair, service provider for high-end state affairs and government activities, important carrier for the development of the capital's convention and exhibition industry and benchmark for the digital transformation and development of the convention and exhibition industry. The modern service industry group with convention and exhibition service operation as the core has created a new situation for the leap-forward development of the Company's convention and exhibition industry; the investment properties of the Company has actively responded to market changes, and the operating indicators rebounded moderately; the Company's hotels have been selected as the Olympic Family Hotels, assisting Beijing Winter Olympics with high-quality services.



Chairman's Report (Continued)

Looking forward to 2022, facing both risks and opportunities, challenges and development, there are many uncertainties about the changes of the pandemic and the external environment, but China's economy is highly resilient and the long-term positive fundamentals will not change. The Chinese government will continue to stick to the general keynote of seeking progress in a stable manner, coordinate the prevention and control of the pandemic and economic and social development, focus on stabilizing the macro-economic situation and keep the economy operating within a reasonable range. The Company will speed up the innovation-driven pace on the premise of stability and strict risk control, so as to find and grasp opportunities in the changing situation. On one hand, the Company will promote the steady operation of development properties by enhancing the management and control level, adhering to an appropriate scale and focusing on the polishing of products; on the other hand, the Company will take the establishment of the Capital Convention (Group) as an opportunity to fully refine and give full play to the business advantages and brand effects of the convention and exhibition industry, accelerate the construction of digitalization, cultivate the advantages of the whole industrial chain of the convention and exhibition industry, and construct a new development pattern of the convention and exhibition industry, and further promote the synergistic development of hotels, offices, apartment and other industries to create a new growth engine.

I firmly believe that, all the staff members of North Star will, with strong sense of professionalism and high sense of responsibility, strive for building a first domestic and international leading convention and exhibition brand enterprise and a leading composite real estate brand enterprise in the PRC, without disappointing investors who bestow trust on us.

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

By Order of the Board



Li Wei-Dong
Chairman



Management Discussion And Analysis

I. BUSINESS IN WHICH THE COMPANY WAS ENGAGED DURING THE REPORTING PERIOD

The Company's main business includes development properties, convention and exhibition and investment properties (including hotels).

Based in Beijing and expanding outside Beijing, the Company has continued to promote regional cultivation and expansion into new cities in recent years, gradually formed a multi-regional and multi-level development layout on a national scale and built a diversified and multi-grade property development system covering residence, apartments, villas, office buildings and commercial properties. By the end of the Reporting Period, the development properties projects had entered 15 cities, including Beijing, Guangzhou, Changsha, Wuhan, Hangzhou, Chengdu, Suzhou, Nanjing, Langfang, Hefei, Ningbo, Chongqing, Wuxi, Haikou and Meishan, with the scale of development continuously increasing.

The investment properties are led by conventions and exhibitions, and actively drive the synergistic development of hotels, offices, apartments and other businesses. The investment properties held and operated by the Company include the National Convention Centre, Beijing International Convention Centre, InterContinental Beijing Beichen, V-Continent Beijing Parkview Wuzhou Hotel, Beijing Continental Grand Hotel, National Convention Centre Hotel, North Star Century Centre, Hui Bin Plaza, Hui Xin Plaza, North Star Times Tower, North Star Hui Yuan Apartment in the Asian-Olympic core district in Beijing, as well as InterContinental Changsha in Changsha, Changsha North Star International Convention Centre, and Changsha North Star International Hotel in Changsha, with a total area of over 1.34 million square metres.

While improving and strengthening the self-held properties, the Company relies on Capital Exhibition Group, a subsidiary of the Company, to vigorously integrate convention and exhibition business resources, continuously strengthens the extension and expansion of new business and new technologies in the convention and exhibition industry, explores development, including the operation management of exhibition venues, exhibition sponsoring and undertaking and supporting services, exhibition education consulting services, high-end state and government activities support services, etc., and continues to innovate the asset-light operation model of exhibitions, promoting high-quality development of the Company.



Management Discussion And Analysis (Continued)

II. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Company's advantages and core competitiveness are mainly reflected in the integrated influence in the development and operating capacity in composite real estate and the brand influence of its convention and exhibition business. The real estate development business, presented in diverse large-scale form, has become the Company's source of revenue growth, and the convention and exhibition business, with its brand effect accumulated over years through serving high-end political and state-level activities and events, drives synergetic development of office building, apartment and hotel businesses and provides a basis for stable income for the Company. Such two segments are interdependent and mutually reinforcing, thus ensuring the stable and healthy development of the Company.

On the one hand, the Company has the ability to develop and operate composite real estate. Property types developed by the Company include diverse projects such as luxury homes, villas, apartments, office buildings, commercial properties, and 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 Composite Real Estate" by China TOP10 Real Estate Research Group for fifteen consecutive years. Besides, in recent years, the Company continued to promote its expansion into new cities and regional penetration to balance regional layout. As at the end of the Reporting Period, it has launched real estate development business in 15 cities, representing the Company's foundations and professional capability for nationwide development.



Management Discussion And Analysis (Continued)

On the other hand, as one of the largest convention and exhibition venues operators nationwide, the Company has a relative advantage in high-end convention and exhibition and hotel operation and services as well as convention and exhibition venue management output, with continuous improvement in its brand recognition and influence. The Company holds and operates more than 1.2 million square meters of convention and exhibition venues and investment properties (including hotels) in the Asian-Olympic core district. With more than 20 years of professional experience in convention and exhibition and hotel operation as well as international operating service standards and teams, it has carried out active exploration and practice in the whole value industry chain of convention and exhibition venue operation and management, convention and exhibition hosting, informatization and research and development, and formed the integration and linkage capability of the whole industry chain of convention and exhibitions. In recent years, it has successfully delivered hosting services for an array of national, integrated and international conferences such as the Olympic Games, APEC summit, CIFTIS, G20 Hangzhou Summit and “Belt and Road” Forum for International Cooperation, BRICS Xiamen Summit, China-Arab States Expo, the Qingdao Summit of Shanghai Cooperation Organization, Beijing Summit of the Forum on China-Africa Cooperation, the first session of United Nations World Geospatial Information Congress and Beijing Xiangshan Forum, International Horticultural Exhibition Beijing China and Conference on Dialogue of Asian Civilizations, creating a globally renowned service brand of North Star.

In addition, the Company makes full use of the advantages of the “headquarter financing” model and has established long-term and stable strategic cooperative relationships with a number of banks and financial institutions by virtue of its good credit level and risk management and control ability, demonstrating its outstanding advantage in terms of loan interest rates. At the same time, the Company has actively explored diversified financing channels such as medium-term notes, corporate bonds and asset securitisation to continuously optimise the overall debt structure of the Company and maintain the advantage of lower financing costs, which effectively enhances the Company’s anti-risk capability.

III. REVIEW OF THE INDUSTRY IN WHICH THE COMPANY OPERATES

In 2021, in the face of the intricate and complicated situation in mainland China and abroad and impact of the pandemic, China took new steps in actively building a new development pattern, achieved new results in high-quality development, pushed forward the reform and opening up to a deeper level, maintained a global leading position in economic development and prevention and control of pandemic, and had generally stable economic operations throughout the year, with major macro indicators within a reasonable range. The annual GDP growth rate reached 8.1%, with a two-year average growth of 5.1%.

Management Discussion And Analysis (Continued)

1. Development Properties

In the first half of 2021, China's real estate market showed a rebound after the pandemic gradually stabilised, and under the guidance of adhering to the positioning of "housing for living instead of speculation" and the objectives of "stabilising land prices, stabilising house prices and stabilising expectations", the central and local governments continued to increase the real estate regulation and control policies, with the regulation and control methods and intensity escalating significantly, and the prudential regulation system for real estate finance continuing to improve. In the second half of the year, with the gradual effect of regulatory policies, coupled with the impact of debt defaults by certain real estate companies, the market cooled down significantly. At the end of September, the Central Bank for the first time proposed to safeguard the healthy development of the real estate market and the legitimate rights and interests of housing consumers, continuously releasing signals to maintain stability, but the national market continued to cool down in the fourth quarter.

Overall, the national residential land market was affected by the "two concentrations" policy on land supply in key cities, with a significant reduction in the scale of transactions, a structural increase year on year in the average transaction floor price and a slight decrease in the premium rate. The commodity housing market showed a trend of "high position followed by low one" throughout the year, with both transaction size and average transaction price increasing slightly. 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 2021 was 1,565,320,000 square meters, representing an increase of 1.07% over the corresponding period last year, and the average sales price of commodity housing was RMB10,396 per square meter, representing an increase of 4.17% over the corresponding period last year.

Among the first-tier cities, the transaction scale of the commodity housing market in Beijing increased significantly, and the average transaction price showed a trend of structural rise. The inventory level decreased for the first time, and the overall clearing cycle vibrated and fell down slightly; the transaction area of the commodity housing market in Guangzhou slightly increased. The average transaction price and scale of commodity housing in second-tier cities both rose slightly. The average transaction price of commodity housing in third-tier cities rose slightly and the transaction scale declined slightly.

2. Convention and Exhibition and Investment Properties (Including Hotels)

In 2021, the convention and exhibition companies actively carried out business innovation, expanding their business by combining online and offline exhibitions, online promotion sessions and online conferences, which relieved the impact of the pandemic to a certain extent, however, the decline in revenue remained serious compared to times before pandemic and the trend of digital transformation of the convention and exhibition industry became more and more obvious. As the resurgence of pandemic among the country in the second half of the year, the hotel industry's performance came under pressure and the recovery weakened. The net absorption in the Beijing office building market reached a record high for the year, with vacancy rate falling and rental levels remaining stable. The average rental in the apartment market rebounded slightly.

Management Discussion And Analysis (Continued)

IV. OPERATING DISCUSSION AND ANALYSIS

In 2021, in the face of profound changes in the external environment, the Company insisted on being market-oriented, gave full play to its “Convention and Exhibition + Real Estate” twin-drive advantage, vigorously carried out resource integration, strengthened risk management and control and promoted the sustainable and steady development of its various businesses.

1. Development Properties

In 2021, the Company’s development properties were stable, with a solid push to refine operational management to actively respond to industry and market challenges.

Steady increase in sales scale. The Company continuously optimised project marketing strategies and made every effort to accelerate the return of funds. The D4 of the Changsha Delta project, the E+F2 of the Central Park project, and the Shiguangli project took the lead in the market and were basically sold out; the first opening of the Xiangluwan project in Ningbo was 90% sold out, and the Chengdu Luming Mansion project was sold out in the third batch of opening. During the Reporting Period, the development properties achieved contracted sales amount and sales area of RMB16.7 billion (including parking spaces) and 950,000 square metres respectively, representing an increase of 37% compared with the previous year.



Changsha North Star Delta House



Chengdu North Star Luming Mansion



Opening of Ningbo Xiangluwan Sales Department



Sale Site of Changsha North Star Shiguangli

Management Discussion And Analysis (Continued)

Precise layout of quality land reserves. In the face of high land costs and the many pressures brought about by the concentrated supply of land in hot cities, the Company optimised its strategic layout and actively expanded its co-operative land acquisition channels. During the Reporting Period, the Company adopted the co-operative mode to acquire high-quality land plots in Beijing's Mentougou district, achieving a breakthrough in acquiring projects in Beijing in the past three years and achieving a good result of opening 71 days after land acquisition and RMB700 million of strong sales on the opening day.

Continuous improvement of operation control. In strict compliance with the philosophy of "large-scale operation", the Company improved and formed a project development node system with the characteristics of North Star Real Estate, strengthened the controllability of the development rhythm of the whole cycle through improving the refinement and standardization of the control of planning nodes, and meanwhile, strengthened the construction and security cost measurement system to strictly control the cost expenditure, and the operation control capability of the Company was effectively improved.



First Opening of the Longfor North Star Lanjing

Management Discussion And Analysis (Continued)

Table 1 : Real Estate Projects during the Reporting Period

Unit: square meter

No.	Project name	Location	Operating state	Project status	Project interests	Total investment (RMB'00 million)	Actual investment amount during the Reporting Period (RMB'00 million)	Project area	Total floor area	Planned plot ratio based gross floor area	Equity area development	Land area held for development	New construction area during the Reporting Period	Accumulated development area	Floor area under construction during the Reporting Period	Completed area during the Reporting Period	Accumulated completed area	Seizable area during the Reporting Period	Contracted area during the Reporting Period	Booked area during the Reporting Period	Booked area during the Reporting Period	Area to be booked at the end of the Reporting Period	
1	Beijing North Star Wangjia Hutong	Haidian, Beijing	Residence and Villa	Completed	100%	26.39	-	142,400	312,000	230,000	-	-	-	312,000	-	-	312,000	6,872	6,888	6,888	16,000	1,845	
2	Beijing North Star Red Cok Villa	Changping, Beijing	Self-occupied villa	Under Construction	100%	34.00	2.38	287,500	213,700	150,000	-	-	-	213,700	40,200	-	173,500	33,930	5,884	6,414	30,022	2,466	
3	Beijing Modern North Star Vase	Shunyi, Beijing	Self-occupied villa	Under Construction	50%	23.47	-	52,800	132,500	180,300	54,700	-	-	132,500	1,400	-	131,100	3,353	200	200	248	-	
4	Beijing North Star Villa 1800	Shunyi, Beijing	Residence	Completed	100%	24.45	-	101,200	213,300	140,000	-	-	-	213,300	-	-	213,300	36,118	17,228	15,180	50,302	4,450	
5	Beijing Juchuan Mansion	Changping, Beijing	Residence	Completed	51%	53.17	3.63	86,600	280,100	170,400	66,900	-	-	280,100	280,100	-	280,100	147,462	45,498	88,286	371,441	2,226	
6	Beijing Longfou North Star Laimu	Meitugu, Beijing	Residence	In pipeline	50%	24.78	4.38	26,000	104,100	66,200	33,100	104,100	-	-	-	-	-	-	-	-	-	-	
7	Changsha North Star Dala	Changsha, Hunan	Residence and office building	Under Construction	100%	37.68	19.31	780,000	5,200,000	3,820,000	-	416,700	-	-	4,783,300	638,900	302,800	4,480,500	845,702	190,298	289,103	362,526	222,674
8	Changsha North Star Central Park	Changsha, Hunan	Residence and office building	Under Construction	51%	24.48	2.17	386,300	927,100	720,000	367,200	-	-	-	927,100	222,800	-	714,300	84,607	51,387	12,174	15,303	113,465
9	Changsha North Star Shiguang	Changsha, Hunan	Residence and commercial	Under Construction	100%	15.07	2.14	27,700	145,400	107,900	-	-	-	145,400	145,400	-	-	29,138	15,784	-	-	-	16,832
10	Wuhan North Star Xudaren You +	Wuhan, Hubei	Residence and commercial	Completed	45%	21.00	0.07	194,700	313,300	241,100	103,500	-	-	313,300	-	-	313,300	3,083	1,084	-	-	-	
11	Wuhan North Star Guangjiu	Wuhan, Hubei	Commercial service	Under Construction	51%	17.31	1.89	84,200	492,000	337,000	171,900	134,800	-	337,200	75,100	-	282,100	51,887	22,534	66,484	87,524	6,556	
12	Wuhan Blue City	Wuhan, Hubei	Residence and commercial	Under Construction	100%	105.72	8.31	368,000	980,100	716,000	-	284,700	-	1,165,400	128,900	133,900	133,900	14,989	33,345	286,143	296,689	6,011	
13	Wuhan Gendash North Star	Wuhan, Hubei	Residence	Under Construction	51%	20.89	1.50	41,900	178,900	127,000	64,900	-	-	178,900	130,900	130,900	178,900	16,384	14,989	12,108	207,278	692	
14	Wuhan North Star Peacock	Wuhan, Hubei	Residence	Completed	60%	10.79	0.84	75,200	229,400	172,800	103,700	-	-	229,400	229,400	229,400	229,400	45,207	9,267	83,002	46,919	8,085	
15	Wuhan North Star Jiangsu	Wuhan, Hubei	Residence and commercial	Under Construction	80%	16.00	1.85	50,300	177,200	128,200	101,000	-	-	177,200	177,200	-	-	74,472	22,916	-	-	-	27,800
16	Wuhan North Star Jiangsu	Wuhan, Hubei	Residence and commercial	Under Construction	80%	12.96	1.39	63,200	227,700	158,100	126,500	-	-	227,700	227,700	-	-	45,207	9,267	83,002	46,919	8,085	
17	Wuhan North Star Jinchang	Wuhan, Hubei	Residence and commercial	Under Construction	49%	18.72	1.39	50,300	212,100	151,400	74,200	-	-	212,100	212,100	4,500	4,500	75,780	40,058	-	-	-	-
18	Hangzhou North Star Shushen	Hangzhou, Zhejiang	Residence and commercial	Completed	80%	22.09	1.01	83,500	317,500	235,000	168,000	-	-	317,500	-	-	317,500	7,777	455	542	2,167	475	
19	Hangzhou Guoyue Big Lot	Hangzhou, Zhejiang	Residence and commercial	Completed	35%	14.85	-	41,900	108,400	75,000	26,300	-	-	108,400	-	-	108,400	-	-	-	-	-	
20	Hangzhou Guoyue Small Lot	Hangzhou, Zhejiang	Residence and commercial	Completed	35%	4.90	0.02	13,400	32,600	23,000	8,100	-	-	32,600	-	-	32,600	-	-	-	-	-	
21	Hangzhou Guoyue	Hangzhou, Zhejiang	Residence and commercial	Completed	100%	16.27	0.35	21,900	69,900	48,200	-	-	-	69,900	-	-	69,900	533	533	9,101	38,839	-	
22	Hangzhou Jintu Dubei	Hangzhou, Zhejiang	Residence and commercial	Completed	25%	5.50	0.21	57,400	289,700	144,000	96,000	-	-	289,700	-	-	289,700	4,000	4,000	-	-	-	
23	Hangzhou North Star Uinghuo	Hangzhou, Zhejiang	Residence	Under Construction	100%	11.03	0.64	12,200	44,400	25,700	-	-	-	44,400	44,400	-	-	-	-	-	-	-	
24	Hangzhou North Star Chentun	Hangzhou, Zhejiang	Residence	Newly commencement	100%	36.75	1.88	68,000	276,900	179,500	-	276,900	-	276,900	276,900	-	-	163,457	-	-	-	-	
25	Ningbo Beichuan	Ningbo, Zhejiang	Residence and commercial	Completed	100%	46.49	0.32	47,200	189,700	137,400	-	-	-	189,700	-	-	189,700	10,374	1,709	2,241	6,338	803	
26	Ningbo Mansion	Ningbo, Zhejiang	Residence and commercial	Completed	51%	34.62	1.39	133,000	494,800	292,500	149,200	-	-	494,800	-	-	494,800	1,016	86	86	7,782	-	
27	Ningbo Xiangshu Bay	Yuyao, Zhejiang	Residence	Under Construction	100%	21.82	4.58	68,700	165,500	118,800	36,100	-	-	165,500	165,500	-	-	103,568	52,057	-	-	52,057	
28	Hangzhou North Star OFF Park	Hangzhou, Zhejiang	Residence and commercial	Completed	51%	15.16	0.09	23,500	105,000	70,700	36,100	-	-	105,000	-	-	105,000	-	-	-	29	-	
29	Surzhou North Star OFF Park	Surzhou, Jiangsu	Residence and commercial	Completed	50%	12.94	0.26	178,700	273,900	188,300	90,300	-	-	273,900	-	-	273,900	2,465	1,571	1,571	1,266	-	
30	Surzhou Guantian Mansion	Surzhou, Jiangsu	Residence and commercial	Under Construction	100%	64.51	4.08	170,000	392,900	286,800	-	-	-	392,900	307,500	139,000	224,500	89,991	23,922	52,193	90,011	10,726	

Management Discussion And Analysis (Continued)

No.	Project name	Location	Operating state	Project status	Project interests	Total investment (RMB'000)	Actual investment amount during the Reporting Period (RMB'000)	Project area	Total floor area	Planned plot ratio-based gross floor area	Equity area development	Land area held for development	New construction area during the Reporting Period	Accumulated development area	Floor area under construction during the Reporting Period	Completed area during the Reporting Period	Accumulated completed area	Seizable area during the Reporting Period	Contracted area during the Reporting Period	Booked area during the Reporting Period	Booked area during the Reporting Period	Area to be booked at the end of the Reporting Period	
31	Wuxi Tianyuan	Wuxi Jiangsu	Residence	Completed	49%	28.60	0.50	88,000	255,400	195,000	96,000	-	-	255,400	-	183,900	255,400	-	-	-	-	-	-
32	Wuxi Times City	Wuxi Jiangsu	Residence	Under Construction	4%	46.79	1.70	137,900	535,400	413,800	165,500	-	-	535,400	189,900	183,900	535,400	6,403	6,403	-	-	-	-
33	Chengdu North Star Langshi	Chengdu Sichuan	Residence and commercial	Completed	40%	9.39	0.15	63,800	227,000	158,600	63,400	-	-	227,000	-	227,000	227,000	3,089	820	86	1,625	735	
34	Haimen Luyi	Chengdu Sichuan	Residence and commercial	Completed	100%	18.35	0.38	40,400	143,300	96,300	-	-	-	143,300	-	-	143,300	3,282	2,923	4,555	4,555	770	
35	Chengdu North Star South Lake Kangju	Chengdu Sichuan	Residence	Completed	100%	29.16	0.90	88,000	297,100	210,000	-	-	-	297,100	-	-	297,100	14,070	3,240	6,748	15,456	2,764	
36	Chengdu North Star Royal Plaza	Chengdu Sichuan	Residence and commercial	Completed	100%	17.28	1.42	26,800	120,000	79,300	-	-	-	120,000	-	-	120,000	48,865	27,701	30,121	54,978	7,365	
37	Chengdu North Star Luming Mansion	Chengdu Sichuan	Residence and commercial	Under Construction	80%	23.78	3.01	81,100	227,100	161,300	123,200	-	-	227,100	227,100	-	-	227,100	48,822	40,225	-	-	96,348
38	Shichuan North Star Guangju	Mianyan Sichuan	Residence and commercial	Completed	100%	16.24	1.16	59,900	197,400	149,800	-	-	-	197,400	-	-	197,400	104,789	28,037	23,172	19,375	9,773	
39	Shichuan North Star Longhai	Mianyan Sichuan	Residence and commercial	Under Construction	100%	10.94	1.17	69,300	126,600	84,000	-	-	-	126,600	126,600	-	-	-	-	-	-	-	-
40	Langfang North Star Blue City	Langfang Hebei	Residence and commercial	Under Construction	100%	26.73	2.36	140,700	357,700	296,800	-	-	-	357,700	284,400	40,700	134,400	92,481	18,230	33,472	43,410	33,260	
41	Langfang North Star Blue City (Lot 2018-4)	Langfang Hebei	Residence	Under Construction	100%	30.76	1.47	82,200	241,600	164,800	147,900	-	-	93,700	-	-	-	-	-	-	-	-	-
42	Langfang Kipinell (Lot 2019-3)	Langfang Hebei	Commercial	In the pipeline	100%	5.75	0.88	21,100	72,800	32,800	72,800	-	-	-	-	-	-	-	-	-	-	-	-
43	Langfang North Star (Lot 2020-5)	Langfang Hebei	Residence	In the pipeline	100%	15.43	0.88	46,200	138,300	92,000	138,300	-	-	-	-	-	-	-	-	-	-	-	-
44	Haihe North Star CIFI Park Mansion Wuhou	Haihe Anhui	Residence and commercial	Completed	50%	21.07	0.47	141,700	354,200	239,000	119,300	-	-	356,200	-	-	356,200	3,433	2,222	15,554	18,438	2,166	
45	Chongqing Yueli No.1	Wuxi Chongqing	Residence and commercial	Under Construction	100%	100.66	10.65	429,100	1,274,000	946,000	372,000	-	-	932,000	668,000	225,700	461,700	245,703	166,566	133,720	152,220	194,081	
46	Chongqing North Star Kangju	Wuxi Chongqing	Residence	Under Construction	100%	21.93	2.88	88,200	159,400	102,200	-	-	-	159,400	151,400	-	159,400	56,451	32,281	-	-	32,281	
47	North Star Mansion in Hailou	Hailou Heilongjiang	Residence and commercial	Under Construction	70%	41.91	4.81	106,800	281,100	206,000	144,200	-	-	46,300	281,100	239,600	161,400	122,438	36,450	33,338	71,924	81,906	
48	Hailou Chongju Shijia	Hailou Heilongjiang	Residence	Under Construction	100%	12.28	7.63	31,300	134,700	106,800	-	-	134,700	134,700	134,700	-	-	-	-	-	-	-	-
49	Guangzhou Langfang Kangju (Lot 116)	Guangzhou Guangdong	Residence and commercial	Under Construction	51%	17.66	0.49	25,300	113,700	77,800	93,700	-	-	113,700	113,700	-	-	-	-	-	-	-	-
50	Guangzhou Langfang Kangju (Lot 114)	Guangzhou Guangdong	Residence and commercial	Under Construction	49%	9.66	1.13	25,100	110,600	76,600	37,300	-	-	110,600	110,600	-	-	-	18,300	4,155	-	-	-

Notes:

- ▲ represents newly added real estate projects for reserve purpose during the Reporting Period.
- Total investment represents the estimated total investment amounts for each project.
- 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.
- 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.
- Land area held for development represents the gross construction area of undeveloped portion of project land.
- During the Reporting Period, total land reserve of the Company was 5,857,200 square meters, representing a year-on-year decrease of 17%; equity land reserve was 5,195,000 square meters, representing a year-on-year decrease of 17.20% and the newly added real estate reserve was 104,100 square meters, representing a year-on-year decrease of 17.20%; New construction area was 458,500 square meters, representing a year-on-year decrease of 58.31%; area for new and resumed construction was 5,570,700 square meters, representing a year-on-year decrease of 24.03%; the completed area was 1,792,800 square meters, representing a year-on-year decrease of 19.31%; sales area was 949,600 square meters, representing a year-on-year increase of 37.19%; sales amount was RMB16,739,000,000, representing a year-on-year increase of 37.12%; settlement area was 1,321,800 square meters, representing a year-on-year increase of 50.03%; the settlement amount was RMB20,127,000,000, representing a year-on-year increase of 24.58%; the area to be booked as at the end of the Reporting Period was 990,300 square meters, representing a year-on-year decrease of 27.77%.

Management Discussion And Analysis (Continued)

2. Convention and Exhibition and Investment Properties (Including Hotels)

After experiencing the impact of the pandemic, the Company dug deep into the development potential of convention and exhibition as well as investment properties, scientifically integrated resources and stimulated the endogenous power of each business model to minimise the impact of the pandemic on the Company's business.

(1) Convention and exhibition business

Seeking development with the establishment of Capital Convention (Group)

In order to optimize the allocation of resources, accelerate the establishment of a sound market-oriented operation mechanism and promote the transformation and upgrading of the exhibition industry, North Star Convention Group, a subsidiary of the Company, introduced four strategic investors, namely Beijing Shougang Construction Investment Co., Ltd., Beijing Capital Tourism Group Co., Ltd., Jingdong Technology Holding Co., Ltd. and GL Events China Limited¹, and was renamed Capital Convention Group. Based on the new starting point, Capital Convention Group leverages the advantages of the strategic investors in "cloud services", international exhibition resources, accommodation and catering, space layout and other exhibition-related fields, implements internationalization, branding and digital development strategies, accelerates the improvement of the layout of the whole industry chain of convention and exhibition, and the convention and exhibition business of the Company steps into a brand new development stage.



Establishment of Capital Convention (Group)

¹ Being the parent company of GL Events (Shanghai) Co., Ltd.

Management Discussion And Analysis (Continued)

Creating a brand, hosting national exhibitions and serving major events with high quality

On the basis of serving and safeguarding the previous China International Fair for Trade in Services ("CIFTIS"), this year the Company, for the first time, hosted this national exhibition as a professional operator of CIFTIS, fully undertaking the work of summit services, investment and exhibition recruitment, market development, conference and forum, online CIFTIS, venue operation and main press centre services, and atmosphere creation. Through the cross-regional linkage of two venues, namely the China National Convention Center and Shougang Park, the Company achieved an exhibition area of 130,000 square meters and the number of exhibitors of 12,000, making a new breakthrough in market-oriented and professional operation and laying a solid foundation for the development of the whole industry chain of exhibition. In terms of major events, the Company provided high-quality services for the cultural and art performance to celebrate the 100th anniversary of the founding of the Party and the Second United Nations Global Conference on Sustainable Transport. In addition, the Company also hosted a number of large-scale exhibitions and events this year, including the Zhongguancun Forum, the 2021 China Science Fiction Conference and Beijing Science Fiction Carnival, the 4th session of China Digital Creative Technology Exhibition and the 2021 1st session of Beijing International Trendy Art Toy Exhibition, further enhancing its brand influence.



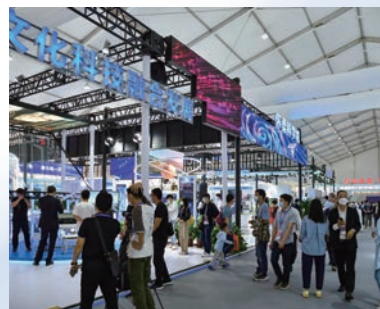
Activities for the 100th Anniversary of the Founding of the Party



The United Nations Global Conference on Sustainable Transportation Held at the China National Convention Center



Panorama of the National Convention Center during the Service Trade Fair



Zhongguancun Forum Exhibition (Science and Technology Expo)

Management Discussion And Analysis (Continued)

Promoting enhancement with continuous expansion of entrusted management business

Relying on its professional experience and brand resource endowment, the Company continued to promote the operation and management output of convention and exhibition venues and hotel brands, and further expanded its market share. During the Reporting Period, the Company signed 4 new contracts for entrusted management of venues and hotels in Xiong'an, Chengdu and Chongqing, and added 14 consultancy projects such as the permanent venue of Zhongguancun Forum, etc. Up to now, the Capital Exhibition Group has entered 27 cities nationwide with 52 consultation venues and hotel projects, and has been entrusted the management of 35 venues and hotels projects, achieving a total area of 3.34 million square meters of entrusted venues, and maintaining its leading position in the industry.



Demonstration Diagram of Tianfu International Convention Centre of Chengdu



Xiong'an Business Service Convention and Exhibition Center



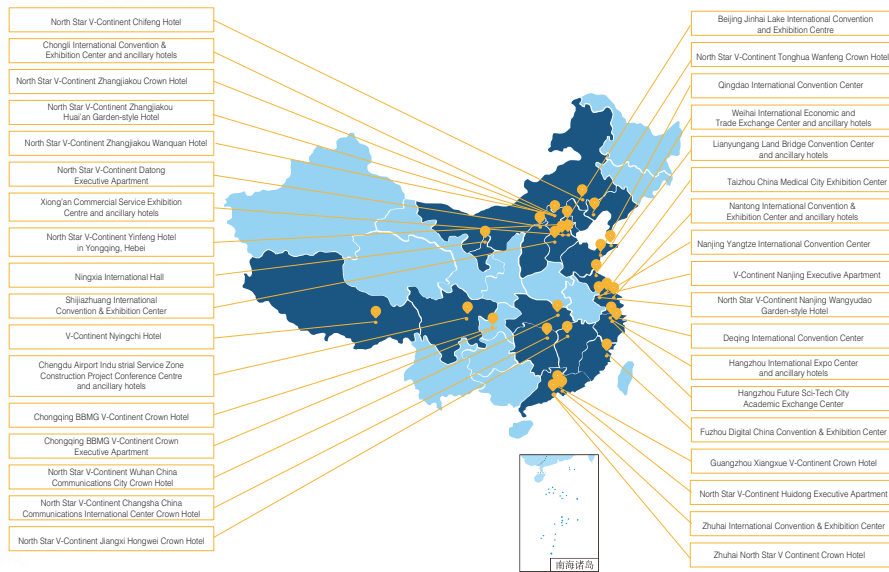
Demonstration Diagram of Chongqing BBMG V-Continent Crown Hotel



Demonstration Diagram of Chongqing BBMG V-Continent Crown Executive Apartment

Management Discussion And Analysis (Continued)

Figure 1: Convention and exhibition venue and hotel projects under entrusted management as of the end of the Reporting Period



Seeking a breakthrough with accelerating the digital construction of the conference and exhibition

During the Reporting Period, the Company successfully completed the construction of the North Star convention and exhibition management information system, which is also the first set of independently developed version of convention and exhibition venue management system in China, and achieved resource sharing and information interoperability by collecting and processing the big data of each convention and exhibition venue managed by the Company.

Focusing on research to lead business growth

The Company actively promoted research on the convention and exhibition industry, completing the development plan of the convention and exhibition industry in Beijing during the "14th Five-Year Plan" period and releasing the China Exhibition Index Report (2020) during the Reporting Period to provide theoretical support for the Company's strategic decisions. At the same time, the Company continued to promote cooperation with universities to accelerate the cultivation of convention and exhibition talents and joint research projects.

Management Discussion And Analysis (Continued)

(2) Other investment properties

High level of service to support the Beijing Winter Olympics

The InterContinental Beijing Beichen, Beijing North Star V-Continent Crown International Hotel, Beijing V-Continent Hotel and the National Convention Centre under the Company was selected as the hotel venues of the Olympic family. As the headquarters and the event operation and command centre of the International Olympic Committee and the International Paralympic Committee, they were responsible for welcoming the main officials of the Olympic Committee, while the National Convention Centre Hotel and the Yayuncun Hotel are the contracted hotels to welcome and serve the medias and technical officials of the Winter Olympic Games. In order to provide a better service experience to the guests of the Winter Olympic Games and showcase the host style, the Company has done its best to prevent and control the pandemic, and at the same time polished the service details with the best standards, formulated 123 emergency plans, conducted hundreds of job drills and renovated 797 hotel rooms to comprehensively enhance the innovation, competitiveness and influence of the Company's hotel business, helping the Capital to shine on its name card of the "City of Double Olympics".



The Service Communication Meeting of the Winter Olympics Family



Winter Olympics-themed Catering at the National Convention Center



Hotel Room of Beijing North Star V-Continent Crown International Hotel

Management Discussion And Analysis (Continued)

Stable operation of properties held

Under the pressure of peak supply in the market, the office building sector gave full play to the advantages of multi-project joint sales, taking customer demand as the guide, actively took measures to optimise sales strategies, innovate promotion methods and improve warm-hearted services to enhance product quality and competitiveness, and accurately grasp the new wave of rental demand generated by the Internet technology industry. In the first half of the year, the Company successfully signed a contract with Byte Dance, the leading Internet company, achieving a leasing area of over 20,000 square meters, and playing a leading and driving role in attracting more innovative technology companies to move in. During the Reporting Period, the industrial revenue of the Company's office buildings remained stable, demonstrating strong operational resilience. The hotel and apartment business suffered a sluggish recovery due to the pandemic, however, the Company strengthened its market development and at the same time made full use of the vacancy period in the pandemic to carry out necessary renovations and upgrades, taking the initiative to turn crisis into opportunity and resulting in a moderate rebound in operating indicators during the Reporting Period.



Demonstration Diagram of Beijing North Star New Space

Management Discussion And Analysis (Continued)

Table 2: 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 proportion (%)
1	No. 7 Tian Chen Dong Road, Chao Yang District, Beijing	China National Convention Center	Convention and exhibition	270,800	35,740	100
2	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Beijing International Convention Center	Convention and exhibition	58,000	7,435	100
3	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Bin Plaza	Office building	37,800	6,548	100
4	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Xin Plaza	Office building	40,900	5,728	100
5	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	North Star Times Tower	Office building	131,300	15,685	100
6	No. 8 Bei Chen Xi Road, Chao Yang District, Beijing	North Star Century Center	Office building	149,800	26,025	100
7	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Zhen Building Property	Office building	8,400	2,120	100
8	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Beijing Continental Grand Hotel	Hotel	42,000	7,297	100
9	No. 8 Bei Chen Xi Road, Chao Yang District, Beijing	National Convention Centre Hotel	Hotel	42,900	4,968	100
10	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	V-Continent Beijing Parkview Wuzhou Hotel	Hotel	60,200	5,856	100
11	No. 8 Bei Chen Xi Road, Chao Yang District, Beijing	Intercontinental Beijing Beichen Hotel	Hotel	60,000	2,064	100
12	No. 1500, Xiang Jiang Bei Road, Kaifu District, Changsha, Hunan Province	Intercontinental Changsha	Hotel	79,200	15,911	100
13	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Yuan Apartment	Apartment	184,300	20,090	100
14	A13 Beiyuan Road, Chao Yang District, Beijing	B5 Commercial Area of North Star Green Garden	Commercial	49,700	3,277	100
15	No. 1500, Xiang Jiang Bei Road, Kaifu District, Changsha, Hunan Province	Changsha North Star Delta Joy City	Commercial	100,000	3,957	100
16	No. 1500, Xiang Jiang Bei Road, Kaifu District, Changsha, Hunan Province	Changsha North Star International Convention Centre	Convention and Exhibition	39,100	990	100
17	No. 1500, Xiang Jiang Bei Road, Kaifu District, Changsha, Hunan Province	Changsha North Star International Hotel	Hotel	62,500	1,443	100

Management Discussion And Analysis (Continued)

Notes:

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 Xincheli Shopping Centre commercial project.
5. The above-mentioned properties items 2, 3, 7, 8, 10 and 13 are erected on land leased from BNSIGC for a rental of RMB17,325,421 for the year 2021.

3. Financing Work

In 2021, under the severe situation of a tightening real estate financing environment and debt defaults by certain real estate enterprises, the Company further expanded its capital market financing channels with a focus on ensuring sound cash flow. During the Reporting Period, the Company obtained approval from the China Securities Regulatory Commission to issue RMB3 billion of corporate bonds and issued two tranches of bonds of RMB319 million and RMB1,339 million respectively, with a coupon rate of 3.46%. The financing costs reached the lowest level ever with continuous optimisation of the debt structure.

Table 3: Financing of the Company during the Reporting Period

Unit: 0'000 Currency: RMB

Total financing amount as at end of the period	Overall average financing cost (%)	Interest capitalised
3,026,811	5.86	118,411

Management Discussion And Analysis (Continued)

4. Investor Relations

Attaching great importance to the investor relations work and sticking to the core of information disclosure, the Company developed a channel for timely and two-way communication by establishing diversified communication platform, such as investors research, online Q&A, results presentation, teleconference, special column on the website of the Company and telephone hotline, to improve the management of investor relations.

5. Fulfill social responsibility and promote sustainable development of the Company

The Company actively promoted the implementation of the rural revitalization strategy, explored the development path of “double carbon” target, continued to carry out public welfare undertakings, and firmly fulfilled its social responsibility. During the Reporting Period, the Company, taking consumption poverty alleviation as a grip and through cooperation with the Beijing Entrepreneurship and Innovation Center for Poverty Alleviation through Consumption (北京市消費扶貧雙創中心), recorded the total amount of procurement for poverty alleviation of RMB7,887,670, realising industrial poverty alleviation led by consumption poverty alleviation; carried out in-depth consumption for poverty alleviation, public welfare assistance and industrial assistance in Inner Mongolia Autonomous Region, donating RMB500,000 to Nomin Town of Inner Mongolia Oroqen Autonomous Banner to support local industrial development, and the donated funds directly contributed to the employment of 71 people in 50 households in the area; insisted on green development as the lead and firmly implemented various environmental protection work, achieving a surplus of carbon dioxide emission quota of about 17,507 tonnes at the end of the year; made a donation of RMB950,000 to Beijing Chunmiao Charity Foundation to fund the “Chunmiao Children Care Center” (春苗兒童關愛中心), so as to provide relief for orphans, children in need, seriously ill children and preterm children; with sustainable development as its target, the Company has disclosed its “Social Responsibility Report” (namely environmental, social and governance report) for twelve consecutive years and has incorporated the essence of sustainable development into its daily operation and management, and with its solid comprehensive capabilities, the Company was awarded the “ESG Outstanding Enterprise of the Year 2021” (2021年度ESG卓越企業).

V. MAJOR BUSINESS CONDITIONS DURING THE REPORTING PERIOD

In 2021, the Company recorded an operating revenue of RMB22,094,296,000, representing a year-on-year increase of 22.77%. The Company's profit before tax and profit attributable to ordinary shareholders amounted to RMB1,581,214,000 and RMB197,051,000, respectively, representing a year-on-year increase of 4.54% and 809.83%, respectively. In particular, the after-tax core operating results of the Company's principal activities (excluding losses arising from the changes in fair value) were RMB297,723,000, representing a year-on-year increase of 22.77%. Losses (after tax) arising from the changes in fair value of investment properties were RMB100,672,000 during the period. Earnings per share were RMB0.0585.

In particular, for development properties segment, due to the impact of the development cycle, the areas to be settled increased. During the Reporting Period, operating revenue from development properties reached RMB20,128,085,000 (including parking spaces), representing a year-on-year increase of 24.58%, but due to the decrease of gross profit margin of products settled, profit before tax was RMB1,235,095,000, representing a year-on-year decrease of 22.42%.

Management Discussion And Analysis (Continued)

During the Reporting Period, operating revenue from convention and exhibition and investment properties (including hotels) reached RMB1,821,437,000, representing a year-on-year increase of 4.78%, and the loss before tax amounted to RMB150,318,000. Impairment assessed during the Reporting Period was RMB134,226,000.

VI. DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT OF THE COMPANY

(I) Industry Landscape and Trend

In 2022, by continuously adhering to the general principal of seeking progress while maintaining stability, China will implement new development philosophy and establish a new development pattern, comprehensively deepen reform and opening up, adhere to innovation driven to promote high-quality development, with deepening supply-side structural reform as the main task, so as to coordinate pandemic prevention and control and economic and social development, strive to stabilize the macro-economic market and maintain economic operation within a reasonable range.

As for development properties, China will continue to guarantee the housing demand of the public, adhere to the general keynotes of “housing for living instead of speculation”, explore new development models, insist on houses for rent and purchase, accelerate the development of the long-term rental housing market, promote the construction of affordable housing, support the commercial housing market to better meet the reasonable housing needs of home-buyers, stabilize land prices, housing prices and expectations, and promote the virtuous cycle and healthy development of the real estate industry with implementation of policies due to the city policy.

As for exhibition and investment properties, China will regulate and develop the long-term rental housing market and reduce the tax burden on rental housing, providing a sound policy environment for the apartment market. Meanwhile, pursuant to the Notice of the General Office of the Ministry of Commerce on Innovating Exhibition Service Models and Cultivating New Driving Forces for the Development of the Exhibition Industry (《商務部辦公廳關於創新展會服務模式培育展覽業發展新動能有關工作的通知》), it is proposed to accelerate the transformation, upgrading and innovative development of the exhibition industry, and give full play to the important role of the exhibition industry in expanding opening up, stimulating consumption growth and other aspects. Based on the support of relevant national policies, the investment property business such as conventions and exhibitions, hotels and office buildings will have broader room for development and opportunities.

Management Discussion And Analysis (Continued)

(II) Development Strategy of the Company

In 2022, the external environment faced by the Company is still severe. The Company will adhere to the general principle of “focusing on stability while seeking progress”, constantly consolidate the Company’s fundamentals, accelerate the pace of innovation-driven development, gather development advantages in industrial transformation and reconstruction to promote the stability and long-term development of the Company.

1. *Development Properties*

The Company will further promote fine management, strive to build a more efficient and professional operation team and improve its ability to resist risks. In respect of development strategies, the Company will adhere to the appropriate scale, pay close attention to the window period of centralized land supply, scientifically study and judge land information, strengthen the complementary cooperation among real estate enterprises, strengthen the assessment on pre-investment, post investment and full cycle assessment, and improve the accuracy of resource investment and the rationality of land resource layout. In respect of development mode, the Company will give full play to the two-wheel driving advantages of “real estate + convention and exhibition”, deeply study the architectural planning and design characteristics of convention and exhibition projects, and explore the development mode of “real estate + convention and exhibition” and urban strategic layout. In respect of project operation, the Company will adhere to the combination of “one policy for one property” and the construction of standardization system. According to the characteristics of the project, the Company will formulate different development and sales strategies on the basis of comprehensively combing the location policies, markets and product characteristics of each project. At the same time, the Company will establish and improve the standardized and intensive management system, strengthen cost control and project quality management and control, and further improve the project income.

2. *Convention and Exhibition and Investment Properties (Including Hotels)*

The Company will focus on the strategic positioning of Beijing’s “four centers” and the construction of international consumption center cities to promote the continuous innovative development of convention and exhibition and investment property sector with a higher station and pattern.

The convention and exhibition industry, focusing on “strengthening and optimizing the brand of CIFTIS and striving to the professional operation of the CIFTIS”, and taking “developing the upstream business of the exhibition and building new development advantages” as a breakthrough, will implement internationalization, branding and digital development strategies, strengthen exchanges and cooperation with international organizations, industry associations and exhibition enterprises at home and abroad, plan and attract high-level convention and exhibition projects and international conference landing in Beijing, promote the deep integration of Internet, big data, artificial intelligence and convention and exhibition, build smart convention and exhibition, continuously optimize the operation mode of the whole convention and exhibition industry chain, and accelerate the construction of a modern service industry group with convention and exhibition service operation as the core. In terms of investment property, the Company will further sort out the business structure, optimize resource allocation, strengthen resource integration, give play to synergy, adapt to market changes, and adjust business strategies in time to continuously improve operation ability and profitability.

Management Discussion And Analysis (Continued)

3. *Financing and Capital Expenditure*

The Company will actively carry out multi-channel and multi-form financing, further strengthen risk prevention and control, and fully utilize the advantages of the “headquarters financing” mode, to decrease finance costs, and strengthen the active management and control of asset-liability, so as to maintain financial stability.

In 2022, the Company’s investment in fixed assets is expected to be RMB570 million, which will be paid according to project progress and funded by internal resources.

(III) Scheme of Operations

In 2022, it is estimated that new construction area of the Company’s development properties will be 670,000 square meters, the area for new and resumed construction will be 4,410,000 square meters and the completed area will be 1,980,000 square meters. Overcoming the impact of the regulation policy on real estate industry, the Company will strive to achieve sales of 870,000 square meters with contracts signed (including parking spaces) amounting to RMB17 billion in 2022.

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.

(IV) Potential Risks Faced by the Company

1. *Risks in relation to the Novel Coronavirus Pneumonia pandemic*

The global pandemic situation continues to change, and the pandemic situation occurs repeatedly in some parts of China. The progress of some real estate development projects of the Company and the operation of convention and exhibition and investment properties (including hotels) may be affected in the short term. The degree of impact will depend on the duration of the pandemic and the implementation of local prevention and control policies.

In view of the above risks, the Company will establish and improve the pandemic prevention and control mechanism, and coordinate the implementation of pandemic prevention and control. In addition, the Company will actively take effective measures to minimize or resolve the adverse impact of the pandemic on the Company’s operation.

2. *Policy Risks*

The development of the real estate industry is closely related to national policy directions. In recent years, China has adhered to the principle of “housing for living instead of speculation”, continued the “implementation of policies by cities”, and tightened the regulation policies and credit environment may pose certain risks on real estate companies in terms of land acquisition, project development and construction, sales, fundraising, etc.

In response to the aforesaid risks, the development property of the Company will conduct analysis on national macro policies, pay close attention to market changes, improve its responsiveness to policies and market changes, and strengthen the awareness of risk prevention. Meanwhile, it will continuously optimize the direction of business development, strengthen the potential for sustainability of development properties and enhance overall competitiveness according to policy directions.

Management Discussion And Analysis (Continued)

3. *Market Risks*

The differentiation in real estate market continues to sustain and competition for popular cities and certain prime land parcels among real estate enterprises has become intensively fierce. Land transaction prices remain high, driving up development costs. The situation of large proportion of land costs and difficulty in increasing selling price poses certain risks on enterprises in finance and capital position as well as operational stability.

In response to the aforesaid risks, the Company will pay close attention to the development trend of the market, enhance the evaluation on the newly entered cities, and select cities and regions in which market is mature with favorable investment atmosphere and a relatively rational net inflow of population and housing price-to-income ratio. The Company will continuously optimise development strategies and adhere to an appropriate scale, and be committed to strengthening professional management to shorten the development cycle, accelerate the turnover rate, and improve the cash recovery rate, avoiding market risks.

4. *Short-term Risks of Talent Reserve*

As the Company has continuously strengthened its national business layout for real estate development and steadily advanced the entrusted management of the convention and exhibition venues and hotels and other businesses, which has led to soaring demands for all kinds of talents, especially people with expertise and senior management personnel, the Company may be exposed to the risk of talent shortage in the near future.

In response to the aforesaid risks, the Company set up a talent work leading group, strengthened the combination of internal selection and training with the market-oriented talents introduction, selected professional managers, and fully implemented the contractual management of the tenure system among managers, provided training to corporate leaders and young talents to improve their operation and management capability, and promoted the construction of high-quality professional leaders; accelerated the talent reserve by developing a three-level talent training system of "Eagle, Flying Eagle, Outstanding Eagle" of the Convention Group and "Pilot, Voyage, and Sailing" of the Real Estate Group; strengthened the foundation of our talent pool through the introduction and cultivation of fresh graduates and the launch of the "Excellence Training Programme".

Beijing, the PRC
16 March 2022

Report on Corporate Governance

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

The Company has fully complied with all the code provisions as set out in the Corporate Governance Code (as effective during the year) contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange ") during the year.

THE BOARD

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

A total of eight directors currently serve on the Board, including the chairman, four executive directors and three independent non-executive directors.

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

In 2021, in order to ensure the directors being fully informed and accommodate to the needs for their contribution to the Board, all the directors of the Company actively participated in continuing professional development and participated in the themed training relevant to corporate governance organised by the domestic regulatory authorities, and timely studied the laws, regulations and documents issued by regulatory authorities.

Based on the training records provided to the Company by the directors, the directors have participated in the following training during the year ended 31 December 2021 :

Name of Directors	Reading regulatory updates/attending inhouse briefing	Attending expert briefing/conference/seminars relevant to the business/directors' duties
Mr. LI Wei-Dong	✓	✓
Ms. LI Yun	✓	✓
Mr. YANG Hua-Sen (Appointed on 23 February 2022)	N/A	N/A
Mr. CHEN De-Qi (Resigned on 19 January 2022)	✓	✓
Ms. ZHANG Wen-Lei	✓	✓
Mr. GUO Chuan	✓	✓
Dr. CHOW Wing-Kin, Anthony (Appointed on 13 May 2021)	✓	✓
Mr. GAN Pei-Zhong	✓	✓
Mr. CHEN De-Qiu (Appointed on 13 May 2021)	✓	✓
Mr. FU Yiu-Man (Retired on 13 May 2021)	✓	✓
Mr. WU Ge (Retired on 13 May 2021)	✓	✓

Report on Corporate Governance (Continued)

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

The Board should meet regularly and the Board meetings should be held at least 4 times a year. The Board had met 37 times in total during 2021.

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

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

Directors	No. of meetings attended in person/ No. of meetings held	No. of meetings attended by proxy (Note) No. of meetings held
<i>Executive directors</i>		
Mr. LI Wei-Dong	37/37	0/37
Ms. LI Yun	37/37	0/37
Mr. CHEN De-Qi (Resigned on 19 January 2022)	37/37	0/37
Ms. ZHANG Wen-Lei	37/37	0/37
Mr. GUO Chuan	37/37	0/37
Mr. YANG Hua-Sen (Appointed on 23 February 2022)	0/0	0/0
<i>Independent non-executive directors</i>		
Dr. CHOW Wing-Kin, Anthony (Appointed on 13 May 2021)	25/25	0/25
Mr. GAN Pei-Zhong	37/37	0/37
Mr. CHEN De-Qiu (Appointed on 13 May 2021)	25/25	0/25
Mr. FU Yiu-Man (Retired on 13 May 2021)	12/12	0/12
Mr. WU Ge (Retired on 13 May 2021)	12/12	0/12

Note: Pursuant to Article 151 of the Articles of Association of the Company, a director can delegate in writing another director to attend Board meetings on his or her behalf if that director cannot attend the meetings for any reason.

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

In January 2005, the Board adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as the disciplinary rules governing securities dealings by the relevant directors of the Company. During the year of 2021, none of the directors and supervisors of the Company had dealt in securities of the Company.

Report on Corporate Governance (Continued)

THE CHAIRMAN AND GENERAL MANAGER

The positions of chairman of the Board and the general manager are respectively held by Mr. LI Wei-Dong and Ms. LI Yun, which are two clearly defined positions.

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

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

ACCOUNTABILITY OF DIRECTORS ON COMPANY'S FINANCIAL STATEMENTS

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

The statement issued by the auditor on its reporting responsibilities is set out in the Independent Auditor's Report on pages 57 to 64 of this annual report.

FUNCTIONS OF CORPORATE GOVERNANCE

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

In the year of 2021, the Board has fulfilled the aforesaid functions of corporate governance.

Report on Corporate Governance (Continued)

AUDIT COMMITTEE

The Company has established an audit committee since September 2004. The audit committee comprises three independent non-executive directors, namely Mr. CHEN De-Qiu as the chairman, Dr. CHOW Wing-Kin, Anthony and Mr. GAN Pei-Zhong. 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 2021.

In accordance with the stipulations in the Rules of Procedures of Meetings of the Audit Committee of the Board of Directors of the Company, the audit committee of the Board of the Company performed their duties of due diligence. During the Reporting Period, the audit committee held four meetings in total, at which, they mainly considered the audit opinion of the external auditors on the financial report and internal control report for the year of 2020 of the Company, and the review results of the external auditors on the interim report for the year of 2021 of the Company. In addition, the audit committee of the Company gave full play to their functions as a professional committee and proactively promoted the establishment of the internal control system of the Company. Moreover, the committee guided the internal audit work of the Company in real earnest and coordinated the communication and cooperation between the Company and the external auditors, so as to improve the relevant work efficiency.

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

Members	No. of meetings attended/ No. of meetings held
Mr. CHEN De-Qiu (Appointed on 13 May 2021)	2/2
Dr. CHOW Wing-Kin, Anthony (Appointed on 13 May 2021)	2/2
Mr. GAN Pei-Zhong	4/4
Mr. FU Yiu-Man (Retired on 13 May 2021)	2/2
Mr. WU Ge (Retired on 13 May 2021)	2/2

REMUNERATION AND EVALUATION COMMITTEE

The remuneration and evaluation committee of the Board of the Company comprises three independent non-executive directors. This committee is chaired by Mr. GAN Pei-Zhong, with the other two members being Dr. CHOW Wing-Kin, Anthony and Mr. CHEN De-Qiu.

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

Report on Corporate Governance (Continued)

In accordance with the stipulations in the Rules of Procedures of Meetings of the Remuneration and Evaluation Committee of the Board of Directors of the Company, the remuneration and evaluation committee earnestly performed their duties in due diligence. During the Reporting Period, the remuneration and evaluation committee of the Board of the Company held one meeting to carefully consider the Company's 2021 total salary budget plan with a view to enhance corporate efficiency, and recommended earnest implementation of the plan, so as to give full play to the incentive role of remuneration to enhance the competitiveness of the Company.

For the year ended 31 December 2021, the remuneration of the members of the senior management by band is set out below:

Remuneration band (RMB)	Number of persons
Less than 1,000,000	0

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

Further particulars regarding the directors, supervisors and senior management's emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 27, 36(x) and 38 to the financial statements.

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

Members	No. of meetings attended/ No. of meetings held
Mr. GAN Pei-Zhong	1/1
Dr. CHOW Wing-Kin, Anthony (Appointed on 13 May 2021)	1/1
Mr. CHEN De-Qiu (Appointed on 13 May 2021)	1/1
Mr. FU Yiu-Man (Retired on 13 May 2021)	0/0
Mr. WU Ge (Retired on 13 May 2021)	0/0

NOMINATION COMMITTEE

The nomination committee of the Board of the Company comprises three independent non-executive directors and two executive directors. This committee is chaired by Mr. GAN Pei-Zhong, with the other four members being Mr. LI Wei-Dong, Ms. LI Yun, Dr. CHOW Wing-Kin, Anthony and Mr. CHEN De-Qiu.

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

Report on Corporate Governance (Continued)

BOARD DIVERSITY POLICY

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

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

NOMINATION POLICY

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

1. review the structure, size and composition (including the gender, age, cultural and educational background, race, term of service, skills, knowledge and experience) of the Board at least once a year and make recommendations to the Board regarding any proposed changes to the Board with reference to the Company's strategies;
2. identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
3. assess the independence of independent non-executive directors;
4. make recommendations to the Board in respect of the appointment or re-appointment of and succession planning for directors, in particular the Chairman and the chief executive;
5. study and make recommendations on the selection standards and procedures of directors and senior management;
6. identify individuals suitably qualified to be senior management;
7. conduct vetting of candidates of directors and senior management and make recommendations thereon;
8. in performance of the duties under the above items 1 to 7, consider individuals on merit, contributions to the Board and suggestions to the Board based on measurable objectives including adoption of a series of diversity categories as selection basis and against the objective criteria, with due regard for the benefits of diversity on the Board; and
9. review the Board Diversity Policy, as appropriate, and review the measurable objectives under the policy and the progress on achieving the objectives and make disclosure of review results in the Corporate Governance Report annually to ensure the effective implementation of the policy.

Report on Corporate Governance (Continued)

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

In accordance with the stipulations in the Rules of Procedures of Meetings of the Nomination Committee of the Company, during the Reporting Period, the nomination committee of the Board of the Company held three meetings, at which, it reviewed and made recommendations on the candidates for directors, and submitted to the general meeting for approval at the end in view of the expiry of the term of the Board of the Company, thus ensuring the integrity and compliance of the corporate governance structure. In addition, the Nomination Committee of the Board examined the structure, number of members and composition of the Board of the Company, and evaluated and examined the independence of the independent non-executive directors of the Company. Therefore, they were of the view that the structure of the Board of the Company was in compliance with the requirements of the corporate governance and there was no circumstance which impact the independence of the independent non-executive directors, giving full play to the professional role of the committee.

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

Members	No. of meetings attended/ No. of meetings held
Mr. GAN Pei-Zhong	3/3
Mr. LI Wei-Dong	3/3
Ms. LI Yun (Appointed on 13 May 2021)	1/1
Dr. CHOW Wing-Kin, Anthony (Appointed on 13 May 2021)	1/1
Mr. CHEN De-Qiu (Appointed on 13 May 2021)	1/1
Mr. FU Yiu-Man (Retired on 13 May 2021)	2/2
Mr. WU Ge (Retired on 13 May 2021)	2/2

STRATEGIC COMMITTEE

The strategic committee of the Board of the Company comprises three independent non-executive directors and two executive directors. This committee is chaired by Mr. LI Wei-Dong, and the other four members are Ms. LI Yun, Dr. CHOW Wing-Kin, Anthony, Mr. GAN Pei-Zhong and Mr. CHEN De-Qiu.

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

In accordance with the stipulations in the Rules of Procedures of Meetings of the Strategic Committee of the Company, during the Reporting Period, the strategic committee of the Board of the Company held two meetings, at which, the members of the strategic committee earnestly performed their duties in due diligence and considered the Company's external investment projects and the "14th Five-Year Plan" in conjunction with the actual operation of the Company, to provide professional support for the Company's strategic decision-making.

Report on Corporate Governance (Continued)

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

Members	No. of meetings attended/ No. of meetings held
Mr. LI Wei-Dong	2/2
Ms. LI Yun (Appointed on 13 May 2021)	1/1
Dr. CHOW Wing-Kin, Anthony (Appointed on 13 May 2021)	1/1
Mr. GAN Pei-Zhong	2/2
Mr. CHEN De-Qiu (Appointed on 13 May 2021)	1/1
Mr. FU Yiu-Man (Retired on 13 May 2021)	1/1
Mr. WU Ge (Retired on 13 May 2021)	1/1

LEGAL COMPLIANCE COMMITTEE

The legal compliance committee of the Board of the Company was established on 20 October 2020, and comprises three independent non-executive directors and two executive directors. This committee is chaired by Mr. LI Wei-Dong, and the other four members are Mr. GUO Chuan, Dr. CHOW Wing-Kin, Anthony, Mr. GAN Pei-Zhong and Mr. CHEN De-Qiu.

The legal compliance committee of the Board of the Company is mainly responsible for promoting the legal construction and guiding the standardized management of the Company.

In accordance with the stipulations in the “Rules of Procedures of Meetings of the Legal Compliance Committee of Beijing North Star Company Limited”, the legal compliance committee earnestly performed their duties based on the principle of diligence and conscientiousness, during the Reporting Period, the legal compliance committee of the Board of the Company held one meeting, and considered the Analysis Report of the Company’s Internal Control System, and provided recommendations on the construction of the Company’s internal control system.

Members	No. of meetings attended/ No. of meetings held
Mr. LI Wei-Dong	1/1
Mr. GUO Chuan	1/1
Dr. CHOW Wing-Kin, Anthony (Appointed on 13 May 2021)	1/1
Mr. GAN Pei-Zhong	1/1
Mr. CHEN De-Qiu (Appointed on 13 May 2021)	1/1
Mr. FU Yiu-Man (Retired on 13 May 2021)	0/0
Mr. WU Ge (Retired on 13 May 2021)	0/0

Report on Corporate Governance (Continued)

SUPERVISORY COMMITTEE

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

The supervisory committee is chaired by Ms. LI Xue-Mei and the other four members are Mr. MO Fei, Ms. DU Yan, Mr. TIAN Zhen-Hua and Ms. LV Yi-Hong.

During 2021, the supervisory committee of the Company exercised its monitoring authority according to the law and protected the legal interests of the shareholders, the Company and the staff. For details of the supervisory committee's works, please refer to Report of the Supervisory Committee in this annual report.

The supervisory committee held five meetings in 2021.

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

Supervisors	No. of meetings attended/ No. of meetings held
Ms. LI Xue-Mei	5/5
Mr. MO Fei	5/5
Ms. DU Yan (Appointed on 13 May 2021)	3/3
Mr. TIAN Zhen-Hua	5/5
Ms. LV Yi-Hong (Appointed on 18 March 2021)	5/5
Mr. HU Hao (Resigned on 21 January 2021)	0/0
Mr. YAN Jing-Hui (Retired on 18 March 2021)	0/0

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

COMPANY SECRETARY

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

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

EXTERNAL AUDITOR AND ITS REMUNERATION

The external auditor currently appointed by the Company is PricewaterhouseCoopers. The work which the external auditor is engaged to perform must produce measurable benefits and added-values to the Company and should not cause adverse effects on the independence or independent standing of its audit function. The fees paid to the Company's auditor, PricewaterhouseCoopers, for the year of 2021 was RMB8,540,000 (tax inclusive), all of which were related to auditing, reviewing and other annual audit services.

Report on Corporate Governance (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

In 2021, pursuant to the requirements in the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) in Mainland China and the supporting guidelines and the stipulations in other internal control supervisions, the Company conducted self-assessment on the effectiveness of the internal control of the Company and issued the Internal Control Evaluation Report. Through implementation of timely update and improvement of internal control system, self-assessment of the management, independent assessment of the audit department, immediate improvement on internal control issues and other internal control work, the Company effectively guarantees the reasonableness of design and effectiveness of operation of the internal control system of the Company. Meanwhile, PricewaterhouseCoopers Zhong Tian LLP carried forward audit on the effectiveness of the internal control in relation to the financial report of the Company and issued the Audit Report on Internal Control with unqualified opinions.

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

The audit department and the management of the Company regularly reviewed the effectiveness of risk management and internal control and reported to the Board after being considered by audit committee. As of 31 December 2021, the Board was of the view that the Company did a fruitful job in risk management and internal control during the Reporting Period, and no significant events which may affect the shareholders were identified.

Besides, the Board has conducted review of the effectiveness of the risk management and internal control system of the Company and its subsidiaries for 2021 and considered the adequacy of resources, qualifications and experience of staff in respect of the Company's accounting and financial reporting function, and their training programs and budget in accordance with code provisions C.2.1 and C.2.2 of the Corporate Governance Code of the Listing Rules effective during the Reporting Period.

Report on Corporate Governance (Continued)

MANAGEMENT OF INSIDE INFORMATION

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

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

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

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

INVESTOR RELATIONS AND SHAREHOLDER'S INTEREST

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

After publication of the Company's annual financial results, the Company has proactively arranged explanations on the results for people from the investment industry, using the opportunity to promote investor relations and two-way communication. Through the investor relations manager, the Company responds to information requests and inquiries by people from the investment industry.

In the general meeting, the Company will explain the detailed procedures on poll to the shareholders and answer the questions of shareholders thereon. The website of the Company also publishes periodically updated financial and other information of the Company, which the shareholders can browse and look through at any time.

Report on Corporate Governance (Continued)

GENERAL MEETINGS

In 2021, the Company held one general meeting, being the 2020 annual general meeting.

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

Directors	Annual general meeting	Attendance rate
<i>Executive directors</i>		
Mr. LI Wei-Dong	1/1	100%
Ms. LI Yun	1/1	100%
Mr. CHEN De-Qi (Resigned on 19 January 2022)	1/1	100%
Ms. ZHANG Wen-Lei	0/1	0
Mr. GUO Chuan	1/1	100%
Mr. YANG Hua-Sen (Appointed on 23 February 2022)	0/0	–
<i>Independent non-executive directors</i>		
Dr. CHOW Wing-Kin, Anthony (Appointed on 13 May 2021)	0/0	–
Mr. GAN Pei-Zhong	0/1	0
Mr. CHEN De-Qiu (Appointed on 13 May 2021)	0/0	–
Mr. FU Yiu-Man (Retired on 13 May 2021)	0/1	0
Mr. WU Ge (Retired on 13 May 2021)	0/1	0

CONSTITUTION

In 2021, there were no changes to the Articles of Association of the Company.

RIGHTS OF SHAREHOLDERS

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

Pursuant to Article 97 of the Articles of Association, shareholders holding more than 10% of the shares of the Company individually or in aggregate may propose the convening of an extraordinary general meeting or a class shareholders' meeting in accordance with the procedures stipulated in Article 97 of the Articles of Association. Shareholders can submit a written requisition to the Board to convene an extraordinary general meeting or a class shareholders' meeting. The written requisition shall state the objects of the meeting and shall be signed by the shareholders and submitted to the secretariat of the Board of the Company.

Article 97 of the Articles of Association is set out in the Articles of Association of the Company.

Report on Corporate Governance (Continued)

PUTTING FORWARD PROPOSALS TO THE GENERAL MEETINGS

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

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

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

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

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

PROCEDURES FOR DIRECTING PROPOSALS, ENQUIRIES OF SHAREHOLDERS TO THE BOARD

Shareholders can at any time send their proposals, enquiries and concerns to the Board in writing through the work department of the Board of the Company. The contact details of the work department of the Board are set out in Corporate Information on page 190 of this annual report.

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

In 2022, the Company will continue to dedicate itself to improving the standards of its corporate governance according to changing regulatory requirements, the Company's latest development and feedbacks from shareholders, so as to ensure stable and healthy growth of the Company while enhancing shareholders' value.

By Order of the Board

GUO Chuan

*Executive Director, Deputy
General Manager and Company
Secretary*

Beijing, the PRC, 16 March 2022

Profile of Directors, Supervisors and Senior Management

CHAIRMAN

LI Wei-Dong, aged 53, is the Chairman of the Company. He graduated from Renmin University of China with a master's degree in management. He is a senior economist and an engineer. Mr. LI served as the mechanical workshop director, deputy manager and manager of Beijing Yanshan Cement Factory (北京市燕山水泥廠), the chief of the real estate division and the assistant to the general manager of BBMG Group Company Limited* (北京金隅集團有限責任公司) and the manager of Tengda Plaza (騰達大廈), manager of BBMG Property Management Co., Ltd. (北京金隅物業管理有限責任公司), chairman of Beijing Dacheng Property Development Co., Ltd. (北京大成房地產開發有限責任公司), deputy general manager and executive director of BBMG Corporation* (北京金隅股份有限公司). Mr. LI joined the Company in 2016 and was appointed as an executive director and the general manager of the Company. Mr. LI was elected as the Chairman of the Company in August 2020, and was re-elected as an executive director and Chairman of the Company in May 2021. Mr. LI possesses extensive experience in real estate development and property management.

EXECUTIVE DIRECTORS

LI Yun, aged 54, is an executive director and the general manager of the Company. Ms. LI successively graduated from the Renmin University of China and Beijing Institute of Technology with the degree of bachelor of history and the degree of master of business administration. She is qualified as a senior economist and a senior political work specialist. Ms. LI joined BNSIGC in 1990 and successively served as the sales manager of the public relations department of Hui Yuan International Apartment, deputy general manager and general manager of Hui Bin Offices, deputy general manager and general manager of Beijing International Convention Centre and the deputy general manager of the Company. Ms. LI has served as an executive director of the Company since May 2018, and was re-elected as an executive director and general manager of the Company since May 2021. Ms. LI has profound experience in operation and management of hotels, convention centre and investment property.

YANG Hua-Sen, aged 48, is an executive director of the Company. Mr. YANG graduated from Northern Jiaotong University, Huazhong University of Science and Technology and Party School of the CPC Central Committee successively, with a bachelor's degree in engineering, a master's degree in business administration and a postgraduate degree in philosophy of science and technology. He is a senior logistician and engineer. Mr. YANG successively served as the assistant to the general manager and the deputy general manager of Guangxi Liutie Economic and Technological Development Corporation (廣西柳鐵經濟技術開發總公司), the general manager of Nanning Sales Department of China Railway Special Cargo Company (中鐵特貨公司), the general manager of Shanghai China Railway Auto Logistics Company Limited (上海中鐵達汽車物流有限公司), and the deputy general manager of Beijing Capital Highway Development Group Co., Ltd. (北京市首都公路發展集團有限公司). From March 2019 to October 2021, he served temporarily as a member of the Standing Committee and deputy mayor of Tangshan City, Hebei Province, the secretary of the Party Working Committee of the Beijing-Hebei Caofeidian Co-development Exhibition Zone (京冀曹妃甸協同發展示範區), and was elected as the executive director of the Company in February 2022. Mr. YANG has extensive experience in corporate management and logistics industry.

ZHANG Wen-Lei, aged 54, is an executive director and a deputy general manager of the Company. Ms. ZHANG graduated from the School of Economics and Management of Northern Jiaotong University and has received postgraduate education and is a senior economist and a senior accountant as well as an engineer. Ms. ZHANG served as the chief economist of the Fourth Office of China Railway 18th Engineering Bureau (中鐵第十八工程局四處) and the deputy-chief economist of China Railway 18th Engineering Bureau. She joined BNSIGC in 2001. She was the chief economist and the chief legal advisor of BNSIGC. Ms. ZHANG has become the deputy general manager of the Company since 2012 and was elected as an executive director of the Company in May 2018, and was re-elected as an executive director of the Company in May 2021. Ms. ZHANG has extensive experience in construction engineering, tendering, works pricing and works supervision.

Profile of Directors, Supervisors and Senior Management (Continued)

GUO Chuan, aged 53, is an executive director, a deputy general manager, the secretary to the Board and the chief legal advisor of the Company. Mr. GUO graduated from the Capital University of Economics and Business and the University of International Business and Economics with an LLB degree in economic law and an EMBA degree, and is a qualified lawyer. Mr. GUO joined BNSIGC in 1991, and was consecutively deputy director and director of the Secretariat of the Board of the Company. In February 2004, Mr. GUO was appointed as secretary to the Board of the Company and was appointed as the chief legal advisor of the Company in July 2008. He has served as a deputy general manager of the Company since March 2017 and was elected as an executive director of the Company in May 2018, and was re-elected as an executive director of the Company in May 2021. Mr. GUO has extensive experience in corporate governance, legal affairs, corporate branding management.

CHEN De-Qi, aged 58, is an executive director and a deputy general manager of the Company. Mr. CHEN graduated from Chinese Academy of Sciences with a master's degree in science. He is qualified as a senior economist. Mr. CHEN joined BNSIGC in 1993 and successively served as the deputy head of the Development Department of BNSIGC, deputy general manager and general manager of Beijing North Star Real Estate Development Co., Limited and general manager of the branch company of Beijing North Star Property of the Company. Mr. CHEN has become the deputy general manager of the Company since 2015 and was elected as an executive director of the Company in May 2018. He resigned from the positions of executive director and deputy general manager of the Company in January 2022 due to his focus on other special affairs. Mr. CHEN possesses profound experience in real property development and management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHOW Wing-Kin, Anthony, aged 71, is an independent non-executive director of the Company. Dr. CHOW is a solicitor admitted to practise in Hong Kong and England and Wales. He has been a practising solicitor in Hong Kong for over 40 years and served as chairman of the board of stewards of The Hong Kong Jockey Club, the chairman of the Process Review Panel of the Hong Kong Financial Reporting Council, the chairman of the Process Review Panel of Securities and Futures Commission of Hong Kong, the president of the Law Society of Hong Kong and etc. He is currently the senior consultant and global chairman of the law firm Messrs. Guantao & Chow Solicitors and Notaries, a member of the National Committee of the Chinese People's Political Consultative Conference, an official China-Appointed Attesting Officer appointed by the Ministry of Justice of the PRC, an arbitrator of the South China International Economic and Trade Arbitration Commission (Shenzhen Court of International Arbitration), the deputy chairman of the Council of The Hong Kong Academy for Performing Arts, a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority and the Governance Sub-Committee, the Investment Sub-Committee thereunder and a member of advisory body under Part 10A of the Arbitration Ordinance (Cap. 609). Dr. CHOW was appointed as a Justice of the Peace and awarded with a Silver Bauhinia Star medal by the Government of the Hong Kong Special Administrative Region in 1998 and 2003, respectively, awarded as an Honorary Fellow of the Hong Kong Institute of Education in 2010, an Honorary Fellow of King's College London in England in 2013 and an Honorary Doctorate of the Open University of Hong Kong in 2018. Dr. CHOW has extensive experience in corporate law and securities businesses. Dr. CHOW currently serves as an independent non-executive director in the following three listed companies: S.F. Holdings Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 002352), MTR Corporation Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 00066) and Ping An Healthcare and Technology Company Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 01833), and Dr. CHOW also served as a non-executive director of Kingmaker Footwear Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 01170) and an independent director of OneConnect Financial Technology Co., Ltd, a company listed on the New York Stock Exchange (Stock Code: NYSE OCFT). Dr. CHOW was elected as an independent non-executive director of the Company in May 2021.

Profile of Directors, Supervisors and Senior Management (Continued)

GAN Pei-Zhong, aged 65, is an independent non-executive director of the Company. Mr. GAN graduated from Department of Law of Peking University, and is a doctor of law. He served as a professor and a tutor of doctoral students of Peking University Law School, and served as the dean, professor and tutor of doctoral students of Lanzhou University Law School. Mr. GAN currently serves as the president of China Business Law Society (中國商業法研究會), the deputy president of Research Association of Securities Law of China Law Society (中國法學會證券法學研究會), a legal counsel to the People's Government of Liaoning Province, a standing director of Chinese Economic Law Research Society, an advisor to the Supreme People's Court, a member of the Expert Guiding Cases Commission of the Supreme People's Court* (最高人民法院案例指導專家委員會), and a member of the Consultation Commission of the Executive Council of the Supreme People's Court* (最高人民法院執行局諮詢委員). Mr. GAN was elected as an independent non-executive director of the Company in October 2020 and was re-elected as an independent non-executive director of the Company in May 2021. Mr. GAN has extensive experience in field of economic law, enterprise law, corporate law and securities law. Mr. GAN currently serves as an independent non-executive director of the following three listed companies: Beijing Thunisoft Corporation Limited, a company listed on the Shenzhen Stock Exchange (Stock Code: 300271), Suzhou Douson Drilling & Production Equipment Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 603800), and Gansu Jinhui Wine Co. Ltd. (甘肅金徽酒股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 603919).

CHEN De-Qiu, aged 40, is an independent non-executive director of the Company. Mr. CHEN graduated from the Business School of Nankai University as a doctor specialising in corporate governance. He currently serves as a dean of Business School of University of International Business and Economics, a professor in accounting and corporate governance and a tutor for doctoral students. Mr. CHEN is also the vice chairman of the Accounting Society for Foreign Economic Relations & Trade of China, a member of the Foreign Academic Exchange Committee of Accounting Society of China, a member of the Financial Management Committee of Chinese Academy of Management, and a member of the Corporate Governance Committee of Chinese Academy of Management. Mr. CHEN has extensive experience in corporate governance, finance management and auditing. Mr. CHEN currently serves as an independent non-executive director of China Publishing & Media Holdings Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 601949). Mr. CHEN was elected as an independent non-executive director of the Company in May 2021.

CHAIRMAN OF SUPERVISORY COMMITTEE

LI Xue-Mei, aged 53, is the chairman of the Supervisory Committee. Ms. LI graduated from Beijing University of Technology and Beijing Institute of Technology with a bachelor of engineering and a master of business administration. She is an economist. Ms. LI joined BNSIGC in 1992. Ms. LI successively served as the manager of sales department of Huiyuan International Apartment (匯園國際公寓), the director of the Planning and Development Department and the director of General Manager's Office of BNSIGC, and the director of the Planning and Development Department of the Company, the secretary to the board of directors and the director of the office of the board of directors of BNSIGC and currently serves as the director of the office of the party of the Company. Ms. LI was elected as the chairman of the Supervisory Committee of the Company in June 2020, and was re-elected as a supervisor of the Company in May 2021. Ms. LI has extensive experience in corporate governance and strategic planning and management.

SUPERVISORS

MO Fei, aged 51, is a supervisor representing the shareholders of the Company. Mr. MO graduated from Southwest University of Political Science & Law, with a bachelor's degree in laws, and has legal professional qualifications. Mr. Mo joined BNSIGC in 2003, and used to serve as the deputy director of the legal affairs department of BNSIGC and is currently the director of the legal affairs department of the Company. Mr. MO was elected as a supervisor representing the shareholders of the Company in June 2020, and was re-elected as a supervisor of the Company in May 2021. Mr. Mo has extensive experience in corporate legal affairs regulation.

Profile of Directors, Supervisors and Senior Management (Continued)

DU Yan, aged 45, is a shareholder representative supervisor of the Company. Ms. DU graduated from Capital University of Economics and Business with a bachelor's degree in economics and is a senior accountant. Ms. DU joined BNSIGC in 1999 and served as the accountant of the financial department of Beijing North Star Shopping Centre, the accountant in charge of the financial department of North Star Department Store Branch, the manager and deputy director of the planning and financial department of the Company, and is currently the head of the financial capital department of the Company. Ms. DU was elected as a supervisor representing the shareholders of the Company in May 2021. Ms. DU has extensive experience in accounting practice and financial management.

TIAN Zhen-Hua, aged 41, is a supervisor representing staff and workers of the Company. Mr. TIAN successively graduated from Beijing Forestry University and Central University of Finance and Economics with a bachelor's degree in management and a master's degree in accounting, and is a senior accountant and Chinese Certified Public Accountant (non-practising). Mr. TIAN joined the Company in 2007. He has served as the financial controller of Wuhan City Center of NSREG and currently serves as the vice head of the audit department of the Company. Mr. TIAN was elected as a supervisor representing staff and workers of the Company in March 2021. Mr. TIAN has extensive experience in corporate financial management and corporate audit.

LV Yi-Hong, aged 50, is a supervisor representing staff and workers of the Company. Ms. LV graduated from Capital University of Economics and Business with a bachelor's degree in management. Ms. LV joined BNSIGC in 1991. She once served as the manager of training department and exhibition department, assistant to general manager, deputy general manager, chairman of the labour union of Beijing International Convention Center and Beijing Continental Grand Hotel, and is currently the vice chairman of the labour union of the Company. Ms. LV was elected as a supervisor representing staff and workers of the Company in March 2021. Ms. LV has extensive experience in investment property management and labour union work.

DEPUTY GENERAL MANAGER

DU Jing-Ming, aged 57, is a deputy general manager of the Company. He graduated from Beijing Normal University with a doctor's degree in law and is a senior economist. Mr. DU served as the deputy director of the General Office of the Beijing Municipal Government and deputy director of the Information Network Office of the Beijing Municipal Government. He joined BNSIGC in 2004. He was the deputy general manager of BNSIGC. Mr. DU has become the deputy general manager of the Company since 2012. Mr. DU has extensive experience in corporate administration and management, enterprise culture and publicity work.

LIU Tie-Lin, aged 59, is a deputy general manager of the Company. Mr. LIU graduated from Tsinghua University with a postgraduate degree and is a senior economist. Mr. LIU joined BNSIGC since 1990 and served as the general manager of North Star Shopping Centre. Mr. LIU was appointed as the deputy general manager of the Company in 2002. Mr. LIU has extensive experience in commercial property operation management.

SUN Dong-Fan, aged 59, is a deputy general manager of the Company. Mr. SUN Dong-Fan graduated from Beijing Jiaotong University with an MBA degree. He is senior economist. Mr. SUN joined BNSIGC in 1988 and successively served as a deputy general manager and general manager of Hui Yuan Apartment, general manager of Office Building Operation and Management Branch. Mr. SUN has served as an assistant to general manager of the Company, the standing deputy general manager and the chairman of Beijing North Star Convention Group Co., Limited. He has served as a deputy general manager of the Company since March 2017. Mr. SUN has extensive experience in investment properties management.

Profile of Directors, Supervisors and Senior Management (Continued)

HU Hao, aged 43, is a deputy general manager of the Company. Mr. HU graduated from the Central University of Finance and Economics with a bachelor's degree in economics. Mr. HU joined the Company in 2002 and served successively as the deputy head and head of the investment and financing department, the head of the strategic operation department, the assistant to the general manager and the supervisor representing the shareholders of the Company. He served as the deputy general manager of the Company in January 2021. Mr. HU has extensive experience in real estate development, corporate capital operation and operation control.

KONG Lei, aged 50, is the deputy general manager of the Company. Mr. KONG graduated from the Nanjing Academy and obtained a bachelor's degree and a master's degree in law successively. He has served as deputy regimental officer, regimental secretary, regimental staff officer, deputy divisional staff officer, director of the armed forces department and director of the university. Mr. KONG has extensive experience in public administration, security and large-scale event service assurance.

COMPANY SECRETARY

LEE Ka Sze, Carmelo, aged 61, is company secretary of the Company and such office is served by him as a representative of external service provider. He is responsible for ensuring the Company has been in compliance with the regulations of Hong Kong. Mr. LEE graduated from the University of Hong Kong with a bachelor's degree in law. He is a practicing solicitor in Hong Kong and a partner of Woo Kwan Lee & Lo, the Company's legal adviser on Hong Kong laws. Mr. LEE was appointed as the company secretary of the Company in 1997.

Report of the Directors

The Board of the Company is pleased to present to the shareholders its report together with the audited financial reports of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

1. Business performance, principal risks and uncertainties and future developments

The Group’s business performance, principal risk and uncertainties and future development for the year ended 31 December 2021 are discussed in the section “Chairman’s Report” on pages 4 to 5 and the section “Management Discussion and Analysis” on pages 6 to 26 of this annual report.

2. Subsequent events during the Reporting Period

Subsequent events of the Company during the Reporting Period are set out in Note 39 to the consolidated financial statements.

3. Environmental policies and performance

The environmental policy and its performance of the Group for the year ended 31 December 2021 is set out in the sub-section “Fulfill social responsibility and promote sustainable development of the Company” paged 22 of the section “Management Discussion and Analysis” of this annual report and the separately published “2021 Environmental, Social and Governance Report” of the Company.

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

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

5. Key relationships

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

6. Financial key performance indicators

The financial performance of the Group for the year ended 31 December 2021 analysed based on the financial key performance indicators is set out in the section “Financial Highlights on pages 2 to 3, the section “Chairman’s Report” on pages 4 to 5 and the section “Management Discussion and Analysis” on pages 6 to 26 of this annual report.

Report of the Directors (Continued)

RESULTS AND PROFIT DISTRIBUTION

The results of the Group for the year ended 31 December 2021 and the financial positions of the Group and the Company as at 31 December 2021 prepared in accordance with HKFRS are set out on pages 65 to 68 of this annual report.

DIVIDEND

The Board recommends the payment of a final dividend of RMB0.01 per share for the year ended 31 December 2021, totalling RMB33,670,200.

FIVE YEAR FINANCIAL SUMMARY

The Group's consolidated results and summaries of assets and liabilities for the last five financial years are set out on pages 2 to 3 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

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

DISTRIBUTABLE RESERVES

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

Distributable reserves of the Company as at 31 December 2021 amounted to RMB2,124,197,014 (2020: RMB2,180,073,228).

Report of the Directors (Continued)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CONTINUING DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 18 September 2018, the Company (as borrower) entered into a trust loan agreement (the "Loan Agreement") with Beijing International Trust Co., Ltd. (as lender) (the "Lender") for up to RMB 1 billion of loans under the Beijing Trust-Wisdom Capital Collective Fund Trust Plan (北京信托•盈瑞資本集合資金信託計劃貸款) (the "Loans"). The term of each Loan shall be 10 years from the date of drawdown. BNSIGC, the controlling shareholder of the Company, has provided guarantee to the Lender in respect of the Loan Agreement. Pursuant to the Loan Agreement, an event of default shall occur if (i) the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality (the "Beijing SASAC") directly or indirectly holds less than 51% of the shares of BNSIGC or Beijing SASAC loses the de-facto control over BNSIGC; and/or (ii) BNSIGC loses the de-facto control over the Company. In the event of default under the Loan Agreement, the Lender may unilaterally and unconditionally cancel the undrawn Loans under the Loan Agreement and/or declare that all or a part of the Loans under the Loan Agreement, together with the interests accrued thereon and all other monies accrued or payable to be immediately due and payable, and demand immediate repayment by the Company through legitimate means.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Executive Directors

LI Wei-Dong	<i>Chairman</i>
LI Yun	<i>Director</i>
YANG Hua-Sen (Appointed on 23 February 2022)	<i>Director</i>
ZHANG Wen-Lei	<i>Director</i>
GUO Chuan	<i>Director</i>
CHEN De-Qi (Resigned on 19 January 2022)	<i>Director</i>

Independent Non-Executive Directors

CHOW Wing-Kin, Anthony (Appointed on 13 May 2021)	<i>Director</i>
GAN Pei-Zhong	<i>Director</i>
CHEN De-Qiu (Appointed on 13 May 2021)	<i>Director</i>
FU Yiu-Man (Retired on 13 May 2021)	<i>Director</i>
WU Ge (Retired on 13 May 2021)	<i>Director</i>

Report of the Directors (Continued)

Supervisors

LI Xue-Mei	<i>Chairman of the Supervisory Committee</i>
MO Fei	<i>Supervisor</i>
DU Yan (Appointed on 13 May 2021)	<i>Supervisor</i>
TIAN Zhen-Hua	<i>Supervisor</i>
LV Yi-Hong (Appointed on 18 March 2021)	<i>Supervisor</i>
HU Hao (Resigned on 21 January 2021)	<i>Supervisor</i>
YAN Jing-Hui (Retired on 18 March 2021)	<i>Supervisor</i>

Senior Management

LI Yun (Appointed on 24 June 2021)	<i>General Manager</i>
ZHANG Wen-Lei	<i>Deputy General Manager</i>
GUO Chuan	<i>Deputy General Manager, Company Secretary, Chief Legal Advisor</i>
DU Jing-Ming	<i>Deputy General Manager</i>
LIU Tie-Lin	<i>Deputy General Manager</i>
SUN Dong-Fan	<i>Deputy General Manager</i>
HU Hao (Appointed on 22 January 2021)	<i>Deputy General Manager</i>
KONG Lei (Appointed on 28 February 2022)	<i>Deputy General Manager</i>
CHEN De-Qi (Resigned on 19 January 2022)	<i>Deputy General Manager</i>
LEE Ka Sze, Carmelo	<i>Company Secretary – served as a representative of external service provider</i>

The biographical details of directors, supervisors and senior management are set out on pages 40 to 44 of this annual report.

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

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

ELECTION OF DIRECTORS AND SUPERVISORS

All incumbent directors and supervisors of the Company were elected at the 2020 annual general meeting convened on 13 May 2021. Mr. LI Wei-Dong, Ms. LI Yun, Mr. CHEN De-Qi, Ms. ZHANG Wen-Lei, Mr. GUO Chuan and Mr. GAN Pei-Zhong, directors of the last session, were re-elected, and Mr. LI Wei-Dong was re-elected as the chairman of the Company. Mr. FU Yiu-Man and Mr. WU Ge retired as independent non-executive directors. Dr. CHOW Wing-Kin, Anthony and Mr. CHEN De-Qiu were elected as new independent non-executive directors of the Company. Ms. LI Xue-Mei and Mr. MO Fei, supervisors of the last session, were re-elected, Ms. DU Yan was elected as new supervisor representing the shareholders of the Company, and Ms. LI Xue-Mei was elected as the chairman of the supervisory committee of the Company.

PERMITTED INDEMNITY PROVISIONS

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

EQUITY-LINKED AGREEMENTS

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

Report of the Directors (Continued)

DIRECTORS AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of directors, supervisors and senior management's emoluments are set out in notes 36(x) and 38 to the consolidated financial statements.

INDIVIDUALS WITH THE HIGHEST PAY

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

MANAGEMENT CONTRACTS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2021, none of the directors, supervisors and chief executives of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (as defined under Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company or Hong Kong Stock Exchange pursuant to the Model Code. None of the directors, supervisors and chief executives of the Company, their spouses or children under the age of 18 had been granted any rights to subscribe for shares in or debentures of the Company or its associated corporations, nor has any of them exercised such rights during the year.

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

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

Report of the Directors (Continued)

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

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

DETAILS OF SHARE OFFERING AND LISTING

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

Class of shares	A shares
Listing place	Shanghai
Offer price	RMB 2.40 per share
Listing date	16 October 2006
Number of issued shares	1,500,000,000 shares

SHARE CAPITAL

The Company's total number of issued shares as at 31 December 2021 was 3,367,020,000, comprising:

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

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

SUBSTANTIAL SHAREHOLDERS' INTEREST

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 31 December 2021, the Company had been notified of the following substantial shareholders' interests or short positions, being 5% or more of the relevant class of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Long positions in the shares of the Company:

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

Report of the Directors (Continued)

Save as disclosed above, the register required to be kept under Section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 31 December 2021.

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

As at 31 December 2021, the shareholders as recorded in the registers of holders of A shares and H shares kept by the Company are as follows:

As at the end of the Reporting Period, the total number of shareholders is: 145,333 holders

Shareholdings of top ten shareholders of the Company as at 31 December 2021

Name of shareholders	Class of shares	Total number of shares held at the end of the period (shares)	Percentage of shares held (%)
Beijing North Star Industrial Group Limited Liabilities Company	A share	1,161,000,031	34.482
HKSCC NOMINEES LIMITED	H share	686,964,199	20.403
Wangfujing Group Co., Ltd. (王府井集團股份有限公司)	A share	125,300,000	3.721
Zhong Hang Xin Gang Guarantee Co., Ltd. (中航鑫港擔保有限公司)	A share	73,573,353	2.185
Hong Kong Securities Clearing Company Limited	A share	29,320,083	0.871
YANG Liu (楊柳)	A share	23,500,000	0.698
LI Zhuo (李卓)	A share	19,216,501	0.571
TAO Xuezhi (陶學知)	A share	12,754,100	0.379
QIAN Zhoujian (錢周健)	A share	11,469,994	0.341
LIU Wenke (劉文科)	A share	9,171,200	0.272

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

DESIGNATED DEPOSITS AND OVERDUE FIXED DEPOSITS

As at 31 December 2021, 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.

Report of the Directors (Continued)

STAFF RETIREMENT SCHEME

Details of the Group's staff retirement scheme are set out in note 27 to the consolidated financial statements.

EMPLOYEES

As at 31 December 2021, the Company had 5,588 employees. The employee remuneration policy of the Company is that the total salary is paid with reference to its economic efficiency. Save for the remuneration policy disclosed above, the Company did not provide any share option scheme for its employees. The Company regularly provides its management personnel trainings on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws. The trainings are provided in different forms, such as seminars, site visits and survey tours.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 36 to the consolidated financial statements also constituted connected transactions (including continuing connected transactions) under the Listing Rules and/or the Listing Rules of Shanghai Stock Exchange. Such transactions between certain connected persons (as defined in the Listing Rules) and the Group which have been entered into and/or are ongoing during the year are shown below for which relevant disclosure, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

(1) Use of Authorised Logo and Signage Usage

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

(2) Renting Properties

In 2021, the Company's subsidiary, Beijing North Star Xin Cheng Property Management Co., Limited (hereafter called "Xin Cheng Property"), entered into a property rental agreement with Chen Yun Property, a branch of BNSIGC. Pursuant to the agreement, Xin Cheng Property leased certain properties from Chen Yun Property as office properties. The term of the lease is one year, starting from 1 January 2021 and ended on 31 December 2021. The rental for the Reporting Period was RMB 900,000, representing 0.99% of the leases of the Company. Such transaction was settled by cash.

The independent non-executive directors of the Company have reviewed the transactions set out in the above paragraphs (1) to (2), and confirmed in accordance with the Listing Rules that, such transactions were conducted on normal commercial terms and the terms of relevant agreements in the ordinary and usual course of business of the Company, if applicable, and such terms were fair and reasonable to all the shareholders of the Company.

Report of the Directors (Continued)

PricewaterhouseCoopers, the auditor of the Company, has reviewed the transactions in the above paragraphs (1) to (2), which have constituted the continuing connected transactions for the year ended 31 December 2021, and has advised in its letter to the Company pursuant to the Listing Rules that, (i) such transactions have been approved by the Board of the Company; (ii) the pricing of such transactions was in line with the pricing policy of the Company based on a sample basis; and (iii) such transactions were conducted under relevant agreements governing such transactions. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the continuing connected transactions in the above paragraphs (1) to (2).

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2021, the bank loans and other borrowings of the Group are set out in note 23 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES

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

MAJOR LITIGATION OR ARBITRATION

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

POLICIES ON INCOME TAX

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

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2021, the equity attributable to ordinary shareholders of the Company amounted to RMB20,935,846,000, representing an increase of 0.73% as compared to 31 December 2020.

The Group's bank and other borrowings as at 31 December 2021 amounted to RMB21,739,821,000. As at the end of the year, net values of the Group's 5-year corporate bonds, 7-year corporate bonds, 5-year medium-term notes and 2-year medium-term notes were RMB3,445,391,000, RMB1,497,634,000, RMB2,564,813,000 and RMB259,510,000, respectively. Asset-backed securities were RMB760,937,000 at the end of the year.

Report of the Directors (Continued)

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 RMB65,237,659,000, whereas the current liabilities amounted to RMB38,222,835,000. As at 31 December 2021, balances of cash at bank and on hand amounted to RMB12,959,453,000 (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 2021, the Group had secured borrowings from banks and other financial institutions of RMB15,752,053,000 with certain investment properties, hotel properties, 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 71% as at the end of the Reporting Period (31 December 2020: 73%).

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 significant risk of exchange rate fluctuations.

The Group has arranged bank financing for certain buyers of property units and provided repayment guarantee for such buyers. The above phased guarantees will not have a material impact on the financial position of the Group. The amount of outstanding phased guarantees as at 31 December 2021 was RMB13,901,298,000 (31 December 2020: RMB17,950,665,000).

PROVISION FOR IMPAIRMENT

During the Reporting Period, after having comprehensively taken into account the market conditions of the real estate project location, project positioning, development and sales plans and other factors, the Company conducted the impairment tests on the net realisable value of its projects, and made provision for the impairment of inventories whose cost is higher than its net realisable value. As confirmed by the test, the Company is required to make provision for the impairment of inventories for real estate projects of RMB669 million.

During the Reporting Period, after having comprehensively taken into account the market conditions of the location of hotel properties, as well as the latest operation and investment plans of the project and other factors, the Company performed the impairment tests on the recoverable amount of the hotel properties, and made provision for the impairment of the portion whose carrying amount is higher than its recoverable amount. As confirmed by the test, the Company is required to make provision for the impairment for hotel properties of RMB79 million.

Report of the Directors (Continued)

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE CODE

The Company strives to maintain and establish a high level of corporate governance and the Company has fully complied with all the code provisions as set out in the Corporate Governance Code (as effective during the year) contained in Appendix 14 to the Listing Rules during the year.

REVIEW ON ANNUAL RESULTS

The audit committee has reviewed the annual results and the financial statements of the Group for the year ended 31 December 2021 according to its terms of reference.

PUBLIC FLOAT

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

AUDITOR

The accounts of the Company have been audited by PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP who retire and being eligible, offer themselves for re-appointment as auditors of the Company. A resolution re-appointing PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company’s PRC and international auditors will be proposed at the 2021 annual general meeting.

By Order of the Board



LI Wei-Dong
Chairman

Beijing, the PRC, 16 March 2022

Report of the Supervisory Committee

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

In 2021, the Supervisory Committee met five times in total and the supervisors attended the Board meetings and 2020 annual general meeting held during the reporting period. During the course of preparation of 2020 Annual Report, the Supervisory Committee has seriously reviewed and agreed to the audited financial reports, profit appropriation proposal and the self-assessment report of the Board on internal control of the Company to be proposed by the Board for presentation at the 2020 annual general meeting. It also strictly and effectively monitored and supervised the Board and management of the Company in making significant policies and specific decisions to ensure that they were in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of the Company, its shareholders and employees. It is of the opinion that in 2021, the Board and management of the Company operate in strict accordance with laws, regulations and the Articles of Association, perform their duties diligently, and exercise their authority faithfully in the best interests of the shareholders.

During the reporting period, the Supervisory Committee conducted continuous supervision over the insider transactions, cash dividends, related transactions of the Company and had not detected any insider dealings by any holders of inside information or any other act detrimental to the interests of the Company. The cash dividend policy of the Company was implemented effectively under the Articles of Association, Shareholders' Return Plan and the resolutions of general meetings. Meanwhile, the connected transactions between the Company and related parties were conducted at fair market prices and in compliance with reviewing and disclosure procedures, without prejudicing the interests of the Company and minority shareholders.

The Supervisory Committee is satisfied with the achievement and economic effects of the Company in 2021 and has great confidence in the future of the Company.

In 2022, the Supervisory Committee of the Company will continue to strictly comply with the Articles of Association and the relevant regulations, so as to safeguard shareholders' interests and fulfill all its duties.

By Order of the Supervisory Committee

LI Xue-Mei

Chairman of the Supervisory Committee

Beijing, the PRC, 16 March 2022

Independent Auditor's Report

Independent Auditor's Report

To the Shareholders of Beijing North Star Company Limited

(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Beijing North Star Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 65 to 187, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties</p> <p>Refer to Notes 2.8(b), 4.1(a) and 7 to the consolidated financial statements</p> <p>As at 31 December 2021, the Group's investment properties were measured at fair value and carried at approximately RMB16,709 million. The fair value was determined by management with reference to the valuations performed by an independent professional valuer engaged by the Group (the "Valuer").</p> <p>The Group's investment property portfolio mainly included completed office units, apartment units, shopping malls, convention centres, and investment properties under development.</p> <ul style="list-style-type: none"> • Completed office units, apartment units (except block A) and shopping malls: the valuation was derived using the income capitalization approach (term and reversionary method), the relevant key assumptions included market rents, adjustment on term yield and reversionary yield. • Completed convention centres and apartment block A: the valuation was derived using the discounted cash flow approach, the relevant key assumptions included estimated rental value of completed convention centres, market rents of apartment block A and discount rate. 	<p>We performed the following procedures to address the key audit matter:</p> <ul style="list-style-type: none"> • Obtained an understanding of the management's key internal controls and assessment process for determining the fair value of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity, changes and susceptibility to management bias or fraud. • Assessed the competence, capabilities and objectivity of the Valuer. • Obtained and read the valuation reports for all investment properties and held discussion with the Valuer to understand the valuation approach or method and key assumptions as adopted in the valuations. • Involved our internal valuation experts to assist us in assessing the appropriateness of the methodologies used by the Valuers and compared the valuations of investment properties, on a sample basis, to our independently formed market expectations. • Assessed the reasonableness of relevant key assumptions used in valuation (including market rents, discount rate, term yield and reversionary yield), on a sample basis, by considering the data of comparable properties in the market and characteristics of the Group's properties such as location, size, occupancy rate, current rental and age.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties</p> <p>Refer to Notes 2.8(b), 4.1(a) and 7 to the consolidated financial statements</p> <ul style="list-style-type: none"> Investment properties under development: the valuation was derived using the residual method, the relevant key assumptions included market rents, adjustment on term yield, reversionary yield and estimated development costs to completion. <p>All the relevant key assumptions were influenced by the prevailing market conditions and characteristics of individual property such as location, size, occupancy rate, current rental and age of the properties.</p> <p>We focus on this area due to the significant quantum of investment properties in the consolidated financial statements, and also the estimation of fair value of investment properties is subject to a certain extent of estimation uncertainty, complexity and subjectivity. The inherent risk in relation to the valuation of investment properties is considered significant due to the subjectivity of significant assumptions and estimates used.</p>	<p>We performed the following procedures to address the key audit matter:</p> <ul style="list-style-type: none"> For completed convention centres, assessed the reasonableness of estimated rental value by comparing with the historical operating data of the Group's investment properties. For investment properties under development, compared the estimated development costs to completion with the approved budget and assessed the reasonableness of the assumption by considering the actual costs of comparable investment properties of the Group. <p>Based on the above, we considered that the significant judgements, assumptions and estimates applied by management in the valuations of investment properties were supportable by the evidence obtained and procedures performed.</p>

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

How our audit addressed the Key Audit Matter

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

Refer to Notes 2.13, 4.1(b), 13 and 14 to the consolidated financial statements

We performed the following procedures to address the key audit matter:

The Group's properties under development ("PUD") and completed properties held-for-sale ("PHS") amounted to approximately RMB45,683 million as at 31 December 2021 (representing approximately 51.7% of the Group's total assets). The management assessed the net realisable value ("NRV") of PUD and PHS as at 31 December 2021 and the carrying amounts of PUD and PHS were stated at the lower of cost and NRV.

Management determined the NRV based on estimated selling price less the estimated costs to completion, selling expenses and related taxes. Such determination of NRV of PUD and PHS involved significant judgements and estimates on selling prices, selling expenses and the costs to completion (applicable to PUD) which were influenced by prevailing market conditions and adjusted in consideration of the characteristics of the properties..

- Obtained an understanding of the management's key internal controls and assessment process for determining the NRV of PUD and PHS and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity, changes and susceptibility to management bias or fraud.
- Evaluated the outcome of prior period assessment of NRV of PUD and PHS to assess the effectiveness of management's estimation process.
- Evaluated and tested, on a sample basis, the management's key controls over the determination of NRV of PUD and PHS.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of net realisable value of properties under development and completed properties held-for-sale</p> <p>Refer to Notes 2.13, 4.1(b), 13 and 14 to the consolidated financial statements</p> <p>We focus on this area due to the significant quantum of PUD and PHS in the consolidated financial statements, and also the estimation of NRV of PUD and PHS is subject to a certain extent of estimation uncertainty, complexity and subjectivity. The inherent risk in relation to the determination of NRV of PUD and PHS is considered significant due to the subjectivity of significant assumptions and estimates used.</p>	<p>We performed the following procedures to address the key audit matter:</p> <ul style="list-style-type: none"> • Obtained management's assessment on NRV of PUD and PHS and performed the following audit procedures, on a sample basis, on the key estimates as adopted by management in the assessment: <ul style="list-style-type: none"> - compared the estimated selling prices to those of the recent market transactions (including the Group's recent pre-sales of units in the same project or comparable properties with similar size, usage and location). - compared the estimated percentage of selling expenses to selling price to the actual ratio of average selling expenses to revenue of the Group in recent years. - assessed the reasonableness of the transaction taxes by comparing with the theoretical transaction tax amounts as quantified by reference to the relevant tax rules. - compared the estimated costs to completion to budgets approved by management and compared the estimated total costs to the actual costs of similar type of recent completed properties of the Group. <p>Based on the above, we considered that the significant judgements, assumptions and estimates applied by management in the assessment of NRV of PUD and PHS were supportable by the evidence obtained and procedures performed.</p>

Independent Auditor's Report (Continued)

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Independent Auditor's Report (Continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (Continued)

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Cheuk Kay.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 March 2022

Consolidated balance sheet

		As at 31 December	
	<i>Note</i>	2021	2020
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	6	455,018	467,600
Investment properties	7	16,709,399	15,344,734
Property, plant and equipment	8	2,673,788	2,392,887
Investments accounted for using the equity method	10	635,736	541,853
Deferred income tax assets	24	1,246,143	1,263,905
Other receivables and prepayments	12	1,409,524	327,715
		23,129,608	20,338,694
Current assets			
Properties under development	13	30,057,808	42,427,185
Completed properties held-for-sale	14	15,625,663	13,971,935
Other inventories	15	42,473	40,594
Trade and other receivables and prepayments	12	4,790,930	5,105,636
Restricted bank deposits	16	1,761,332	2,214,935
Cash and cash equivalents	17	12,959,453	10,830,539
		65,237,659	74,590,824
Total assets		88,367,267	94,929,518
LIABILITIES			
Non-current liabilities			
Long term borrowings	23	19,874,582	22,373,226
Loans from other parties	21	2,148,385	2,658,262
Employee termination benefit obligations	35	107,507	114,240
Deferred income tax liabilities	24	2,165,575	2,121,516
Lease liabilities	6	14,543	20,066
Deferred income		27,748	2,743
		24,338,340	27,290,053
Current liabilities			
Trade and other payables	21	11,081,261	10,386,752
Loans/advances from other parties	21	3,240,608	5,210,695
Contract liabilities	5	12,088,726	17,882,773
Current income tax liabilities	22	2,147,373	2,409,342
Lease liabilities	6	32,280	30,945
Current portion of long term borrowings	23	9,632,587	5,625,326
		38,222,835	41,545,833
Total liabilities		62,561,175	68,835,886
Net assets		25,806,092	26,093,632

Consolidated balance sheet (Continued)


		As at 31 December	
	<i>Note</i>	2021	2020
		RMB'000	RMB'000
EQUITY			
Share capital	18	3,367,020	3,367,020
Other reserves	19	4,945,416	4,868,600
Retained earnings	19	12,623,410	12,547,694
<hr/>			
Capital and reserves attributable to ordinary shareholders of the Company		20,935,846	20,783,314
Perpetual bond	20	1,018,241	2,630,380
Non-controlling interests		3,852,005	2,679,938
<hr/>			
Total equity		25,806,092	26,093,632

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

The consolidated financial statements on pages 65 to 187 were approved by the Board of Directors of the Company on 16 March 2022 and were signed on its behalf.



Li Wei Dong
Director



Li Yun
Director

Consolidated income statement

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Revenue	5	22,094,296	17,995,842
Cost of sales	25	(18,476,821)	(14,764,210)
Gross profit		3,617,475	3,231,632
Selling and marketing expenses	25	(612,923)	(539,461)
Administrative expenses	25	(977,552)	(848,839)
Net (provision for)/reversal of impairment losses on financial assets		(33,283)	6,510
Other income and losses – net	26	(91,289)	(223,432)
Operating profit		1,902,428	1,626,410
Finance income	28	138,091	172,289
Finance expenses	28	(698,613)	(472,546)
Finance expenses – net	28	(560,522)	(300,257)
Share of net profit of investments accounted for using the equity method		239,308	186,427
Profit before income tax		1,581,214	1,512,580
Income tax expense	29	(1,349,879)	(1,042,383)
Profit for the year		231,335	470,197
Attributable to:			
Ordinary shareholders of the Company	30	197,051	21,658
Holders of perpetual bond	20	137,783	143,530
Non-controlling interests		(103,499)	305,009
		231,335	470,197
Earnings per share attributable to ordinary shareholders of the Company (expressed in RMB cents per share) (basic and diluted)	30	5.85	0.64

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

Consolidated statement of comprehensive income

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Profit for the year		231,335	470,197
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of post-employment benefit obligations	19	7,920	3,623
Other comprehensive income for the period, net of tax		7,920	3,623
Total comprehensive income for the year		239,255	473,820
Attributable to:			
Ordinary shareholders of the Company		204,971	25,281
Holders of perpetual bond		137,783	143,530
Non-controlling interests		(103,499)	305,009
		239,255	473,820

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

Consolidated statement of changes in equity

	Note	Attributable to ordinary shareholders of the Company			Total RMB'000	Perpetual bond RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000				
Balance at 1 January 2021		3,367,020	4,868,600	12,547,694	20,783,314	2,630,380	2,679,938	26,093,632
Profit for the year		-	-	197,051	197,051	137,783	(103,499)	231,335
Other comprehensive income	19	-	7,920	-	7,920	-	-	7,920
Total comprehensive income/(loss)		-	7,920	197,051	204,971	137,783	(103,499)	239,255
Transactions with owners in their capacity as owners								
2020 final dividends	31	-	-	(101,011)	(101,011)	-	-	(101,011)
Appropriation of statutory reserves	19	-	20,324	(20,324)	-	-	-	-
Capital contribution from non-controlling interests		-	62,180	-	62,180	-	1,854,289	1,916,469
Redemption of perpetual bond	20	-	(13,608)	-	(13,608)	(1,606,392)	-	(1,620,000)
Distribution to holders of perpetual bond		-	-	-	-	(143,530)	-	(143,530)
Dividends provided for or paid to non-controlling interests		-	-	-	-	-	(578,723)	(578,723)
Total transactions with owners in their capacity as owners		-	68,896	(121,335)	(52,439)	(1,749,922)	1,275,566	(526,795)
Balance at 31 December 2021		3,367,020	4,945,416	12,623,410	20,935,846	1,018,241	3,852,005	25,806,092

Consolidated statement of changes in equity (Continued)

	Note	Attributable to ordinary shareholders of the Company			Total RMB'000	Perpetual bond RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000				
Balance at 1 January 2020		3,367,020	4,773,482	13,067,511	21,208,013	2,630,380	2,699,896	26,538,289
Profit for the year		-	-	21,658	21,658	143,530	305,009	470,197
Other comprehensive income	19	-	3,623	-	3,623	-	-	3,623
Total comprehensive income		-	3,623	21,658	25,281	143,530	305,009	473,820
Transactions with owners in their capacity as owners								
2019 final dividends	31	-	-	(505,053)	(505,053)	-	-	(505,053)
Appropriation of statutory reserves	19	-	36,422	(36,422)	-	-	-	-
Distribution to holders of perpetual bond	20	-	-	-	-	(143,530)	-	(143,530)
Dividends provided for or paid to non-controlling interests		-	-	-	-	-	(372,859)	(372,859)
Partial disposal of subsidiaries without a change in control		-	55,073	-	55,073	-	47,892	102,965
Total transactions with owners in their capacity as owners		-	91,495	(541,475)	(449,980)	(143,530)	(324,967)	(918,477)
Balance at 31 December 2020		3,367,020	4,868,600	12,547,694	20,783,314	2,630,380	2,679,938	26,093,632

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

Consolidated cash flow statement

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	32	8,358,212	1,430,350
Interest received		138,091	172,289
Interest paid		(1,882,490)	(2,184,468)
Income tax paid		(1,558,325)	(1,351,129)
Net cash generated from/(used in) operating activities		5,055,488	(1,932,958)
Cash flows from investing activities			
Payments for property, plant and equipment		(488,550)	(137,772)
Payments for investment properties		(501,202)	(192,270)
Loans granted to joint ventures and an associate	36(iii)	(1,299,433)	(161,205)
Loan repayments from a joint venture		–	957,100
Interests received on loans granted and other investment		26,376	10,455
Proceeds from sale of property, plant and equipment and investment properties		698	763
Liquidation of an associate		8,298	–
Proceeds from disposal of a subsidiary		–	(16,969)
Payment for investment in an associate and a joint venture		(25,000)	(50,980)
Prepayment from a third-party coordinator		200,824	–
Net cash (used in)/generated from investing activities		(2,077,989)	409,122
Cash flows from financing activities			
Proceeds from borrowings and issuance of bonds		14,686,045	5,984,099
Proceeds from borrowings from Beijing North Star Industrial Group Limited Liabilities Company	36(ii)	2,500,000	1,000,000
Repayment of commercial mortgage backed securities issued by a subsidiary		(208,063)	(16,000)
Repayments of borrowings and bonds		(13,186,311)	(7,678,940)
Repayments of loans from a third party		(18,397)	–
Proceeds from borrowings from non-controlling interests		91,789	2,084,224
Proceeds from borrowings from related parties	36(iv) (v)	195,330	384,500
Repayments of loans/funds to non-controlling interests		(3,093,321)	(436,620)
Repayment of borrowings from related parties	36(ii) (iv) (v)	(1,769,400)	(53,850)
Proceeds from capital injection from non-controlling interests		1,916,469	102,965
Dividends paid to the Company's shareholders	31	(101,011)	(505,053)
Dividends paid to the non-controlling interests		(101,722)	(92,859)
Dividends paid to the holders of perpetual bond		(143,530)	(143,530)
Redemption of perpetual bond		(1,620,000)	–
Principal elements of lease payments		(35,523)	(34,432)
Net decrease/(increase) in deposits paid for obtaining borrowings		39,060	(15,870)
Net cash (used in)/generated from financing activities		(848,585)	578,634
Net increase/(decrease) in cash and cash equivalents		2,128,914	(945,202)
Cash and cash equivalents at beginning of year		10,830,539	11,775,741
Cash and cash equivalents at end of year	17	12,959,453	10,830,539

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

Notes to the Consolidated Financial Statement

1. GENERAL INFORMATION

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

Pursuant to the Reorganization in preparation for the listing of the Company’s H shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Company took over the principal subsidiaries and business undertakings of BNSIGC, together with their related assets and liabilities. On 14 May 1997, the Company completed the global offering of its H share, and the Company was granted the status of a sino-foreign joint venture joint stock limited Company on 20 July 1998. The address of its registered office is No.8 Bei Chen Dong Road, Chao Yang District, Beijing, the PRC.

On 25 September 2006, the Company issued 1,500,000,000 A shares at Renminbi (“RMB”) 2.4 per share and these shares were listed on the Shanghai Stock Exchange on 16 October 2006. Since then, the Company’s shares have been jointly listed on the Main Board of The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange.

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

These consolidated financial statements are presented in RMB, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 16 March 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) *Compliance with HKFRS and HKCO*

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for investment properties which are carried at fair value.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(i) *Compliance with HKFRS and HKCO (Continued)*

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

(ii) *New and amended standards adopted by the Group*

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform –Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iii) *New standards, amendments and interpretations not yet adopted*

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (Note 2.3).

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

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

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

2.2.3 Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group only has joint ventures.

Interests in joint ventures are accounted for using the equity method (see 2.2.4 below), after initially being recognised at cost in the consolidated balance sheet.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.4 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2.2.5 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings, the cost of plant and machinery, installation, testing and other direct costs incurred during the development period. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. The carrying amount of a construction-in-progress is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9). When the assets concerned get ready for their intended use, the costs are depreciated in accordance with the policy as stated above.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Properties

(a) *Land use rights*

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

Land use rights which is held for development for sales are inventories (Note 2.13) and measured at lower of cost and net realisable value. Land use rights which are held for long-term rental yields are investment properties (Note 2.8(b)) and measured at fair value. Land use rights for own use are stated at cost and amortised over the use terms of 40 to 50 years using the straight-line method.

(b) *Investment properties*

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

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

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

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

2.10 Discontinued operations

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

2.11 Financial assets

(a) *Classification*

The Group classifies its financial assets as amortised cost.

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

(b) *Recognition and derecognition*

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

(c) *Measurement*

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

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

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

(d) *Impairment*

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial guarantee contracts

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

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

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

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

2.13 Inventories

(a) *Properties under development and completed properties held for sale*

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

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

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

(b) *Other inventories*

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 12 for further information about the Group's accounting for trade receivables and Note 2.11 for a description of the Group's impairment policies.

2.15 Cash and cash equivalents

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

2.16 Share capital

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

2.17 Perpetual bond

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

2.18 Trade and other payables

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowings

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

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

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

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

All other borrowing costs are expensed in the period in which they are incurred.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Current and deferred income tax

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

(a) *Current income tax*

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

(b) *Deferred income tax*

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

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

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Current and deferred income tax (Continued)

(b) *Deferred income tax (Continued)*

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

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

2.22 Employee benefits

(a) *Pension obligations*

The Group has only defined contribution plans.

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

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

There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits (Continued)

(b) *Termination benefits*

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

(c) *Early retirement benefits*

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

(d) *Bonus plans*

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits (Continued)

(e) *Employee leave entitlements*

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

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

2.23 Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition

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

(a) *Sales of properties*

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition (Continued)

(b) *Provision of services*

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

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

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

2.25 Accounting for costs incurred to obtain a contract

Costs such as stamp duty and sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in other receivables and prepayments.

2.26 Contract assets and contract liabilities

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Interest income

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

2.28 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

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

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Leases (Continued)

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Leases (Continued)

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

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

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 7). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.29 Government grants

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

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

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss over the life of a depreciable assets as a reduced depreciation expense.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) *Market risk*

(i) Foreign exchange risk

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

(ii) Cash flow and fair value interest rate risk

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

At 31 December 2021, if interest rates of borrowings obtained at variable rates had increased/decreased by 100 basis points with all other variables held constant, the Group's post-tax profit for the year, after taking into account the impact of interest capitalisation, would have decreased/increased by approximately RMB35,370,000 (2020: RMB17,271,000).

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) *Credit risk*

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

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

The Group's trade receivable balances are due from third party customers as a result of sales of goods and provision of services. The Group's other receivables are mainly loans receivable from subsidiaries of CIFI Holdings (Group) Co., Ltd. ("CIFI"), BBMG Corporation ("BBMG"), Shenzhen Jiangwan Information Consulting Co., Ltd. ("SZJW") and Sichuan New Hope Real Estate Development Co., Ltd ("SCNH") (non-controlling shareholders of certain subsidiaries of the Group, and have significant influence over the related subsidiaries which are material to the Group and hence is deemed as related parties of the Group) and non-controlling interests. The Group performs ongoing credit evaluations of the financial condition of its customers/debtors on an individual basis, taking into accounts their financial position, past experience and other factors, and generally does not require collateral from the customers/debtors' account on the outstanding balances. Based on the expected realisation and timing for collection of the outstanding balances, the Group maintains a provision for loss allowance and actual losses incurred have been within management's expectation, and management believes that there is no material credit risk inherent in the Group's outstanding receivable balances.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. More detail in respect of the arrangement and the related credit risk are described in Note 3.1(b).

Impairment of financial assets

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

- trade receivables
- Other financial assets at amortised cost

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

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables

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

As at 31 December 2021 and 2020, the loss allowance was determined as follows for trade receivables:

31 December 2021	Current	Less than 30 days past due	More than 30 days and less than 90 days past due	More than 90 days past due	Total RMB'000
Property development					
Expected loss rate	0.74%	0.80%	0.93%	100.00%	
Gross carrying amount	36	-	-	5	41
Loss allowance	-	-	-	5	5
Property management					
Expected loss rate	19.73%	26.42%	39.80%	100.00%	
Gross carrying amount	6,385	-	-	15,133	21,518
Loss allowance	1,260	-	-	15,133	16,393
Hotel					
Expected loss rate	0.31%	0.51%	0.85%	100.00%	
Gross carrying amount	13,875	-	-	2,003	15,878
Loss allowance	42	-	-	2,003	2,045
Conference and exhibition(debtors are state owned enterprise)					
Expected loss rate	0.27%	0.37%	0.55%	97.45%	
Gross carrying amount	2,417	-	-	-	2,417
Loss allowance	7	-	-	-	7
Conference and exhibition (other debtors)					
Expected loss rate	0.27%	0.37%	0.55%	97.45%	
Gross carrying amount	346	-	-	385	731
Loss allowance	1	-	-	375	376
Leasing-shopping mall					
Expected loss rate	0.02%	0.05%	0.14%	100.00%	
Gross carrying amount	-	-	-	26,548	26,548
Loss allowance	-	-	-	26,548	26,548
Leasing-others					
Expected loss rate	0.02%	0.05%	0.14%	60.34%	
Gross carrying amount	27,214	3,707	464	3,039	34,424
Loss allowance	6	2	1	1,834	1,843

Notes to the Consolidated Financial Statement (Continued)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

31 December 2020	Current	Less than 30 days past due	More than 30 days and less than 90 days past due	More than 90 days past due	Total RMB'000
Property development					
Expected loss rate	1%	25%	60%	100%	
Gross carrying amount	77	–	–	5	82
Loss allowance	1	–	–	5	6
Property management					
Expected loss rate	1%	20%	50%	100%	
Gross carrying amount	16,412	–	–	6,941	23,353
Loss allowance	164	–	–	6,941	7,105
Hotel					
Expected loss rate	1%	30%	60%	100%	
Gross carrying amount	10,720	–	–	2,049	12,769
Loss allowance	107	–	–	2,049	2,156
Conference and exhibition (debtors are state owned enterprise)					
Expected loss rate	0.50%	2%	5%	10%	
Gross carrying amount	103,749	–	–	–	103,749
Loss allowance	519	–	–	–	519
Conference and exhibition (other debtors)					
Expected loss rate	0.50%	5%	20%	50%	
Gross carrying amount	1	1,115	–	454	1,570
Loss allowance	–	56	–	227	283
Leasing-shopping mall					
Expected loss rate	0.20%	1%	2%	100%	
Gross carrying amount	–	–	–	26,548	26,548
Loss allowance	–	–	–	26,548	26,548
Leasing-others					
Expected loss rate	0.20%	1%	2%	20%	
Gross carrying amount	2,704	16,409	681	3,533	23,327
Loss allowance	5	164	14	707	890

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for trade receivables during the year ended 31 December 2021 (2020: Nil).

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) *Credit risk (Continued)*

Other receivables

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

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

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

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

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

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Other receivables (Continued)

As at 31 December 2021 and 2020, the loss allowance was determined as follows for other receivables:

	Deposit RMB'000	Due from related parties RMB'000	Due from non- controlling interests RMB'000	Others RMB'000	Total RMB'000
Opening loss allowance as at 1 January 2021	(1,360)	(1,141)	(861)	(15,350)	(18,712)
Decrease/(increase) in the allowance recognised in profit or loss	229	(23,676)	520	(647)	(23,574)
Closing loss allowance as at 31 December 2021	(1,131)	(24,817)	(341)	(15,997)	(42,286)
	Deposit RMB'000	Due from related parties RMB'000	Due from non- controlling interests RMB'000	Others RMB'000	Total RMB'000
Opening loss allowance as at 1 January 2020	(5,301)	(1,259)	(1,713)	(15,212)	(23,485)
Decrease/(increase) in the allowance recognised in profit or loss	3,941	118	852	(138)	4,773
Closing loss allowance as at 31 December 2020	(1,360)	(1,141)	(861)	(15,350)	(18,712)

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for other receivables during the year ended 31 December 2021 (2020: Nil).

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) *Credit risk (Continued)*

Financial guarantee

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

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2021					
Borrowings (including interest)	10,999,994	4,393,227	10,439,749	8,886,534	34,719,504
Trade and other payables (including interest) (Note i)	13,960,371	650,652	1,558,227	–	16,169,250
Lease liabilities	34,526	9,398	6,425	–	50,349
	24,994,891	5,053,277	12,004,401	8,886,534	50,939,103
At 31 December 2020					
Borrowings (including interest)	7,156,782	13,642,308	9,769,934	3,010,482	33,579,506
Trade and other payables (including interest) (Note i)	12,604,508	1,241,623	223,931	1,296,861	15,366,923
Lease liabilities	33,143	14,322	8,134	–	55,599
	19,794,433	14,898,253	10,001,999	4,307,343	49,002,028

Notes:

- (i) Excluding staff welfare benefit payable, other tax payable and prepaid rental income from tenants.
- (ii) The table above does not include any potential liabilities which may be arising from the financial guarantee as disclosed in Note 33.

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

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

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

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

The asset-liability ratios at 31 December 2021 and 2020 were as follows:

	As at 31 December 2021	2020
Asset-liability ratio	71%	73%

3.3 Fair value estimation

Other than investment properties, the Group has no other assets that carried at fair value as at 31 December 2021 and 2020. The different levels regarding fair value determination have been defined as follows:

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

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

The carrying amounts of the Group's financial assets and financial liabilities approximated their fair values.

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

Notes to the Consolidated Financial Statement (Continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

(a) *Estimate of fair value of investment properties*

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

(b) *Estimate of impairment of properties under development and completed properties held for sale*

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

(c) *Income taxes*

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

Notes to the Consolidated Financial Statement (Continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(d) *Land appreciation taxes*

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

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

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

(f) *Estimate of impairment of properties*

Properties are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and value in use. The impairment assessment of the Group's properties was performed by the external value. Details of the judgement and assumptions have been disclosed in Note 8.

Notes to the Consolidated Financial Statement (Continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Critical judgements in applying the entity's accounting policies

(a) *Revenue recognition*

The Group has recognised revenue from the sale of properties held for sale as disclosed in Note 2.24. The assessment of when an entity has transferred the control of the properties to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of control of the properties coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

As disclosed in Note 33, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when relevant property ownership certificates are lodged with the various banks by the purchasers. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on the past experiences, there were no significant defaults of mortgage facilities by the purchasers resulted in the bank guarantees were called upon. Accordingly, the directors of the Company believe that control associated to the ownership of the properties have been transferred to the purchasers.

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION

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

The Board considers the business from product/service perspectives. From product/service perspectives, management assesses the performance of the segments of properties development and investment properties and hotels. Properties development is the segment which involves the sales of developed properties; investment properties and hotels is the segment which involves in operation of rental apartments, office buildings, conference centers and hotels.

Other segments of the Group mainly comprise businesses relating to 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 less accumulated depreciation. This measurement basis mainly excludes the fair value gains/(losses) on investment properties and includes land appreciation taxes and the depreciation of investment properties as if they are measured at cost less accumulated depreciation. Other information provided, except as noted below, to the Board is measured in a manner consistent with the segment information as disclosed in the consolidated financial statements.

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

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

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

The Group's revenue consists of revenue from sales of developed properties and revenue from the operation of investment properties and hotels. Revenues recognised during the years ended 31 December 2021 and 2020 are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue		
Properties development segment	20,128,085	16,156,245
Investment properties and hotels segment	1,821,437	1,738,134
	21,949,522	17,894,379
Other segments	144,774	101,463
	22,094,296	17,995,842

During the years ended 31 December 2021 and 2020, the Group derives revenue from the deliveries of properties, goods and services over time and at a point in time from the following segments:

	At a point in time RMB'000	Over time RMB'000
Year ended 31 December 2021		
Properties development segment	20,128,085	–
Investment properties and hotels segment*	63,628	464,813
Other segments	26,244	118,530
	20,217,957	583,343
Year ended 31 December 2020		
Properties development segment	15,311,627	844,618
Investment properties and hotels segment*	153,291	212,078
Other segments	18,409	83,054
	15,483,327	1,139,750

* Rental income from investment properties for the year ended 31 December 2021 of RMB1,292,996,000 (2020: RMB1,372,765,000) is recognised on a straight-line basis over the term of the lease and has not been included in the above analysis.

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

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

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Board for the reportable segments for the year ended 31 December 2021 is as follows:

Business segment	Properties development <i>RMB'000</i>	Investment properties and hotels <i>RMB'000</i>	Other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Total segment revenues	20,128,085	1,844,441	200,529	22,173,055
Inter-segment revenues	-	(23,004)	(55,755)	(78,759)
Revenues from external customers	20,128,085	1,821,437	144,774	22,094,296
Adjusted profit/(loss) before income tax	1,235,095	(150,318)	(83,937)	1,000,840
Adjusted profit/(loss) before income tax is stated after (charging)/crediting the following:				
Adjusted cost of sales or services rendered	(16,465,368)	(957,484)	(136,428)	(17,559,280)
Adjusted depreciation and amortisation	(102,692)	(224,087)	(8,277)	(335,056)
Finance income	34,667	1,978	57	36,702
Finance expenses	(354,212)	-	-	(354,212)
Share of net profit from investments accounted for using the equity method	238,509	799	-	239,308
Adjusted income tax expenses	(1,450,065)	37,579	1,214	(1,411,272)

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Board for the reportable segments for the year ended 31 December 2020 is as follows:

Business segment	Properties development <i>RMB'000</i>	Investment properties and hotels <i>RMB'000</i>	Other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Total segment revenues	16,156,245	1,779,342	139,991	18,075,578
Inter-segment revenues	–	(41,208)	(38,528)	(79,736)
Revenues from external customers	16,156,245	1,738,134	101,463	17,995,842
Adjusted profit/(loss) before income tax	1,592,006	94,206	(81,184)	1,605,028
Adjusted profit/(loss) before income tax is stated after (charging)/crediting the following:				
Adjusted cost of sales or services rendered	(12,607,527)	(953,244)	(123,327)	(13,684,098)
Adjusted depreciation and amortisation	(24,572)	(269,944)	(4,897)	(299,413)
Finance income	60,820	5,078	249	66,147
Finance expenses	(99,159)	–	–	(99,159)
Share of net profit from investments accounted for using the equity method	186,427	–	–	186,427
Adjusted income tax expenses	(1,169,399)	(19,527)	–	(1,188,926)

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

The segment information as at 31 December 2021 and 2020 is as follows:

Business segment	Properties development <i>RMB'000</i>	Investment properties and hotels <i>RMB'000</i>	Other segments <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2021				
Total segment assets	58,812,728	10,882,004	104,551	69,799,283
Total segment assets include:				
Investments accounted for using the equity method	632,487	3,249	–	635,736
Additions to non-current assets (other than deferred income tax assets)	48,194	2,034,812	41,236	2,124,242
Total segment liabilities	47,706,581	1,678,981	175,484	49,561,046
Contract liabilities	11,827,421	251,654	9,651	12,088,726
As at 31 December 2020				
Total segment assets	70,510,659	7,388,960	113,103	78,012,722
Total segment assets include:				
Investments accounted for using the equity method	541,853	–	–	541,853
Additions to non-current assets (other than deferred income tax assets)	1,033,904	202,329	18,908	1,255,141
Total segment liabilities	58,036,392	1,351,221	159,516	59,547,129
Contract liabilities	17,760,366	118,171	4,236	17,882,773

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

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

As at 31 December 2021, the contract liabilities mainly included the payments received from pre-sales of properties which were usually received in advance of the performance under the contracts. The decrease in contract liabilities during the year was in line with the descend of the Group's contracted sales.

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Properties development	15,749,391	13,644,618
Investment properties and hotels	104,206	101,576
Other segments	1,373	19,966
	15,854,970	13,766,160

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Adjusted profit before income tax for reportable segments	1,000,840	1,605,028
Corporate overheads	(195,879)	(180,443)
Corporate finance expense	(334,742)	(367,563)
Corporate finance income	101,389	106,142
Provision for impairment losses on financial assets	(21,249)	–
Other income	16,345	–
Other losses – net	(1,459)	(3,263)
Fair value losses on investment properties	(134,226)	(294,452)
Reversal of depreciation and impairment of investment properties	310,461	153,403
Land appreciation tax	839,734	493,728
Profit before income tax	1,581,214	1,512,580

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Total segment assets	69,799,283	78,012,722
Deferred income tax assets at corporate level	960,124	940,304
Corporate cash	7,497,052	7,275,439
Accumulated fair value gains on investment properties	5,792,146	5,926,372
Reversal of accumulated depreciation and impairment of investment properties	2,870,154	2,559,693
Corporate loan advanced to joint ventures and an associate	1,436,573	179,310
Other corporate current assets	11,935	35,678
Total assets per consolidated balance sheet	88,367,267	94,929,518
Total segment liabilities	49,561,046	59,547,129
Deferred income tax liabilities at corporate level (Note 24)	2,165,575	2,121,516
Corporate borrowings	7,947,941	5,307,891
Other corporate liabilities	2,886,613	1,859,350
Total liabilities per consolidated balance sheet	62,561,175	68,835,886

The reconciliation between the Group's depreciation and amortisation for reportable segments and corresponding amount per disclosure for property, plant and equipment (Note 8) and right-of-use assets (Note 6) are mainly reversal of depreciation of investment properties and other related adjustments amounting to RMB167,920,000 (2020: RMB143,820,000).

The reconciliation between reportable segment income tax expenses and total income tax expenses is amounting to RMB61,393,000 (2020: RMB146,543,000), representing the impact of the aforementioned reconciliation items including corporate overheads, corporate financial expense, corporate financial income, fair value gains/(losses) on investment properties and reversal of depreciation of investment properties.

The Company and its subsidiaries were incorporated in the PRC and all the revenue from external customers of the Group for the years ended 31 December 2021 and 2020 are derived in the PRC.

At 31 December 2021 and 2020, all the Group's non-current assets other than deferred income tax assets are located in the PRC.

The Group has a large number of customers, and there was no significant revenue derived from any specific external customers for the years ended 31 December 2021 and 2020.

Notes to the Consolidated Financial Statement (Continued)

6. RIGHT-OF-USE ASSETS AND LEASES

(a) Right-of-use assets

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At 1 January	467,600	333,799
Addition	30,130	176,120
Depreciation charge	(42,712)	(42,319)
At 31 December	455,018	467,600

Notes:

- (i) As at 31 December 2021, the Group's right-of-use assets comprise of land use rights, leased land and properties and details of which has been set out in Note (b) (i) below.
- (ii) As at 31 December 2021, certain right-of-use assets with net book value of RMB418,304,000 (2020: RMB428,247,000) are pledged as securities for bank and other borrowings (Note 23).

(b) Leases

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

(i) *Amounts recognised in the consolidated balance sheet*

	As at 31 December 2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Right-of-use assets		
Land use rights and leased land*	422,888	432,846
Leased properties	32,130	34,660
Leased equipment	—	94
	455,018	467,600

* As at 31 December 2021, land use rights with carrying amounts of RMB419,059,000 (2020: RMB429,034,000) represent the prepaid lease payments made to the Mainland China government for the use of land for a lease term of 40 years. As at 31 December 2021, leased land with carrying amount of RMB3,829,000 (2020: RMB3,812,000) represent the net book amount of the land as leased from BNSIGC.

Notes to the Consolidated Financial Statement (Continued)

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

(b) Leases (Continued)

(i) Amounts recognised in the consolidated balance sheet (Continued)

	As at 31 December 2021 RMB'000	2020 RMB'000
Lease liabilities		
Current	32,280	30,945
Non-current	14,543	20,066
	46,823	51,011

(ii) Amounts recognised in the consolidated income statement

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

	2021 RMB'000	2020 RMB'000
Depreciation charge on right-of-use assets	(42,712)	(42,319)
Interest expense on lease liability (included in finance expenses)	(2,669)	(3,307)
Expense relating to short-term leases (included in administrative expenses)	(9,772)	(15,859)

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

In addition to the land use rights as mentioned in Note 6(b) (i) above, the Group leases various land use right, leased land, properties and equipments. Rental contracts are typically made for fixed periods of 1 year to 6 years.

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

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

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At fair value		
At 1 January	15,344,734	15,025,176
Additions	805,255	293,354
Transfer from properties under development and completed properties held-for-sale	693,642	321,000
Disposal	(6)	(344)
Fair value losses recognised in profit or loss	(134,226)	(294,452)
At 31 December	16,709,399	15,344,734

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

	Year ended 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Rental income	1,258,963	1,360,918
Direct operating expenses arising from investment properties that generate rental income	(509,319)	(515,963)
Direct operating expenses that did not generate rental income	(441,935)	(340,691)
Fair value losses recognised in profit or loss	(134,226)	(294,452)

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

Refer to Note 34(a) for disclosure of contractual obligations for repairs, maintenance or enhancements.

The investment properties are leased to tenants under operating leases with rentals payable monthly or quarterly, and there are variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may obtain deposits on the term of leases.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

The minimum lease payments receivable on leases of investment properties has been sent out in Note 34(b).

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis

An independent valuation of the Group's investment properties was performed by the external valuer, Greater China Appraisal Limited ("GCAL"), to determine the fair value of the investment properties as at 31 December 2021 and 2020.

(i) Fair value hierarchy

	Fair value measurements at 31 December using significant unobservable inputs (Level 3)	
	2021 RMB'000	2020 RMB'000
Recurring fair value measurements for investment properties including:		
Office units	6,385,000	6,361,600
Apartments	2,077,470	1,977,860
Convention centers	4,017,000	3,883,000
Shopping malls	4,218,500	3,110,900
Others	11,429	11,374
	16,709,399	15,344,734

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

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

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

(ii) Valuation processes of the Group

The Group's investment properties were valued on 31 December 2021 by the independent professional qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the chief financial officer ("CFO"). Discussions of valuation process and results are held between the CFO, the valuation team and the valuer at least once every six months, in line with the Group's interim and annual reporting dates.

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

(ii) Valuation processes of the Group (Continued)

At the end of each financial year, the finance department:

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

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

(iii) Valuation techniques

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

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

Future rental cash inflows	Based on the actual location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents or room rates for similar properties;
Discount rates	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

(iii) Valuation techniques (Continued)

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

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

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

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

The following table analyses the investment properties carried at fair value, by valuation method.

Description	Fair value at 31 December 2021 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Investment properties -office units, apartments (except block A), and shopping malls	12,414,970	Income approach (term and reversionary method)	Term yield	0.5% to 1.5% downward adjustment on the reversionary yield	The higher the term yield, the lower the fair value
			Reversionary yield	From 4% to 11.5%	The higher the reversionary yield, the lower the fair value
			Market rents	RMB1.3-RMB16.3/sq.m/day	The higher the market rents, the higher the fair value
Investment properties -convention centers	4,017,000	Discounted cash flow	Rental value	For Year 1 to 5, RMB3.81-7.57/sq.m/day	The higher the rental value, the higher the fair value
			Discount rate	From 11.0% to 12.5%	The higher the discount rate, the lower the fair value
Investment properties -apartment (block A)	74,000	Discounted cash flow	Market rents	For Year 1 to 5, RMB448 - 466/room/day	The higher the market rents, the higher the fair value
			Discount rate	9.5%	The higher the discount rate, the lower the fair value
Investment properties under development- office units	192,000	Income approach (term and reversionary method)	Term yield	0.5% downward adjustment on the reversionary yield	The higher the term yield, the lower the fair value
			Reversionary yield	From 7% to 8%	The higher the reversionary yield, the lower the fair value
			Market rents	RMB7.7 - RMB11.3/sq.m/day	The higher the market rents, the higher the fair value
Investment properties-others	11,429	Residual method	Development costs to completion	Approximately RMB5,100/sq.m	The higher the cost, the lower the fair value
			Discounted cash flow	Annual rent	Approximately RMB16,000,000
			Discount rate	6.01%	The higher the discount rate, the lower the fair value

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

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

Description	Fair value at 31 December 2020 (RMB'000)	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Investment properties -office units, apartments (except block A), and shopping malls	9,370,360	Income approach (term and reversionary method)	Term yield	0.5% to 1.5% downward adjustment on the reversionary yield	The higher the term yield, the lower the fair value
			Reversionary yield	From 4% to 11.5%	The higher the reversionary yield, the lower the fair value
Investment properties -convention centers	3,562,000	Discounted cash flow	Rental value	For Year 1 to 5, RMB4.82-6.52/sq.m/day	The higher the rental value, the higher the fair value
			Discount rate	From 12.5% to 13.0%	The higher the discount rate, the lower the fair value
Investment properties under development -convention centers	321,000	Discounted cash flow	Annual income	For Year 1 to 5, Approximately RMB34,300,000 -RMB95,200,000	The higher the annual income, the higher the fair value
			Discount rate	11.5%	The higher the discount rate, the lower the fair value
		Residual method	Development costs to completion	Approximately RMB4,100/sq.m	The higher the cost, the lower the fair value
Investment properties -apartment (block A)	83,000	Discounted cash flow	Market rents	For Year 1 to 5, RMB396 - 441/room/day	The higher the market rents, the higher the fair value
			Discount rate	9.5%	The higher the discount rate, the lower the fair value
Investment properties under development- office units	197,000	Income approach (term and reversionary method)	Term yield	0.5% downward adjustment on the reversionary yield	The higher the term yield, the lower the fair value

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

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

Description	Fair value at 31 December 2020 (RMB'000)	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
			Reversionary yield	From 7% to 8%	The higher the reversionary yield, the lower the fair value
			Market rents	RMB7.9 – RMB12.5/sq.m/day	The higher the market rents, the higher the fair value
		Residual method	Development costs to completion	Approximately RMB5,600/sq.m	The higher the cost, the lower the fair value
Investment properties under development- shopping malls	1,800,000	Income approach (term and reversionary method)	Term yield	1.0% downward adjustment on the reversionary yield	The higher the term yield, the lower the fair value
			Reversionary yield	7%	The higher the reversionary yield, the lower the fair value
			Market rents	RMB2.0 – RMB6.6/sq.m/day	The higher the market rents, the higher the fair value
		Residual method	Development costs to completion	Approximately RMB2,900/sq.m	The higher the cost, the lower the fair value
Investment properties-others	11,374	Discounted cash flow	Annual rent	Approximately RMB16,000,000	The higher the annual rent, the higher the fair value
			Discount rate	6.01%	The higher the discount rate, the lower the fair value

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

(c) Non-current assets pledged as securities

As at 31 December 2021, certain investment properties with fair value of RMB12,828,000,000 (2020: RMB12,572,860,000) were pledged as securities for bank and other borrowings (Note 23).

Notes to the Consolidated Financial Statement (Continued)

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Hotel properties <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Furniture, fixtures, equipment and motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020						
Cost	599,700	2,290,946	567,725	701,946	3,572	4,163,889
Accumulated depreciation	(274,337)	(759,570)	(461,311)	(542,744)	-	(2,037,962)
Net book amount	325,363	1,531,376	106,414	159,202	3,572	2,125,927
Year ended 31 December 2020						
Opening net book amount	325,363	1,531,376	106,414	159,202	3,572	2,125,927
Additions	-	-	12,518	30,660	94,594	137,772
Transferred from properties under development	-	-	-	-	248,013	248,013
Disposals	(1,313)	-	(3,889)	(349)	-	(5,551)
Transfers	1,632	(374,942)	(999)	(633)	374,942	-
Depreciation	(7,235)	(42,434)	(22,656)	(40,949)	-	(113,274)
Closing net book amount	318,447	1,114,000	91,388	147,931	721,121	2,392,887
At 31 December 2020						
Cost	599,807	1,771,109	506,995	728,777	721,121	4,327,809
Accumulated depreciation	(281,360)	(657,109)	(415,607)	(580,846)	-	(1,934,922)
Net book amount	318,447	1,114,000	91,388	147,931	721,121	2,392,887
Year ended 31 December 2021						
Opening net book amount	318,447	1,114,000	91,388	147,931	721,121	2,392,887
Additions	-	19,542	21,123	102,930	345,351	488,946
Disposals	(75)	-	(1,888)	(2,300)	-	(4,263)
Transfers	-	925,425	99,354	35,218	(1,059,997)	-
Depreciation	(7,292)	(48,617)	(28,038)	(40,477)	-	(124,424)
Others(i)	(2,053)	-	1,647	9	-	(397)
Impairment(ii)	-	(78,961)	-	-	-	(78,961)
Closing net book amount	309,027	1,931,389	183,586	243,311	6,475	2,673,788
At 31 December 2021						
Cost	597,604	2,716,076	611,228	845,873	6,475	4,777,256
Accumulated depreciation and impairment	(288,577)	(784,687)	(427,642)	(602,562)	-	(2,103,468)
Net book amount	309,027	1,931,389	183,586	243,311	6,475	2,673,788

Notes to the Consolidated Financial Statement (Continued)

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

- (i) Others represent the amounts adjusted for the differences between the final settled costs and the estimated costs as originally recognised based on the budgeted completion costs of the related assets.
- (ii) As at December 31, 2021, the recoverable amount of a hotel property held by the Group is less than its carrying value, and the impairment provision of appropriately RMB78,961,000 (2020: Nil has been recognised accordingly).

The impairment assessment was performed by the external valuer, GCAL, which has adopted the discounted cash flow model to determining the value in use of the related property. The significant unobservable input mainly included discount rate of 9.5%.

- (iii) For the year ended 31 December 2021, depreciation expense of RMB93,442,000, RMB2,559,000 and RMB28,423,000 in cost of sales, selling and marketing expenses and administrative expenses, respectively (2020: RMB80,133,000, RMB2,258,000 and RMB30,883,000 has been charged in cost of sales, selling and marketing expenses and administrative expenses) in the consolidated income statement.
- (iv) As at 31 December 2021, certain hotel properties with net book value of RMB1,619,550,000 (2020: RMB1,821,855,000) are pledged as securities for bank and other borrowings (Note 23).

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2021. All subsidiaries are established and operate in the PRC.

Name	Place of incorporation	Principal activities and place of operation	Registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
				2021	2020	2021	2020
Beijing North Star Real Estate Development Co., Limited 北京北辰房地產開發股份有限公司("BNSRE") (Note i)	Beijing	Property development in Beijing	RMB500,180,000	99.05%	99.05%	0.95%	0.95%
Beijing North Star Lu Zhou Commercial Trading Co., Limited 北京北辰綠洲商貿有限公司(Notes iii and v)	Beijing	Trading in Beijing	RMB 1,000,000	100%	100%	-	-
Beijing North Star Xin Cheng Property Management Co., Limited 北京北辰信誠物業管理有限責任公司(Notes iii and v)	Beijing	Property management in Beijing	RMB 5,000,000	100%	100%	-	-
Beijing Jiang Zhuang Hu Property Co., Limited 北京姜莊湖園林別墅開發有限公司(Notes ii, v and vi)	Beijing	Property development in Beijing	US\$ 16,000,000	51%	51%	49%	49%
Beijing Tian Cheng Tian Property Co., Limited 北京天成天房地產開發有限公司(Notes iii and v)	Beijing	Property development in Beijing	RMB11,000,000	100%	100%	-	-
Beijing North Star Xintong Internet Technology Service Co., Limited 北京北辰通網絡技術服務有限公司(Notes iii and v)	Beijing	Multimedia information network development, system integration and software development in Beijing	RMB20,000,000	100%	100%	-	-
Changsha North Star Real Estate Development Co., Limited 長沙北辰房地產開發有限公司(Note iii)	Changsha	Property development in Changsha	RMB1,200,000,000	100%	100%	-	-
Beijing Shouchang Property Management Co., Limited 北京首信物業管理有限公司(Notes iii and v)	Beijing	Property management in Beijing	RMB 5,140,600	100%	100%	-	-
Beijing North Star Hotel Management Co., Limited 北京北辰酒店管理有限公司(Notes iii and v)	Beijing	Hotel and restaurant management consulting service in Beijing	RMB 20,500,000	100%	100%	-	-
Beijing North Star Times Exhibition Co., Limited 北京北辰時代會展有限公司(Notes iii and v)	Beijing	Convention and exhibition in Beijing	RMB 10,000,000	100%	100%	-	-
Beijing North Star Exhibition Research Co., Limited 北京北辰會展研究院有限公司(Notes iii and v)	Beijing	Convention and exhibition in Beijing	RMB 10,000,000	100%	100%	-	-
Beijing North Star Exhibition Information Service Co., Limited 北京北辰會展信息服務有限公司(Notes iii and v)	Beijing	Convention and exhibition in Beijing	RMB 20,000,000	100%	100%	-	-
Capital Exhibition (Group) Co., Limited ("CEGC") 首都會展(集團)有限公司(Notes iv and v)	Beijing	Convention and exhibition in Beijing	RMB63,196,100	60%	100%	40%	-

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation	Principal activities and place of operation	Registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
				2021	2020	2021	2020
Beijing North Star Linghang Business Exhibition Research Co., Limited 北京北辰領航商務會展有限公司(Notes iii and v)	Beijing	Convention and exhibition in Beijing	RMB10,000,000	100%	100%	-	-
Changsha Central Garden Real Estate Co., Limited ("CSCGRE") 長沙世紀御景房地產有限公司(Notes iii and vi)	Changsha	Property development in Changsha	RMB20,410,000	51%	51%	49%	49%
Hangzhou North Star Real Estate Co., Limited 杭州北辰置業有限公司(Note iii)	Hangzhou	Property development in Hangzhou	RMB50,000,000	80%	80%	20%	20%
Beijing North Star MOMA Real Estate Co., Limited 北京北辰當代置業有限公司(Notes iii and vi)	Beijing	Property development in Beijing	RMB50,000,000	50%	50%	50%	50%
Wuhan Guanggu Creative Culture Science & Technology Park Co., Limited 武漢光谷創意文化科技園有限公司(Notes iii and vi)	Wuhan	Property development in Wuhan	RMB40,816,000	51%	51%	49%	49%
Chengdu Chenshi Real Estate Co., Limited 成都辰詩置業有限公司(Notes iii and vi)	Chengdu	Property development in Chengdu	RMB70,000,000	40%	40%	60%	60%
Nanjing Xunchen Real Estate Co., Limited 南京旭辰置業有限公司("NJXC") (Notes iii and vi)	Nanjing	Property development in Nanjing	RMB50,000,000	51%	51%	49%	49%
Langfang North Star Real Estate Co., Limited 廊坊北辰房地產開發有限公司 (Note iii)	Langfang	Property development in Langfang	RMB31,000,000	100%	100%	-	-
Suzhou North Star Xuzhao Real Estate Co., Limited ("SZXZ") 蘇州北辰旭昭置業有限公司(Notes iii and vi)	Suzhou	Property development in Suzhou	RMB700,000,000	50%	50%	50%	50%
Chengdu North Star Real Estate Co., Limited 成都北辰置業有限公司(Note iii)	Chengdu	Property development in Chengdu	RMB50,000,000	100%	100%	-	-
Chengdu North Star Tianfu Investment Co., Limited 成都北辰天府置業有限公司(Note iii)	Chengdu	Property development in Chengdu	RMB50,000,000	100%	100%	-	-
Hangzhou North Star Jinghua Investment Co., Limited 杭州北辰京華置業有限公司 (Note iii)	Hangzhou	Property development in Hangzhou	RMB50,000,000	100%	100%	-	-
Hefei Chenxu Real Estate Development Co., Limited 合肥辰旭房地產開發有限公司 (Notes iii and vi)	Hefei	Property development in Hefei	RMB50,000,000	50%	50%	50%	50%
Ningbo North Star Jinghua Investment Co., Limited 寧波北辰京華置業有限公司 (Note iii)	Ningbo	Property development in Ningbo	RMB20,000,000	100%	100%	-	-
Chongqing North Star Liangjiang Investment Co., Limited 重慶北辰兩江置業有限公司(Note iii)	Chongqing	Property development in Chongqing	RMB10,000,000	100%	100%	-	-
Suzhou North Star Investment Co., Limited 蘇州北辰置業有限公司(Note iii)	Suzhou	Property development in Suzhou	RMB30,000,000	100%	100%	-	-

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation	Principal activities and place of operation	Registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
				2021	2020	2021	2020
Ningbo Chenxin Investment Co., Limited("NBCX")寧波辰新置業有限公司 (Notes iii and vi)	Ningbo	Property development in Ningbo	RMB50,000,000	51%	51%	49%	49%
Beijing North Star Real Estate Group Co. Limited("NSREG")北京北辰地產集團有限公司(Note iii)	Beijing	Investment management in Beijing	RMB6,974,093,600	100%	100%	-	-
Wuhan North Star Chenzhi Real Estate Development Company Limited 武漢北辰智地產開發有限公司(Note iii)	Wuhan	Property development in Wuhan	RMB30,000,000	100%	100%	-	-
Wuhan North Star Chenhui Real Estate Development Company Limited 武漢北辰慧地產開發有限公司(Note iii)	Wuhan	Property development in Wuhan	RMB30,000,000	100%	100%	-	-
Haikou Chenzhi Real Estate Company Limited 海口辰智置業有限公司(Note iii)	Haikou	Property development in Haikou	RMB50,000,000	70%	70%	30%	30%
Chengdu North Star Huafu Real Estate Co. Limited成都北辰華府置業有限公司(Note iii)	Chengdu	Property development in Chengdu	RMB50,000,000	100%	100%	-	-
Sichuan North Star Tianren Real Estate Co. Limited四川北辰天仁置業有限公司(Note iii)	Chengdu	Property development in Chengdu	RMB100,000,000	100%	100%	-	-
Wuhan North Star Pilot Business Exhibition Co. Limited 武漢北辰領航商務會展有限公司(Notes iii and v)	Wuhan	Convention and exhibition in Wuhan	RMB6,000,000	60%	60%	40%	40%
Chengdu North Star Zhongjin Exhibition Co. Limited 成都北辰中金展覽有限公司 (Notes iii, v and vi)	Chengdu	Convention and exhibition in Chengdu	RMB5,000,000	51%	51%	49%	49%
Wuhan Jinchenyongzhi Real Estate Co. Limited 武漢金辰盈智置業有限公司(Notes iii and vi)	Wuhan	Property development in Wuhan	RMB20,000,000	51%	51%	49%	49%
Wuhan Yuchen Real Estate Co. Limited 武漢裕地產開發有限公司(Note iii)	Wuhan	Property development in Wuhan	RMB30,000,000	60%	60%	40%	40%
Wuhan North Star Guangda Creative Industry Operation Management Co., Limited 武漢北辰廣大創意產業運營管理有限公司(Notes iii and vi)	Wuhan	Property management in Wuhan	RMB2,000,000	51%	51%	49%	49%
Hangzhou North Star Jingcheng Real Estate Co. Limited 杭州北辰京誠置業有限公司 (Note iii)	Hangzhou	Property development in Hangzhou	RMB20,000,000	100%	100%	-	-
Beijing Chenyu Real Estate Co. Limited ("BJCY")北京宸宇房地產開發有限公司 (Notes iii and vi)	Beijing	Property development in Beijing	RMB50,000,000	51%	51%	49%	49%
Wuhan Chenfa Real Estate Co. Limited 武漢辰發房地產開發有限公司(Note iii)	Wuhan	Property development in Wuhan	RMB30,000,000	80%	80%	20%	20%
Wuhan Chenzhan Real Estate Co. Limited 武漢辰展房地產開發有限公司(Note iii)	Wuhan	Property development in Wuhan	RMB30,000,000	80%	80%	20%	20%

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation	Principal activities and place of operation	Registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
				2021	2020	2021	2020
Changsha Binchen Real Estate Co. Limited 長沙濱辰置業有限公司(Note iii)	Changsha	Property development in Changsha	RMB40,000,000	100%	100%	-	-
Langfang Chenzhi Real Estate Co. Limited 廊坊辰智房地產開發有限公司(Note iii)	Langfang	Property development in Langfang	RMB31,000,000	100%	100%	-	-
Chengdu Tianchen Real Estate Co. Limited 成都天辰置業有限公司(Note iii)	Chengdu	Property development in Chengdu	RMB50,000,000	80%	80%	20%	20%
Chongqing Beichen Heyue Real Estate Co. Limited 重慶北辰合悅置業有限公司(Note iii)	Chongqing	Property development in Chongqing	RMB50,000,000	100%	100%	-	-
Guangzhou Chenxu Real Estate Co. Limited 廣州辰旭置業有限公司(Note iii and vi)	Guangzhou	Property development in Guangzhou	RMB50,000,000	51%	51%	49%	49%
Beijing North Star Xingshun Exhibition Co. Limited 北京北辰興順會展有限公司(Notes iii and v)	Beijing	Convention and exhibition in Beijing	RMB50,000,000	90%	90%	10%	10%
Ningbo North Star Jingcheng Real Estate Co. Limited 寧波北辰京誠置業有限公司(Note iii)	Ningbo	Property development in Ningbo	RMB50,000,000	100%	100%	-	-
Langfang Chenrui Real Estate Development Co., Ltd 廊坊市辰睿房地產開發有限公司(Note iii)	Langfang	Property development in Langfang	RMB31,000,000	100%	100%	-	-
Diaoyutai North Star Exhibition Co. Limited 釣魚臺北辰(北京)會展有限公司(Notes iii, v and vi)	Beijing	Convention and exhibition in Beijing	RMB20,000,000	51%	51%	49%	49%
Haikou Chenrui Real Estate Co. Limited 海口辰睿置業有限公司(Note iii)	Haikou	Property development in Haikou	RMB50,000,000	100%	100%	-	-
Hangzhou North Star Jingyang Real Estate Co. Limited 杭州北辰京陽置業有限公司(Note iii)	Hangzhou	Property development in Hangzhou	RMB50,000,000	100%	100%	-	-

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

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

- (i) BNSRE is a joint stock limited Company. A joint stock limited Company is a Company having a registered share capital divided into shares of equal par value.
- (ii) These companies are equity joint ventures. Equity joint ventures are sino-foreign joint ventures of which the partners' capital contribution ratios are defined in the joint venture contracts and the partners' profit-sharing ratios are in proportion to the capital contribution ratios.
- (iii) These companies are limited liability companies.
- (iv) In July 2021, Beijing North Star Convention Group Co., Limited. (北京北辰會展集團有限公司) ("BCHZJT"), a wholly-owned subsidiary of the Company, implemented the capital injection and introduction of strategic investors by way of public tender on China Beijing Equity Exchange. Upon public solicitation, four qualified investors, namely Beijing Capital Tourism Group Co., Limited. (北京首都旅遊集團有限責任公司), Beijing Shougang Construction Investment Co., Limited. (北京首鋼建設投資有限公司), Jingdong Technology Holding Co., Ltd. and GL events China Limited (collectively, the "Strategic Investors"), participated in the capital injection (the "Capital Injection"). On 5 July 2021, the Company and the aforementioned four Strategic Investors signed the capital injection agreement. As at 31 December 2021, the Strategic Investors totally invested RMB201,468,480 to the BCHZJT. After completion of the Capital Injection, the Company's shareholding in BCHZJT has been changed from 100% to 60%, while the respective shareholding ratios of end of the aforementioned four Strategic Investors was 10%. BCHZJT remains as a subsidiary of the Company. In August 2021, BCHZJT changed its name to CEGC.
- (v) Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 3.65% of the Group's total net assets.
- (vi) Although the Group only owns 51% or less equity interests in these companies, the Group has the power to control and direct the key operating and financing activities of these companies through the Group's presence in the board of directors of these companies. Consequently, these companies are considered as subsidiaries of the Group.

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests

The loss attributable to non-controlling interest for the year ended 31 December 2021 amounting to approximately RMB103,499,000, which are mainly from SZXZ, NBCX and BJCY. The total non-controlling interest in respect of other subsidiaries is not material.

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

Summarised balance sheet

(i) SZXZ

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current		
Assets	1,145,993	1,459,557
Liabilities	(309,921)	(118,153)
Total net current assets	836,072	1,341,404
Non-current		
Assets	4,542	4,665
Liabilities	–	–
Total net non-current assets	4,542	4,665
Net assets	840,614	1,346,069

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarised balance sheet (Continued)

(ii) NBCX

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current		
Assets	1,241,610	1,685,827
Liabilities	(319,322)	(765,756)
Total net current assets	922,288	920,071
Non-current		
Assets	8,381	9,015
Liabilities	–	–
Total net non-current assets	8,381	9,015
Net assets	930,669	929,086

(iii) BJCY

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current		
Assets	5,220,381	9,345,569
Liabilities	(459,771)	(7,838,546)
Total net current assets	4,760,610	1,507,023
Non-current		
Assets	156	211
Liabilities	–	(109,097)
Total net non-current assets/(liabilities)	156	(108,886)
Net assets	4,760,766	1,398,137

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarised statement of comprehensive income

(i) SZXZ

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	12,659	9,549
(Loss)/profit before income tax	(3,408)	6,852
Income tax expense	(2,047)	3,485
Post-tax (loss)/profit	(5,455)	10,337
Other comprehensive income	–	–
Total comprehensive (loss)/income	(5,455)	10,337
Total comprehensive (loss)/income allocated to non- controlling interests	(2,728)	5,169
Dividends paid to non-controlling interests	250,000	–

(ii) NBCX

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	72,623	5,827,774
Profit before income tax	30,782	1,216,228
Income tax expense	(29,199)	(390,675)
Post-tax profit	1,583	825,553
Other comprehensive income	–	–
Total comprehensive income	1,583	825,553
Total comprehensive income allocated to non- controlling interests	776	404,521
Dividends paid to non-controlling interests	–	–

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarised statement of comprehensive income (Continued)

(iii) BJCY

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue	3,714,408	–
Loss before income tax	(137,371)	(333,876)
Income tax expense	–	–
Post-tax loss	(137,371)	(333,876)
Other comprehensive income	–	–
Total comprehensive loss	(137,371)	(333,876)
Total comprehensive loss allocated to non-controlling interests	(67,312)	(163,599)
Dividends paid to non-controlling interests	–	–

Summarised cash flows

(i) SZXZ

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cash used in operations	(6,083)	(29,072)
Interest paid	–	–
Income tax paid	(34,284)	(3,557)
Net cash used in operating activities	(40,367)	(32,629)
Net cash used in investing activities	–	–
Net cash from financing activities	50,000	–
Net increase/(decrease) in cash and cash equivalents	9,633	(32,629)
Cash and cash equivalents at beginning of the year	12,391	45,020
Exchange gains on cash and cash equivalents	–	–
Cash and cash equivalents at end of the year	22,024	12,391

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarised cash flows (Continued)

(ii) NBCX

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cash used in operations	(145,047)	(394,122)
Interest paid	–	(27,545)
Income tax paid	(198,500)	(5,101)
Net cash used in operating activities	(343,547)	(426,768)
Net cash used in investing activities	–	(45)
Net cash from financing activities	140,000	549,999
Net (decrease)/increase in cash and cash equivalents	(203,547)	123,186
Cash and cash equivalents at beginning of the year	284,468	161,282
Exchange gains on cash and cash equivalents	–	–
Cash and cash equivalents at end of the year	80,921	284,468

(iii) BJCY

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cash generated from operations	2,172,378	736,715
Interest paid	(371)	(389,950)
Income tax paid	(92,845)	(29,736)
Net cash from operating activities	2,079,162	317,029
Net cash used in investing activities	(9)	(2)
Net cash used in financing activities	(2,209,649)	(175,858)
Net (decrease)/increase in cash and cash equivalents	(130,496)	141,169
Cash and cash equivalents at beginning of the year	309,853	168,684
Exchange gains on cash and cash equivalents	–	–
Cash and cash equivalents at end of the year	179,357	309,853

Notes to the Consolidated Financial Statement (Continued)

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Associates	93,611	240,012
Joint ventures	542,125	301,841
	635,736	541,853

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

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Associates	1,547	162,180
Joint ventures	215,284	14,085
	216,831	176,265

(a) Investments in associates

	2021	2020
	RMB'000	RMB'000
At 1 January	240,012	29,302
Additions	–	48,530
Disposal	(8,298)	–
Share of net profit accounted for using the equity method	1,547	162,180
Dividends paid	(139,650)	–
At 31 December	93,611	240,012

Set out below is the associate of the Group as at 31 December 2021, which in the opinion of the directors, is the major associate to the Group. The associate as listed below has registered capital which is held directly by the Group and the country of incorporation or registration as shown is also its respective principal place of business.

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Name of entity	Place of business	% of ownership interest	Nature of the relationship	Measurement method
Wuxi ChenWan Real Estate Co., Limited ("WXCW") 無錫市辰萬房地產有限公司	Wuxi, the PRC	49%	<i>Note (i)</i>	Equity

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

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

Summarised financial information for WXCW

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

Summarised balance sheet

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current		
Cash and cash equivalents	161,548	300,780
Other current assets (excluding cash)	38,491	354,176
Total current assets	200,039	654,956
Financial liabilities (excluding trade payables)	–	11,997
Other current liabilities (including trade payables)	95,774	300,783
Total current liabilities	95,774	312,780
Non-current		
Assets	61	152
Net assets	104,326	342,328

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Summarised statement of comprehensive income

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	22,164	3,099,702
Depreciation and amortisation	(2)	(21)
Interest income	1,179	3,406
Interest expense	(11)	(50)
Profit before income tax expense	25,339	511,663
Income tax credit/(expense)	21,659	(156,237)
Post-tax profit	46,998	355,426
Other comprehensive income	–	–
Total comprehensive income	46,998	355,426
Dividends received from joint venture	139,650	–

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

Reconciliation of summarised financial information

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Opening net assets/(liabilities)	342,328	(13,098)
Profit for the year	46,998	355,426
Dividends paid	(285,000)	–
Closing net assets	104,326	342,328
Interest in the associate (49%)	51,120	167,741
Adjusted for eliminations resulting from downstream transactions	–	–
Carrying value	51,120	167,741

Notes to the Consolidated Financial Statement (Continued)

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

(a) Investments in associates (Continued)

Individually immaterial associate

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Aggregate carrying amount of the immaterial associates	42,491	72,271
Aggregate amounts of the Group's share of:		
Post-tax loss	(21,482)	(5,560)
Other comprehensive income	-	-
Total comprehensive loss	(21,482)	(5,560)

(b) Investments in joint ventures

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At 1 January	301,841	434,679
Additions	25,000	28,077
Share of net profit accounted for using the equity method	215,284	14,085
Dividends paid	-	(175,000)
At 31 December	542,125	301,841

Set out below is the joint venture of the Group as at 31 December 2021, which in the opinion of the directors, is the major joint venture to the Group. The joint venture as listed below has registered capital which is held directly or indirectly by the Group and the place of incorporation or registration as shown is also its respective principal place of business.

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investments in joint ventures (Continued)

Name of entity	Place of business	% of ownership interest	Nature of the relationship	Measurement method
Wuxi North Star Shengyang Real Estate development Co., Limited ("WXSX") 無錫北辰盛陽置業有限公司	Wuxi, the PRC	40%	Note(i)	Equity

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

As at 31 December 2021 and 2020, neither the Group nor the joint venturers can exercise absolute control over the key operating and financing activities of the joint ventures through their respective representatives in the board of directors of the respective joint venture. Accordingly, they are accounted for as joint ventures of the Group.

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

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investments in joint ventures (CONTINUED)

Summarised financial information for WXSJ

Set out below are the summarised financial information for WXSJ, which is accounted for using the equity method.

Summarised balance sheet

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current		
Cash	343,917	699,607
Other current assets (excluding cash)	665,447	3,017,455
Total current assets	1,009,364	3,717,062
Financial liabilities (excluding trade payables)	13,774	13,774
Other current liabilities (including trade payables)	376,269	3,069,500
Total current liabilities	390,043	3,083,274
Non-current		
Assets	2,333	–
Liabilities	–	527,074
Net assets	621,654	106,714

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investments in joint ventures (Continued)

Summarised statement of comprehensive income

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue	3,017,226	383,922
Depreciation and amortisation	–	(72)
Interest income	2,287	5,636
Interest expense	(80)	(98)
Profit before income tax expense	686,083	97,704
Income tax expense	(171,143)	(26,244)
Post-tax profit	514,940	71,460
Other comprehensive income	–	–
Total comprehensive income	514,940	71,460
Dividends received from joint venture	–	–

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

Reconciliation of summarised financial information

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

Notes to the Consolidated Financial Statement (Continued)

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

(b) Investments in joint ventures (Continued)

Summarised financial information (Continued)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Opening net assets	106,714	35,254
Profit for the year	514,940	71,460
Closing net assets	621,654	106,714
Interest in the joint venture (40%)	248,662	42,686
Adjusted for eliminations resulting from downstream transactions	–	(41,609)
Carrying value	248,662	1,077

Individually immaterial joint ventures

In addition to the interests in WXSJ disclosed above, the Group also has interests in immaterial joint ventures that is accounted for using the equity method.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Aggregate carrying amount of the immaterial joint ventures(<i>note</i>)	293,463	300,764
Aggregate amounts of the Group's share of: Post-tax (loss)/profit	(32,301)	13,008
Total comprehensive (loss)/income	(32,301)	13,008

Note:

As at 31 December 2021, the immaterial joint ventures with carrying amounts of RMB274,349,000 (2020: RMB280,208,000) represent three joint ventures, which were engaged in property development. The properties as developed by these three joint ventures have been substantially sold out and hence these three joint ventures have no significant contribution to the Group's profit for the year ended 31 December 2021 and it is also not expected they will have any significant contribution to the Group's profit going forward.

Notes to the Consolidated Financial Statement (Continued)

11. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets	As at 31 December	
	2021 RMB'000	2020 RMB'000
Financial assets at amortised cost		
Trade receivables (Note 12)	54,340	153,891
Other receivables(b) (Note 12)	3,640,605	2,430,514
Restricted bank deposits (Note 16)	1,761,332	2,214,935
Cash and cash equivalents (Note 17)	12,959,453	10,830,539
	18,415,730	15,629,879
Financial liabilities	As at 31 December	
	2021 RMB'000	2020 RMB'000
Liabilities at amortised cost		
Trade and other payables and loans/advances from other parties (c)	15,019,741	16,228,670
Borrowings (Note 23)	29,507,169	27,998,552
	44,526,910	44,227,222

- (a) The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.
- (b) The above other receivables comprise receivables due from related parties, receivables due from non-controlling interests and other receivables.
- (c) The above trade and other payables comprise trade payables, dividends payable to non-controlling interests of subsidiaries, amounts due to non-controlling interests and other related parties, commercial mortgage backed securities and other payables excluding statutory liabilities.

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December					
	2021			2020		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Trade and other receivables(a)	2,333,713	1,361,232	3,694,945	2,312,203	272,202	2,584,405
Prepayments(b)	2,457,217	48,292	2,505,509	2,793,433	55,513	2,848,946
	4,790,930	1,409,524	6,200,454	5,105,636	327,715	5,433,351

Notes to the Consolidated Financial Statement (Continued)

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade and other receivables

	As at 31 December					
	Current RMB'000	2021 Non-current RMB'000	Total RMB'000	Current RMB'000	2020 Non-current RMB'000	Total RMB'000
Trade receivables(i)	101,557	–	101,557	191,398	–	191,398
Less: provision for impairment of trade receivables	(47,217)	–	(47,217)	(37,507)	–	(37,507)
Trade receivables – net	54,340	–	54,340	153,891	–	153,891
Receivables due from related parties (Note 36(xi))	1,787,131	1,289,564	3,076,695	980,216	161,205	1,141,421
Receivables due from non-controlling interests	176,832	–	176,832	860,685	–	860,685
Other receivables	335,716	93,648	429,364	335,403	111,717	447,120
	2,299,679	1,383,212	3,682,891	2,176,304	272,922	2,449,226
Less: provision for impairment of other receivables	(20,306)	(21,980)	(42,286)	(17,992)	(720)	(18,712)
Other receivables – net	2,279,373	1,361,232	3,640,605	2,158,312	272,202	2,430,514
	2,333,713	1,361,232	3,694,945	2,312,203	272,202	2,584,405

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

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

Notes to the Consolidated Financial Statement (Continued)

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade and other receivables (Continued)

(i) Trade receivables

The majority of the Group's sales are on cash or advance basis. The remaining amounts are with credit terms of 30 to 90 days. At 31 December 2021 and 2020, the ageing analysis of the trade receivables were as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
0 – 30 days	47,770	28,695
31 – 90 days	1,113	3,334
Over 90 days	52,674	159,369
	101,557	191,398

(b) Prepayments

	As at 31 December					
	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Prepaid tax	2,399,924	–	2,399,924	2,728,909	–	2,728,909
Prepaid costs to obtain customer contracts	–	48,292	48,292	–	59,086	59,086
Other prepayments	57,293	–	57,293	64,524	–	64,524
	2,457,217	48,292	2,505,509	2,793,433	59,086	2,852,519
Less: provision for impairment of prepayments	–	–	–	–	(3,573)	(3,573)
	2,457,217	48,292	2,505,509	2,793,433	55,513	2,848,946

Notes to the Consolidated Financial Statement (Continued)

13. PROPERTIES UNDER DEVELOPMENT

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
As at 1 January	42,427,185	55,341,162
Addition	7,973,178	10,507,216
Transfer to completed properties held-for-sale (Note 14)	(19,825,953)	(21,445,288)
Transfer to cost of sales in connection with those property sales revenue as recognised over time	–	(631,995)
Transfer to investment property and owner-occupied property	(6,138)	(720,840)
Impairment	(510,464)	(623,070)
As at 31 December	30,057,808	42,427,185

	As at 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Land use rights	18,862,408	31,132,544
Development costs and capitalised expenditure	9,381,855	8,984,511
Finance expenses capitalised	2,958,190	3,550,806
Less: accumulated impairment	(1,144,645)	(1,240,676)
As at 31 December	30,057,808	42,427,185

	As at 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Land use rights:		
In PRC, held on leases of:		
Between 40 – 50 years	4,733,676	7,417,071
Over 50 years	14,128,732	23,715,473
As at 31 December	18,862,408	31,132,544

As at 31 December 2021, certain properties under development with net book value of RMB9,393,670,000 (2020: RMB15,125,097,000) are pledged as securities for bank and other borrowings (Note 23).

As at 31 December 2021, the carrying amount of the properties under development that are expected to be completed and available for sale more than twelve months after the balance sheet date amounted to approximately RMB20,158,285,000 (2020: RMB24,991,786,000). The remaining balance is expected to be completed and available for sale within one year.

Notes to the Consolidated Financial Statement (Continued)

14. COMPLETED PROPERTIES HELD FOR SALE

	2021 RMB'000	2020 RMB'000
As at 1 January	13,971,935	5,342,597
Transfer from properties under development (Note 13)	19,825,953	21,445,288
Transfer to investment properties	(687,504)	–
Transfer to cost of sales	(17,164,839)	(12,522,956)
Impairment	(158,625)	(267,908)
Others (note)	(161,257)	(25,086)
As at 31 December	15,625,663	13,971,935

Note:

Others represent the amounts adjusted arising from the difference between the final settled costs and the estimated costs originally recognised according to the budgeted completion costs of the related assets.

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Land use rights	6,772,724	3,336,326
Development costs and capitalised expenditure	8,077,610	10,514,491
Finance expenses capitalised	1,141,037	473,187
Less: accumulated impairment	(365,708)	(352,069)
	15,625,663	13,971,935

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Land use rights:		
In PRC, held on leases of:		
Between 40 – 50 years	437,228	576,103
Over 50 years	6,335,496	2,760,223
	6,772,724	3,336,326

As at 31 December 2021, properties held for sale with carrying amounts of RMB3,130,464,000 (2020: RMB2,774,641,000) were pledged as securities for bank borrowings (Note 23).

Notes to the Consolidated Financial Statement (Continued)

15. OTHER INVENTORIES

	As at 31 December	
	2021	2020
	RMB'000	<i>RMB'000</i>
Goods for resale	19,605	21,206
Consumables	23,112	19,632
Less: provision for inventories	(244)	(244)
	42,473	40,594

The cost of inventories recognised as expense and included in cost of sales amounted to RMB211,224,000 (2020: RMB221,625,000).

16. RESTRICTED BANK DEPOSITS

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

17. CASH AND CASH EQUIVALENTS

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

	As at 31 December	
	2021	2020
	RMB'000	<i>RMB'000</i>
Cash at bank and on hand	10,879,453	6,580,539
Short-term bank deposits(a)	2,080,000	4,250,000
	12,959,453	10,830,539
Maximum exposure to credit risk	12,958,570	10,829,610

- (a) The deposits are repayable with seven days' notice, without loss of interest earned. The effective interest rate on short-term bank deposits was from 1.10% to 2.025% (2020: 1.10% to 2.025%) per annum.

Notes to the Consolidated Financial Statement (Continued)

17. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Renminbi	12,951,773	10,822,454
US dollar	4,793	5,307
HK dollar	1,478	1,526
EUR dollar	1,409	1,252
	12,959,453	10,830,539

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

18. SHARE CAPITAL

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Registered, issued and fully paid (3,367,020,000 shares of RMB1 each)	3,367,020	3,367,020

Notes to the Consolidated Financial Statement (Continued)

19. RESERVES AND RETAINED EARNINGS

	Other reserves				Subtotal RMB'000	Retained earnings RMB'000
	Capital reserve RMB'000	Statutory reserve fund(a) RMB'000	Discretionary reserve fund(b) RMB'000	Other comprehensive income RMB'000		
At 1 January 2021	3,427,302	979,130	161,468	300,700	4,868,600	12,547,694
Profit for the year	-	-	-	-	-	197,051
2020 final dividends	-	-	-	-	-	(101,011)
Appropriation of statutory reserves	-	20,324	-	-	20,324	(20,324)
Dilution of a subsidiary without a change in control (Note c)	62,180	-	-	-	62,180	-
Remeasurement of post-employment benefit obligations	-	-	-	7,920	7,920	-
Redemption of perpetual bond	(13,608)	-	-	-	(13,608)	-
At 31 December 2021	3,475,874	999,454	161,468	308,620	4,945,416	12,623,410
At 1 January 2020	3,372,229	942,708	161,468	297,077	4,773,482	13,067,511
Profit for the year	-	-	-	-	-	21,658
2019 final dividends	-	-	-	-	-	(505,053)
Appropriation of statutory reserves	-	36,422	-	-	36,422	(36,422)
Dilution of a subsidiary without a change in control	55,073	-	-	-	55,073	-
Remeasurement of post-employment benefit obligations	-	-	-	3,623	3,623	-
At 31 December 2020	3,427,302	979,130	161,468	300,700	4,868,600	12,547,694

Notes to the Consolidated Financial Statement (Continued)

19. RESERVES AND RETAINED EARNINGS (CONTINUED)

- (a) According to the respective Articles of Association, the Company and its subsidiaries established in the PRC are required to transfer 10% of their profit after taxation, as shown in the financial statements prepared under China Accounting Standards for Business Enterprises, which was issued by the Ministry of Finance of PRC in February 2006, to their statutory reserve fund. The statutory reserve fund can be used to offset accumulated losses or convert as share capital of the Company and the respective subsidiaries.
- (b) The proposed transfer to the discretionary reserve fund is subject to approval by the shareholders in general meeting. Its usage is similar to that of the statutory reserve fund. No transfer to the discretionary reserve fund has been proposed for the years ended 31 December 2021 and 2020.
- (c) As disclosed in Note 9(iv), CEGC has issued shares to four strategic investors in July 2021 and the Group's interests in CEGC has been diluted to 60% which still retain the Group's control over CEGC. The differences between the amount by which the non-controlling interests were adjusted and the fair value of the considerations received by the Group were recognised in equity.

20. PERPETUAL BOND

On 20 November 2018, the National Association of Financial Market Institutional Investors has approved the Company to issue perpetual bond with principal amounts of RMB1,620,000,000 and RMB1,760,000,000 on or before 20 November 2020.

On 3 December 2018, the Company issued perpetual bond, which were redeemable only at the Company's discretion, with initial aggregate principal amount of RMB1,620,000,000 and net proceeds of RMB1,606,392,000. The Company may elect to defer interest payments and are not subject to any limit as to the number of times of deferral of interest payments and on 3 December 2021, the perpetual bond has been fully redeemed.

On 28 June 2019, the Company issued perpetual bond, which were redeemable only at the Company's discretion, with initial aggregate principal amount of RMB1,000,000,000 and net proceeds of RMB991,600,000. The Company may elect to defer interest payments and are not subject to any limit as to the number of times of deferral of interest payments.

As the perpetual bonds only impose contractual obligations on the Group to repay principals or to pay any distribution under certain circumstances, which are at Group's discretion, they have in substance offered the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligations. Therefore, the net proceeds of the perpetual bonds are presented in the equity of the Group. The carrying amounts of the perpetual bond as at 31 December 2021 is net of the accrued distribution payments of RMB137,783,000 (2020: RMB143,530,000).

Notes to the Consolidated Financial Statement (Continued)

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

	As at 31 December					
	2021			2020		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Trade and other payables (a)	11,081,261	–	11,081,261	10,386,752	–	10,386,752
Loans/advances from other parties (b)	3,240,608	2,148,385	5,388,993	5,210,695	2,658,262	7,868,957
	14,321,869	2,148,385	16,470,254	15,597,447	2,658,262	18,255,709

(a) Trade and other payables

	As at 31 December					
	2021			2020		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Trade payables	7,677,625	–	7,677,625	7,055,136	–	7,055,136
Prepaid rental income from tenants	236,089	–	236,089	230,349	–	230,349
Dividends payable to non-controlling interests of subsidiaries	1,162	–	1,162	1,162	–	1,162
Dividends payable to related parties (Note 36(xi))	397,000	–	397,000	–	–	–
Amounts due to related parties (Note 36(xi))	108,297	–	108,297	62,407	–	62,407
Employee termination benefit obligations current portion	9,203	–	9,203	7,604	–	7,604
Other tax payable	1,097,296	–	1,097,296	1,701,927	–	1,701,927
Other payables	1,554,589	–	1,554,589	1,328,167	–	1,328,167
	11,081,261	–	11,081,261	10,386,752	–	10,386,752

At 31 December 2021 and 2020, the ageing analyses of the trade payables based on date of services/goods received. The ageing analysis of the Group's trade payables is as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
0 – 180 days	3,152,490	2,674,492
181 – 365 days	1,923,441	1,630,539
Over 365 days	2,601,694	2,750,105
	7,677,625	7,055,136

Notes to the Consolidated Financial Statement (Continued)

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

(b) Loans/advances from other parties

	As at 31 December					
	Current RMB'000	2021 Non-current RMB'000	Total RMB'000	Current RMB'000	2020 Non-current RMB'000	Total RMB'000
Loans from non-controlling interests (i)	1,314,082	105,448	1,419,530	3,198,056	1,068,872	4,266,928
Loans from a third party contractor (ii)	590,858	-	590,858	612,298	136,390	748,688
Loan from a third party	-	-	-	18,358	-	18,358
Loans from BNSIGC	800,000	1,300,000	2,100,000	500,000	500,000	1,000,000
Commercial mortgage backed securities ("CMBS") issued by a subsidiary of the Company (iii)	18,000	742,937	760,937	16,000	953,000	969,000
Advances from non-controlling interests	49,658	-	49,658	101,323	-	101,323
Advances from related parties (Note 36(xi))	468,010	-	468,010	764,660	-	764,660
	3,240,608	2,148,385	5,388,993	5,210,695	2,658,262	7,868,957

- (i) Loans from non-controlling shareholders of subsidiaries ("non-controlling interests") are all unsecured loans. Except for loan amounts of RMB104,810,000 (2020: RMB104,810,000) which have no fixed terms of repayment, RMB23,200,000 is repayable by installment within 6 months and RMB48,200,000 is repayable by installment within one year, the loans from non-controlling interests are all repayable by installments within two years from the dates of grant of the respective loan amounts.

Loans from non-controlling interests of RMB1,014,702,000, RMB300,018,000 and RMB104,810,000 (2020: RMB3,757,957,000, RMB404,161,000 and RMB104,810,000) bear interests at fixed rates of 6.5%, 7% and 10.5% (2020: 6.5%, 7% and 10.5%) per annum respectively.

- (ii) The loans are unsecured, bear interests at a fixed rate of 6.5% per annum.

As at 31 December 2021, loan amounts of RMB590,858,000 is repayable in November 2022. As at 31 December 2020, loan amounts of RMB612,298,000 is repayable in November 2021; RMB60,346,000 is repayable in June 2022; RMB64,500,000 is repayable in November 2022 and the interests payable of RMB11,544,000 has been converted as part of the loan and is repayable in December 2022.

- (iii) On 20 December 2018, a subsidiary of the Group, NSREG issued CMBS of RMB1,050,000,000, which has a term of 18 years and are divided into senior tranche A, senior tranche B and junior tranche with principal of RMB527,000,000, RMB473,000,000 and RMB50,000,000 respectively. NSREG has purchased all the junior tranches of the CMBS. CMBS entered the open exit filing period every three years and the senior tranches A and B of the CMBS were guaranteed by the Group. On 30 November 2021, the coupon rate on senior tranche A was adjusted to 4.2% per annum and the coupon rate on senior tranche B was adjusted to 4.7% per annum.

Notes to the Consolidated Financial Statement (Continued)

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

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

22. CURRENT INCOME TAX LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Income tax payable	355,545	490,219
Land appreciation tax payable	1,791,828	1,919,123
	2,147,373	2,409,342

23. BORROWINGS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current		
Long term borrowings		
– Secured and guaranteed borrowings (a)	21,716,974	22,857,290
– Unsecured borrowings	22,847	122,200
– 7 year bonds of 2015 (b)	1,497,634	1,495,129
– 5 year bonds of 2016 (b)	–	359,258
– 5 year medium term notes of 2017 (b)	1,118,418	1,116,267
– 5 year bonds of 2019 (b)	1,195,319	1,193,430
– 5 year bonds of 2020 (b)	596,962	596,045
– 2 year medium term notes of 2020 (b)	259,510	258,933
– 5 year bonds of 2021 (I) (b)	318,121	–
– 5 year medium term notes of 2021 (b)	1,446,395	–
– 5 year bonds of 2021 (II) (b)	1,334,989	–
	29,507,169	27,998,552
Less: current portion of long term borrowings	(9,632,587)	(5,625,326)
	19,874,582	22,373,226
Current		
– Current portion of long term borrowings	9,632,587	5,625,326
	9,632,587	5,625,326
Total borrowings	29,507,169	27,998,552

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS (CONTINUED)

(a) Secured and guaranteed borrowings

Secured borrowings

As at 31 December 2021, long term borrowings of RMB15,752,053,000 were secured by certain right-use-of assets (Note 6), investment properties (Note 7), hotel properties (Note 8), properties under development (Note 13) and completed properties held for sale (Note 14). As at 31 December 2020, long term borrowings of RMB15,086,730,000 were secured by certain right-of-use assets (Note 6), investment properties (Note 7), property, plant and equipments (Note 8) and properties under development (Note 13)). Out of the above mentioned secured borrowings, borrowings of RMB994,000,000 (2020: RMB3,891,333,000) are guaranteed by BNSIGC (Note 36(xiii)).

Guaranteed borrowings

As at 31 December 2021, long term borrowings of RMB5,590,000,000 (2020: RMB7,770,560,000) obtained by certain subsidiaries are unsecured and guaranteed by the Company and borrowings of RMB374,921,000 are unsecured and guaranteed by a subsidiary (2020: Nil).

- (b) On 20 January 2015, the Company issued corporate bonds amounting to RMB2,500,000,000. Among which, corporate bonds of RMB1,500,000,000 which has a term of 7 years ("7 year bonds") carry an interest rate of 5.2% per annum and also embedded a put option at the end the fifth year. On 20 January 2020, the investors put to sell back 7 year bonds of RMB2,225,000 to Company and the remaining 7 year bonds carries an interest rate of 5.2% per annum. The interests on the 7 year bonds are payable annually and the principals is fully repayable on 20 January 2022.

On 21 April 2016, the Company issued corporate bonds with an aggregate principal amount of RMB1,500,000,000. It has a term of 5 years, carries a coupon rate of 4.48% per annum and also embedded a put option at the end of the third year. The net proceeds of this bond were RMB1,488,000,000 (net of issuance costs of RMB12,000,000). On 22 April 2019, the investors put to sell back bonds of RMB1,140,000,000 to the Company and the remaining bonds carries an interest rate of 4.48% per annum. The interest on these bonds were paid annually and the principal was fully

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS (CONTINUED)

- (b) On 20 September 2017, the Company issued medium term note with an aggregate principal amount of RMB1,320,000,000. It has a term of 5 years, carries a coupon rate of 5.14% per annum, and also embedded a put option at the end the third year. On 20 September 2020, the investors put to sell back bonds of RMB200,000,000 to Company and the remaining bonds carries an interest rate of 3.80% per annum. The interests on this medium term note were paid annually and the principal is fully repayable on 20 September 2022.

On 16 April 2019, the Company issued corporate bonds with an aggregate principal amount of RMB1,200,000,000. It has a term of 5 years, carries a coupon rate of 4.80% per annum and also embedded a put option at the end of the third year. The net proceeds of this bond were RMB1,190,400,000 (net of issuance costs of RMB9,600,000). The interests on these bonds were paid annually and the principal is fully repayable on 16 April 2024.

On 15 January 2020, the Company issued corporate bonds with an aggregate principal amount of RMB600,000,000. It has a term of 5 years, carries a coupon rate of 4.17% per annum and also embedded a put option at the end of the third year. The net proceeds of this bond were RMB595,200,000 (net of issuance costs of RMB4,800,000). The interests on these bonds were paid annually and the principal is fully repayable on 15 January 2025.

On 28 October 2020, the Company issued medium term note with an aggregate principal amount of RMB260,000,000. It has a term of 2 years, carries a coupon rate of 3.78% per annum. The net proceeds of this bond were RMB258,830,000 (net of issuance costs of RMB1,170,000). The interests on these bonds were paid annually and the principal is fully repayable on 28 October 2022.

On 26 July 2021, the Company issued corporate bonds with an aggregate principal amount of RMB319,000,000. It has a term of 5 years, carries a coupon rate of 3.46% per annum and also embedded a put option at the end of the third year. The net proceeds of this bond were RMB318,043,000 (net of issuance costs of RMB957,000). The interests on these bonds were paid annually and the principal is fully repayable on 26 July 2026.

On 21 December 2021, the Company issued medium term note with an aggregate principal amount of RMB1,450,000,000. It has a term of 5 years, carries a coupon rate of 3.50% per annum, and also embedded a put option at the end of the third year. The net proceeds of this bond were RMB1,446,375,000 (net of issuance costs of RMB3,625,000). The interests on these bonds were paid annually and the principal is fully repayable on 21 December 2026.

On 29 December 2021, the Company issued corporate bonds with an aggregate principal amount of RMB1,339,000,000. It has a term of 5 years, carries a coupon rate of 3.46% per annum and also embedded a put option at the end of the third year. The net proceeds of this bond were RMB1,334,983,000 (net of issuance costs of RMB4,017,000). The interests on these bonds were paid annually and the principal is fully repayable on On 29 December 2026.

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS (CONTINUED)

- (c) The Group's borrowings mature until 2036 and bonds mature until 2026. As at 31 December 2021 and 2020, the Group's borrowings were repayable as follows:

	Bank borrowings		Other borrowings		Corporate bonds and medium term notes	
	As at 31 December		As at 31 December		As at 31 December	
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	807,706	2,310,068	4,754,000	2,956,000	4,070,881	359,258
Between 1 and 2 years	1,153,691	1,883,697	2,372,000	5,181,000	–	4,063,759
Between 2 and 5 years	1,477,455	3,193,315	3,494,000	4,768,000	596,962	596,045
Over 5 years	6,696,969	1,701,410	984,000	986,000	3,099,505	–
	10,135,821	9,088,490	11,604,000	13,891,000	7,767,348	5,019,062

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

	As at 31 December	
	2021	2020
Bank and other long term borrowings	5.85%	6.10%
7 year bonds of 2015	5.38%	5.38%
5 year bonds of 2016	4.66%	4.66%
5 year medium term notes of 2017	5.31%	5.31%
5 year bonds of 2019	4.98%	4.98%
5 year bonds of 2020	4.35%	4.35%
2 year medium term notes of 2020	4.02%	4.02%
5 year bonds of 2021 (I)	3.53%	–
5 year medium term notes of 2021	3.56%	–
5 year bonds of 2021 (II)	3.53%	–

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS (CONTINUED)

(e) The Group's undrawn borrowing facilities are analysed as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Undrawn borrowing facilities expiring:		
– within one year	955,187	1,420,456
– between one and five years	7,919,106	4,210,002
– over five years	325,815	2,502,846
	9,200,108	8,133,304

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
6 months or less	13,273,872	10,097,308
between 6 and 12 months	5,360,243	690,351
between 1 and 5 years	9,879,054	16,126,816
over 5 years	994,000	1,084,077
	29,507,169	27,998,552

(g) The fair values of the long term borrowings are not materially different from their carrying amounts.

(h) All borrowings are denominated in Renminbi.

Notes to the Consolidated Financial Statement (Continued)

24. DEFERRED INCOME TAX

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered within 12 months	142,119	121,835
– to be recovered after more than 12 months	1,113,457	1,149,432
	1,255,576	1,271,267
Deferred income tax liabilities:		
– to be settled within 12 months	(6,326)	(7,362)
– to be settled after more than 12 months	(2,168,682)	(2,121,516)
	(2,175,008)	(2,128,878)
Offsetting	(9,433)	(7,362)
Deferred income tax assets after offsetting	1,246,143	1,263,905
Deferred income tax liabilities after offsetting	(2,165,575)	(2,121,516)
Deferred income tax liabilities-net	(919,432)	(857,611)

The movements on the deferred income tax liabilities – net are as follows:

	2021	2020
	RMB'000	RMB'000
At 1 January	(857,611)	(816,564)
Charged the income statement (<i>Note 29</i>)	(61,821)	(39,439)
Deemed disposal of a subsidiary	–	(1,608)
At 31 December	(919,432)	(857,611)

Notes to the Consolidated Financial Statement (Continued)

24. DEFERRED INCOME TAX (CONTINUED)

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

Deferred income tax assets:

	Provisions <i>RMB'000</i>	Deductible loss <i>RMB'000</i>	Accrued expense and others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	41,197	66,614	1,232,402	1,340,213
Credited/(charged) to profit or loss	52,007	(23,299)	(96,048)	(67,340)
Deemed disposal of a subsidiary	–	–	(1,608)	(1,608)
At 31 December 2020	93,204	43,315	1,134,746	1,271,265
Credited/(charged) to profit or loss	33,488	(11,651)	(37,526)	(15,689)
At 31 December 2021	126,692	31,664	1,097,220	1,255,576

Deferred income tax liabilities:

	Investment properties revaluation <i>RMB'000</i>	Tax depreciation allowances <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	(1,445,435)	(711,342)	–	(2,156,777)
Credited/(charged) to profit or loss	73,612	(38,351)	(7,360)	27,901
At 31 December 2020	(1,371,823)	(749,693)	(7,360)	(2,128,876)
Credited/(charged) to profit or loss	33,556	(77,616)	(2,072)	(46,132)
At 31 December 2021	(1,338,267)	(827,309)	(9,432)	(2,175,008)

Notes to the Consolidated Financial Statement (Continued)

24. DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities (Continued):

- (a) Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognised deferred income tax assets of RMB572,127,000 (2020: RMB248,574,000) in respect of losses amounting to RMB2,288,508,000 (2020: RMB994,295,000) that can be carried forward against future taxable income, these tax losses will expire in the period from 2022 to 2026 as follows:

2022	Expiring in year ending 31 December				2026	Total
	2023	2024	2025	2026		
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
21,318	115,554	351,234	454,547	1,319,170	2,261,823	

Notes to the Consolidated Financial Statement (Continued)

25. EXPENSES BY NATURE

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation of property, plant and equipment and right-of-use assets	167,136	155,297
Provision of impairment for properties under development and completed properties held for sale (Notes 13 and 14)	669,089	890,978
Provision of impairment for a hotel property (Note 8)	78,961	–
Provision of prepaid costs to obtain customer contracts	–	3,573
Employee benefit expense (Note 27)	1,097,897	919,124
Advertising costs	76,718	125,745
Cost of properties sold	16,465,368	12,607,527
Cost of goods sold and consumables used	211,224	221,625
Taxes and levies (other than income tax expenses)	343,158	338,964
Office and consumable expenses	137,220	84,565
Management fee	123,545	111,041
Energy and utilities expenses	87,490	103,960
Consulting and service expenses	405,156	329,191
Repair and maintenance expenses	83,624	82,586
Short-term leases	9,772	15,859
Auditor's remuneration	7,240	7,240
Exhibition construction fee (note)	28,430	104,234
Others	75,268	51,001
	20,067,296	16,152,510

Note:

The exhibition construction fee were mainly related to cost as incurred for the construction and setting of exhibition stages and booths for the large scale exhibition event "the China International Fair for Trade in Services" (中國國際服務貿易交易會) as held in in the Group's investment properties in September 2021 and 2020.

Notes to the Consolidated Financial Statement (Continued)

26. OTHER INCOME AND LOSSES – NET

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Gain from the liquidation of a subsidiary	–	5,017
Gain on deemed disposal of a subsidiary	–	45,811
Loss on disposal of property, plant and equipment and investment properties	(3,573)	(5,205)
Fair value losses on investment properties	(134,226)	(294,452)
Donation	(1,450)	(3,250)
Government grants	26,709	25,615
Penalty and compensation income	23,578	17,190
Penalty and compensation expense	(16,864)	(18,487)
Investment income	9,077	–
Others	5,460	4,329
	(91,289)	(223,432)

27. EMPLOYEE BENEFIT EXPENSE

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Wages and salaries	851,983	812,763
Social security costs	271,997	212,314
Retirement benefit costs – defined contribution plans (a)	110,974	35,574
	1,234,954	1,060,651
Less: capitalised in properties under development	(137,057)	(141,527)
	1,097,897	919,124

Notes to the Consolidated Financial Statement (Continued)

27. EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(a) Retirement benefit costs – defined contribution plans

The employees of the subsidiaries of the Group participate in various retirement benefit plans established by different Municipal Labor and Social Insurance Bureaus in the PRC. Under which the Group was required to make monthly defined contributions to these plans at 20% of the employees' basic salary for the four months ended 30 April 2019, and 16% for the eight months from 1 May 2019 onwards.

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

There were no forfeited contributions during the year or available at 31 December 2021 (2020: Nil) to reduce future contributions.

During the year ended 31 December 2021, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2020: Nil).

Contribution totaling RMB9,681,000 (2020: RMB7,711,000) were payable to the funds at the year end.

(b) Five highest paid individuals

During the year ended 31 December 2021, the five individuals whose emoluments were the highest in the Group for the year included three (2020: one) directors (whose emoluments are reflected in the analysis shown in Note 38). The emoluments payable to the remaining two (2020: four) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Basic salaries and other allowances	2,160	4,002
Employer's contribution to retirement benefit scheme	171	133
	2,331	4,135

Notes to the Consolidated Financial Statement (Continued)

27. EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Five highest paid individuals (Continued)

The emolument fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2021	2020
Emolument bands		
RMB Nil – RMB818,000 (equivalent to HK\$ Nil – HK\$1,000,000)	–	3
Over RMB818,000 – RMB1,226,000 (equivalent to HK\$1,000,000 – HK\$1,500,000)	2	–
Over RMB1,226,000 – RMB1,635,000 (equivalent to HK\$1,500,000 – HK\$2,000,000)	–	1

- (c) During the year, no emolument was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the years ended 31 December 2021 and 2020.

Notes to the Consolidated Financial Statement (Continued)

28. FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest expenses:		
– bank and other borrowings	(1,614,811)	(1,882,690)
– bonds and medium term notes	(258,256)	(279,489)
	(1,873,067)	(2,162,179)
Less: amounts capitalised in properties under development and hotel properties at a capitalisation rate of 5.72% (2020: 6.29%) per annum	1,184,113	1,695,457
	(688,954)	(466,722)
Bank charges and others	(9,659)	(5,824)
Finance expenses	(698,613)	(472,546)
Finance income – interest income	138,091	172,289
Finance expenses – net	(560,522)	(300,257)

Notes to the Consolidated Financial Statement (Continued)

29. 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% (2020: 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	
	2021	2020
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	448,324	509,216
– PRC land appreciation tax	839,734	493,728
Deferred income tax (Note 24)	61,821	39,439
	1,349,879	1,042,383

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before income tax expense	1,581,214	1,512,580
Less: share of net profit of investments accounted for using the equity method	(216,831)	(176,265)
	1,364,383	1,336,315
Tax calculated at the statutory tax rate of 25% (2020: 25%)	341,096	334,079
Expenses not deductible for tax purposes	11,830	10,667
Tax losses not recognised	177,401	122,456
Temporary differences not recognised	173,115	169,552
Effect of the land appreciation tax in the PRC	629,801	370,296
Utilisation of previously unrecognised tax losses	(17,555)	(388)
Others (Note a)	34,191	35,721
Income tax expenses	1,349,879	1,042,383

- (a) Following the strict control in the real estate industry in 2021 and 2020, the Group reviewed previously recognised tax losses and temporary differences and determined that it was now probable that insufficient taxable profits will be available to utilise certain recognised tax losses prior to their expiring date. As a consequence, deferred income tax assets of RMB34,191,000 (2020: RMB35,721,000) were derecognised in 2021.

Notes to the Consolidated Financial Statement (Continued)

30. 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 2021 and 2020.

	Year ended 31 December	
	2021	2020
Profit attributable to ordinary shareholders of the Company <i>(RMB'000)</i>	197,051	21,658
Number of ordinary shares in issue <i>(thousands)</i>	3,367,020	3,367,020
Earnings per share (basic and diluted) <i>(RMB cents per share)</i>	5.85	0.64

Notes to the Consolidated Financial Statement (Continued)

31. DIVIDENDS

The dividends paid in 2021 are RMB101,011,000 (2020: RMB505,053,000). Proposed dividends of 2021 and 2020 were as follows:

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
2021 proposed final dividend of RMB0.01 (2020: RMB0.03) per share	33,670	101,011
	33,670	101,011

The Board recommended the payment of a 2021 final dividend of RMB0.01 per ordinary share. Total amount of the 2021 final dividend would be RMB33,670,000 which is calculated according to the ordinary shares in issue as of 31 December 2021. Such dividend is subject to approval by the shareholders at the 2021 Annual General Meeting. These consolidated financial statements do not reflect this dividend payable.

Notes to the Consolidated Financial Statement (Continued)

32. CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit before income tax	1,581,214	1,512,580
Adjustments for:		
– Provision for/(reversal of) loss allowance for receivables	33,283	(6,510)
– Impairment for properties under development and completed properties held-for-sale (Notes 13 and 14)	669,089	890,978
– Impairment for a hotel property (Note 8)	78,961	–
– Impairment for prepaid costs to obtain customer contracts	–	3,573
– Depreciation of property, plant and equipment and right-of-use assets	167,136	155,297
– Gain on deemed disposal of a subsidiary	–	(45,811)
– Gain from the liquidation of a subsidiary	–	(5,017)
– Fair value losses on investment properties	134,226	294,452
– Loss on disposal of property, plant and equipment and investment properties	3,573	5,205
– Interest classified as investing cash flows	(9,077)	–
– Interest income	(138,091)	(172,289)
– Interest expense	688,954	466,722
– Share of net profit of investments accounted for using the equity method	(239,308)	(186,427)
Operating profit before working capital changes	2,969,960	2,912,753
Changes in working capital:		
– Decrease in restricted bank deposits	453,603	679,250
– (Increase)/decrease in other inventories	(1,879)	8,934
– Decrease in properties under development and completed properties held for sale, net	10,542,364	3,330,325
– Decrease in trade and other receivables	451,200	923,462
– Decrease in trade and other payables	(262,989)	(20,051)
– Decrease in contract liabilities	(5,794,047)	(6,404,323)
Cash generated from operations	8,358,212	1,430,350

Notes to the Consolidated Financial Statement (Continued)

32. CASH GENERATED FROM OPERATIONS (CONTINUED)

(a) Reconciliation of liabilities from financing activities

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

	Liabilities from financing activities						Total RMB'000
	Borrowing RMB'000	Loans/advances due to non- controlling interests and loans from third parties RMB'000	CMBS RMB'000	Amounts due to other related parties RMB'000	Amount due to BNSIGC RMB'000	Lease liabilities RMB'000	
At 1 January 2021	(27,998,552)	(5,135,297)	(969,000)	(764,660)	(1,000,000)	(51,011)	(35,918,520)
Cash flows	(1,499,733)	3,075,251	208,063	157,000	(1,100,000)	35,523	876,104
New leases	-	-	-	-	-	(34,004)	(34,004)
Other changes							
Interest expense	-	-	-	-	-	2,669	2,669
Amortization of the bonds	(8,884)	-	-	-	-	-	(8,884)
Non-cash financing activities (Note 32(b))	-	-	-	139,650	-	-	139,650
At 31 December 2021	(29,507,169)	(2,060,046)	(760,937)	(468,010)	(2,100,000)	(46,823)	(34,942,985)
At 1 January 2020	(29,684,863)	(4,385,078)	(985,000)	(589,010)	-	(57,227)	(35,701,178)
Cash flows	1,694,841	(738,675)	16,000	(350,650)	(1,000,000)	34,432	(344,052)
New leases	-	-	-	-	-	(31,523)	(31,523)
Other changes							
Interest expense	-	-	-	-	-	3,307	3,307
Amortization of the bonds	(8,530)	-	-	-	-	-	(8,530)
Non-cash financing activities	-	(11,544)	-	175,000	-	-	163,456
At 31 December 2020	(27,998,552)	(5,135,297)	(969,000)	(764,660)	(1,000,000)	(51,011)	(35,918,520)

Notes to the Consolidated Financial Statement (Continued)

32. CASH GENERATED FROM OPERATIONS (CONTINUED)

(b) Major non-cash investing or financing activities

- (i) During the year ended 31 December 2021, the Group's dividends receivables from a joint venture of RMB139,650,000 (2020: RMB175,000,000) have been offset against the amounts due to the joint venture.
- (ii) During the year ended 31 December 2021, the Group's dividends payable to the non-controlling interests of RMB80,000,000 (2020: RMB296,000,000) have been offset against the amounts due from the non-controlling interests.
- (iii) The recognition of right-of-use assets and lease liabilities for the leased land, properties and equipment as detailed in Notes 2.2 and 6 are considered as non-cash investing and financing activities.

33. FINANCIAL GUARANTEES

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The outstanding guarantees amounted to RMB13,901,298,000 as at 31 December 2021 (2020: RMB17,950,665,000).

Such guarantees terminate upon (i) the issuance of the real estate ownership certificate which will generally be available within six months to two years after the Group delivers possession of the relevant property to its purchasers; (ii) the completion of the mortgage registration; and (iii) the issuance of the real estate miscellaneous right certificate relating to the relevant property.

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

Notes to the Consolidated Financial Statement (Continued)

34. COMMITMENTS

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Properties under development		
– Contracted but not provided for	6,950,657	9,328,273
– Authorised but not contracted for	4,778,575	6,729,734
	11,729,232	16,058,007

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Investment properties and hotel properties		
– Contracted but not provided for	134,575	694,524
– Authorised but not contracted for	23,327	425,775
	157,902	1,120,299

- (b) At 31 December 2021 and 2020, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as lessor as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Rental receivables in respect of investment properties		
Not later than one year	889,844	799,785
Later than one year and not later than five years	936,951	906,079
Later than five years	798,064	664,450
	2,624,859	2,370,314

Notes to the Consolidated Financial Statement (Continued)

35. TERMINATION BENEFITS

	2021			2020		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Termination benefits	9,203	107,507	116,710	7,604	114,240	121,844

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

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Present value of unfunded obligations	116,710	121,844

The significant actuarial assumptions were as follows:

	2021	2020
Discount rate	2.50%-3.25%	2.75%-3.50%
Salary growth rate	10.00%	10.00%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption 2021	Impact on defined benefit obligation	
		Increase in assumption 2021 RMB'000	Decrease in assumption 2021 RMB'000
Discount rate	One percentage point	Decrease by 21,264	Increase by 15,896
Salary growth rate	One percentage point	Increase by 636	Decrease by 619

Notes to the Consolidated Financial Statement (Continued)

35. TERMINATION BENEFITS (CONTINUED)

	Change in assumption 2020	Impact on defined benefit obligation	
		Increase in assumption 2020 RMB'000	Decrease in assumption 2020 RMB'000
Discount rate	One percentage point	Decrease by 16,034	Increase by 31,726
Salary growth rate	One percentage point	Increase by 928	Decrease by 899

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as the method adopted for calculating the defined benefit liability recognised in the consolidated balance sheet.

36. RELATED PARTY TRANSACTIONS

The Group is controlled by BNSIGC, which owns 34.48% of the Company's shares. The remaining 65.52% of the shares are widely held.

BNSIGC itself is a state-owned enterprise controlled by the PRC government. For the years ended 31 December 2021 and 2020, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government (collectively the "government controlled entities") mainly include the drawdown of bank borrowings and purchases of certain goods and services from these government controlled entities. The transactions with the government controlled entities are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

For the purpose of related party transaction disclosures, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are government controlled entities (including state-owned enterprises). Many government controlled entities have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatization programmes. Due to the pervasiveness of the Group's properties development, convention and exhibition and investment property (including hotels) transactions with the government controlled entities, their employees, key management personnel and close family members, and other related parties, there is no feasible way to track such transactions and ensure the completeness of certain disclosures. Nevertheless, management believes that all material related party transactions and balances, of which they are aware of, have been adequately disclosed.

For the years ended 31 December 2021 and 2020, CIFI (a non-controlling shareholder of certain subsidiaries of the Group) has significant influence over the related subsidiaries which are material to the Group and hence is deemed as a related party of the Group for the purpose of this related party transaction disclosure note. Nanjing Ningkang Investment Management Co., Ltd. ("NJNK"), Hefei Xuhui Business Management Co., Ltd. ("HFXH"), Xu Zhao (HK) Co., Ltd. ("XZHK"), and Shanghai Xinzhi Construction Engineering Co., Ltd. ("SHXZ") are subsidiaries of CIFI (collectively the "subsidiaries of CIFI") and hence their transactions with the Group are also considered as related party transactions for the purpose of this disclosure note.

Notes to the Consolidated Financial Statement (Continued)

36. RELATED PARTY TRANSACTIONS (CONTINUED)

In year 2021, Shenzhen Jiangwan Information Consulting Co., Ltd. ("SZJW") and Sichuan New Hope Real Estate Development Co., Ltd. ("SCNH") (non-controlling shareholders of certain subsidiaries of the Group) have significant influence over the Group and are deemed as the related party of the Group for the purpose of this related party transaction disclosure note.

In addition to the above-mentioned transactions with the government related entities and the related party information shown elsewhere in these consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year and balances arising from related party transactions at the end of the year indicated below:

(i) Purchases/provision of services with related parties

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
BNSIGC (rental expense)	900	900
Beijing North Star Exhibition Investment Co., Ltd. ("BNSEIC") (rental income)	4,893	4,893
Beijing International Exhibition Center Company Limited ("BIEC") (rental income)	1,924	1,827
Beijing Chenxing International Exhibition Co.,Ltd ("BJCXIEC") (rental income)	1,224	–
Beijing Beichen Industry Group Company Yuanchenxin Real Estate Management Centre ("YCX") (internet service income)	348	–
BNSEIC (internet service income)	943	890
BNSIGC (brand royalty fee)	10	10
BIEC (purchases service)	3,402	–
Beijing Asia Olympic Technology Co.,Ltd ("KCYA") (purchases of various goods and services)	9,086	13,161
Beijing Beichen Yayun Village Automotive Exchange Market Center ("YVAEX") (purchases of operating service)	519	–
HFXH (project management consulting service fee)	–	10,943
	23,249	32,624

- (a) Purchases/provision of services are carried out in accordance with the terms as mutually agreed between the parties.

Notes to the Consolidated Financial Statement (Continued)

36. RELATED-PARTY TRANSACTIONS (CONTINUED)

(ii) Loans from BNSIGC

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At 1 January 2021	1,001,232	–
Proceeds from loans	2,500,000	1,000,000
Repayments of loans	(1,400,000)	–
Interest accrued	91,895	12,581
Interest paid	(90,177)	(11,349)
At 31 December 2021	2,102,950	1,001,232

As at 15 May 2020, the Company obtained a loan of RMB200,000,000 from BNSIGC, which was unsecured, bore interests at an interest rate equaling to national benchmark interest rate, and was fully repaid on 14 May 2021.

As at 28 June 2020, the Company obtained a loan of RMB300,000,000 from BNSIGC, which was unsecured, bore interests at a fixed interest rate of 4.35% per annum, and was fully repaid in 2021.

As at 17 December 2020, the Company obtained a loan of RMB500,000,000 from BNSIGC, which was unsecured, bore interests at a fixed interest rate of 4.75% per annum, and is repayable on 16 December 2023.

As at 8 January 2021, the Company obtained a loan of RMB500,000,000 from BNSIGC, which was unsecured, bore interests at a fixed interest rate of 4.35% per annum, and was fully repaid in 2021.

As at 21 January 2021, the Company obtained a loan of RMB200,000,000 from BNSIGC, which was unsecured, bore interests at a fixed interest rate of 4.35% per annum, and was fully repaid in 2021.

As at 24 March 2021, the Company obtained a loan of RMB200,000,000 from BNSIGC, which is unsecured, bears interests at a fixed interest rate of 4.35% per annum, and was fully repaid in 2021.

As at 25 June 2021, the Company obtained a loan of RMB300,000,000 from BNSIGC, which was unsecured, bore interests at a fixed interest rate of 4.75% per annum, and is repayable on 24 June 2024.

As at 28 June 2021, the Company obtained a loan of RMB300,000,000 from BNSIGC, which was unsecured, bore interests at a fixed interest rate of 4.35% per annum, and is repayable on 27 June 2022.

As at 17 August 2021, the Company obtained a loan of RMB500,000,000 from BNSIGC, which was unsecured, bore interests at a fixed interest rate of 4.35% per annum, and is repayable on 16 August 2022.

As at 17 August 2021, the Company obtained a loan of RMB500,000,000 from BNSIGC, which was unsecured, bore interests at a fixed interest rate of 4.75% per annum, and is repayable on 17 August 2024.

Notes to the Consolidated Financial Statement (Continued)

36. RELATED-PARTY TRANSACTIONS (CONTINUED)

(iii) Project cooperation funds to an associate and joint ventures

The Group has provided project cooperation funds to its joint ventures, WHJCYC and Beijing Chenxuan Real Estate Co., Limited (“BJCX”), and its associate, Guangzhou Guangyue Real Estate Co., Limited (“GZGY”).

Year ended 31 December 2021	WHJCYC(a) RMB'000	BJCX(b) RMB'000	GZGY(c) RMB'000	Total RMB'000
At 1 January	–	–	161,521	161,521
Project cooperation funds granted	392,068	627,575	279,790	1,299,433
Interest income accrued	8,960	5,655	16,821	31,436
Interest income received	(8,201)	–	(16,278)	(24,479)
At 31 December	392,827	633,230	441,854	1,467,911

Year ended 31 December 2020	WHJCYC(a) RMB'000	GZGY(b) RMB'000	Total RMB'000
At 1 January	1,020,130	–	1,020,130
Project cooperation funds granted	–	161,205	161,205
Repayments of project cooperation funds	(988,100)	–	(988,100)
Interest income accrued	20,812	3,992	24,804
Interest income received	(52,842)	(3,676)	(56,518)
At 31 December	–	161,521	161,521

- (a) The funds to WHJCYC are unsecured, bear interests at fixed rate of 6.5% per annum and are repayable by installment within two years.
- (b) The funds to BJCX are unsecured, bear interests at fixed rate of 6.5% per annum and are repayable by installment within two years.
- (c) The funds to GZGY are unsecured, bear interests at fixed rate of 6.5% per annum and are repayable by installment within two years.

Notes to the Consolidated Financial Statement (Continued)

36. RELATED-PARTY TRANSACTIONS (CONTINUED)

(iv) Funds advanced to related parties

	SZJW RMB'000	SCNH RMB'000	XZHK RMB'000	HFXH RMB'000	NJNK RMB'000	Total RMB'000
At 1 January 2021	80,000	611,814	705,000	25,000	249,900	1,671,714
Funds granted	79,000	78,400	–	40,000	–	197,400
Repayment of funds	(80,000)	(147,000)	(25,000)	–	(8,330)	(260,330)
At 31 December 2021	79,000	543,214	680,000	65,000	241,570	1,608,784

	SZJW RMB'000	SCNH RMB'000	XZHK RMB'000	HFXH RMB'000	NJNK RMB'000	Total RMB'000
At 1 January 2020	–	–	805,000	201,000	249,900	1,255,900
Funds granted	–	–	–	20,000	–	20,000
Repayment of funds	–	–	(100,000)	(196,000)	–	(296,000)
At 31 December 2020	–	–	705,000	25,000	249,900	979,900

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

Notes to the Consolidated Financial Statement (Continued)

36. RELATED-PARTY TRANSACTIONS (CONTINUED)

(v) Funds from related parties

The Group has received funds from its joint ventures, Wuhan Modern Land North Star Real Estate Co., Limited (“WHML”), Hangzhou Jinhu Real Estate Development Co., Limited (“HZJH”), Hangzhou Chenxu Investment Co., Limited (“HZCX”), Wixi North Star Shengyang Real Estate Development Co., Limited (“WXSJ”), and its associate, WXCW.

	WHML RMB'000	HZJH RMB'000	HZCX RMB'000	WXSJ RMB'000	WXCW RMB'000	Total RMB'000
At 1 January 2021	42,000	137,500	58,160	380,000	147,000	764,660
Funds granted	-	15,000	-	-	-	15,000
Repayment of funds	-	-	-	(172,000)	(139,650)	(311,650)
At 31 December 2021	42,000	152,500	58,160	208,000	7,350	468,010

	WHML RMB'000	HZJH RMB'000	HZCX RMB'000	WXSJ RMB'000	WXCW RMB'000	Total RMB'000
At 1 January 2020	58,000	312,500	76,010	20,000	122,500	589,010
Funds granted	-	-	-	360,000	24,500	384,500
Repayment of funds	(16,000)	(175,000)	(17,850)	-	-	(208,850)
At 31 December 2020	42,000	137,500	58,160	380,000	147,000	764,660

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

(vi) Advances to related parties

	WHML RMB'000	WHJCYC RMB'000	BNSEIC RMB'000	BJCXIEC RMB'000	Total RMB'000
At 1 January 2021	-	-	-	-	-
Advances during the year	97	397	980	321	1,795
Repayments	(97)	(397)	(980)	(321)	(1,795)
At 31 December 2021	-	-	-	-	-

	BNSEIC RMB'000
At 1 January 2020	2,658
Advances during the year	1,141
Repayments	(3,799)
At 31 December 2020	-

Notes to the Consolidated Financial Statement (Continued)

36. RELATED-PARTY TRANSACTIONS (CONTINUED)

- (ix) The Group's joint venture, WXCW, has declared a dividend of RMB285,000,000 in September 2021, among which dividend of RMB139,650,000 is entitled by the Group and has been offset against the amounts due to the joint venture.

The Group's subsidiary, CSCGRE has declared a dividend of RMB176,987,000 on 26 May 2021, among which dividend RMB86,724,000 is entitled by SZJW and has been fully repaid on 14 July 2021.

The Group's subsidiary, NJXC has declared a dividend of RMB300,000,000 on 23 June 2021, among which dividend RMB147,000,000 is entitled by NJNK and the dividend has not been repaid as at 31 December 2021.

On 25 June 2021, CSCGRE has declared a dividend of RMB163,263,000, among which dividend of RMB80,000,000 payable to non-controlling interest of SZJW have been offset against the advances due from the non-controlling interests of SZJW, respectively.

The Group's subsidiary, SZXZ has declared a dividend of RMB500,000,000 in June 2021, among which dividend RMB250,000,000 is entitled by XZHK and the dividend has not been repaid as at 31 December 2021.

(x) Key management compensation

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other short-term employee benefits	19,574	16,689
Post-employment benefit	1,304	748
	20,878	17,437

Notes to the Consolidated Financial Statement (Continued)

36. RELATED-PARTY TRANSACTIONS (CONTINUED)

(xi) Balances arising from purchases of services and investment

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables from related parties		
– SZJW	79,000	–
– SCNH	543,214	–
– GZGY	441,854	161,521
– WHJCYC	392,827	–
– BJCX	633,230	–
– XZHK	680,000	705,000
– HFXH	65,000	25,000
– NJNK	241,570	249,900
	3,076,695	1,141,421
Trade and other payables to related parties		
– BNSIGC	2,950	1,232
– BIEC	4,008	606
– KCYA	2,306	4,449
– BNSEIC	1,196	1,196
– SCNH	48,292	–
– NJNK	164,238	17,262
– SHXZ	6,894	12,249
– XZHK	275,413	25,413
	505,297	62,407
Loans/advances from related parties		
– BNSIGC	2,100,000	1,000,000
– HZJH	152,500	137,500
– HZCX	58,160	58,160
– WHML	42,000	42,000
– WXSJ	208,000	380,000
– WXCW	7,350	147,000
	2,568,010	1,764,660

For the years ended 31 December 2021 and 2020, no provisions for impairment of receivables from related parties have been recognised as the directors of the Company considered that all these receivables are fully recoverable.

Notes to the Consolidated Financial Statement (Continued)

36. RELATED-PARTY TRANSACTIONS (CONTINUED)

(xii) Lease liabilities

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
BNSIGC (lease liability in respect of the Land)	15,259	15,070

(xiii) Accept financial guarantee

Pursuant to the agreements as entered into between BNSIGC and the Group, BNSIGC provides joint liability counter-guarantee for the Group's borrowings from Beijing International Trust Company Limited, which amounted to RMB994,000,000 as at 31 December 2021 (2020: Borrowings from Beijing Rural Commercial Bank, Beijing International Trust Company Limited and Industrial and Commercial Bank of China of RMB812,000,000, RMB996,000,000 and RMB2,083,333,000, respectively).

Notes to the Consolidated Financial Statement (Continued)

37. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	<i>Note</i>	As at 31 December	
		2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
ASSETS			
Non-current assets			
Loans to subsidiaries		14,347,227	12,490,989
Right-of-use assets		12,893	20,023
Investment properties		13,328,198	13,188,534
Property, plant and equipment		1,269,216	1,146,397
Investments in subsidiaries		8,268,197	6,591,197
Investments accounted for using the equity method		15,865	18,105
Deferred income tax assets		281,586	227,801
Other receivables and prepayment		1,280,029	172,983
		38,803,211	33,856,029
Current assets			
Loans to subsidiaries		8,231,346	11,764,782
Completed properties held for sale		596,465	969,085
Other inventories		36,717	37,275
Trade and other receivables and prepayments		349,228	265,912
Restricted bank deposits		24,629	9,873
Cash and cash equivalents		7,531,453	7,494,496
		16,769,838	20,541,423
Total assets		55,573,049	54,397,452

Notes to the Consolidated Financial Statement (Continued)

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

	Note	As at 31 December	
		2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Long term borrowings		15,791,582	14,773,129
Lease liabilities		1,512	9,244
Loans from other parties		1,405,098	500,000
Employee termination benefit obligations		107,507	114,240
Deferred income tax liabilities		2,113,205	2,072,237
Deferred income		3,128	–
		19,422,032	17,468,850
Current liabilities			
Trade and other payables		11,521,353	13,686,360
Advances from other parties		234,114	230,728
Contract liabilities		456,050	368,596
Current income tax liabilities		603,910	486,793
Lease liabilities		23,291	22,614
Current portion of long term borrowings		5,530,587	2,821,326
		18,369,305	17,616,417
Total liabilities		37,791,337	35,085,267
Net assets		17,781,712	19,312,185
EQUITY			
Equity attributable to owners of the Company			
Share capital		3,367,020	3,367,020
Other reserves		4,887,814	4,873,178
Retained earnings		8,508,637	8,441,607
Equity attributable to ordinary shareholders of the Company		16,763,471	16,681,805
Perpetual bond		1,018,241	2,630,380
Total equity		17,781,712	19,312,185

The balance sheet of the Company was approved by the Board of Directors of the Company on 16 March 2022 and was signed on its behalf.

Li Wei Dong
Director

Guo Chuan
Director

Notes to the Consolidated Financial Statement (Continued)

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

Reserve movement of the Company

	Retained earnings <i>RMB'000</i>	Other reserves <i>RMB'000</i>
At 1 January 2020	8,854,757	4,833,133
Profit for the year	128,325	–
Dividends relating to 2019	(505,053)	–
Appropriation of statutory reserves	(36,422)	36,422
Other comprehensive income	–	3,623
At 31 December 2020	8,441,607	4,873,178
At 1 January 2021	8,441,607	4,873,178
Profit for the year	188,365	–
Dividends relating to 2020	(101,011)	–
Appropriation of statutory reserves	(20,324)	20,324
Other comprehensive income	–	7,920
Redemption of perpetual bond	–	(13,608)
At 31 December 2021	8,508,637	4,887,814

Notes to the Consolidated Financial Statement (Continued)

38. BENEFITS AND INTERESTS OF DIRECTORS

(a) The remuneration of every director and the chief executive is set out below

For the year ended 31 December 2021:

Name of Director	Fees RMB'000	Salary RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Housing allowance RMB'000	Total RMB'000
<i>Executive directors:</i>					
Mr. Li Wei Dong	–	1,165	85	40	1,290
Ms. Li Yun	–	1,054	85	40	1,179
Mr. Chen De Qi	–	968	85	40	1,093
Ms. Zhang Wen Lei	–	1,029	85	40	1,154
Mr. Guo Chuan	–	968	85	40	1,093
<i>Non-executive directors:</i>					
Mr. Chen De Qiu(i)	–	–	–	–	–
Mr. Fu Yiu Man (ii)	56	–	–	–	56
Mr. Gan Pei Zhong	150	–	–	–	150
Mr. Wu Ge(ii)	56	–	–	–	56
Dr. CHOW Wing-Kin, Anthony (i)	95	–	–	–	95
	357	5,184	425	200	6,166

(i) Appointed as director on 13 May 2021.

(ii) Resigned from director on 13 May 2021.

Notes to the Consolidated Financial Statement (Continued)

38. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) The remuneration of every director and the chief executive is set out below (Continued)

For the year ended 31 December 2020:

Name of Director	Fees <i>RMB'000</i>	Salary <i>RMB'000</i>	Employer's contribution to retirement benefit scheme <i>RMB'000</i>	Housing allowance <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Executive directors:</i>					
Mr. He Jiang Chuan(i)	–	481	16	17	514
Mr. Li Wei Dong	–	758	34	40	832
Ms. Li Yun	–	654	34	40	728
Mr. Chen De Qi	–	628	34	40	702
Ms. Zhang Wen Lei	–	669	34	40	743
Mr. Guo Chuan	–	628	34	40	702
<i>Non-executive directors:</i>					
Mr. Fu Yiu Man	118	–	–	–	118
Mr. Dong An Sheng(ii)	93	–	–	–	93
Mr. Gan Pei zhong(iii)	25	–	–	–	25
Mr. Wu Ge	118	–	–	–	118
	354	3,818	186	217	4,575

(i) Resigned from director on 14 May 2020.

(ii) Resigned from director on 20 October 2020.

(iii) Appointed as director on 28 October 2020.

39. EVENTS AFTER THE BALANCE SHEET DATE

- (a)** On 16 March 2022, the Board has resolved to recommend the payment of a final dividend of RMB0.01 per share for the year ended 31 December 2021 (2020: RMB0.03 per share).

Supplementary Information

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2021 in accordance with the China Accounting Standards for Business Enterprises, the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance of the PRC on 15 February 2006, and thereafter ("CAS"). The differences between the financial statements prepared under CAS and HKFRS are summarised as follows:

	Profit attributable to owners of the Company and holders of perpetual bond for the year ended 31 December		Capital and reserves attributable to the owners of the Company and holders of perpetual bond as at 31 December	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
As stated in accordance with CAS	202,660	270,975	15,457,365	17,049,146
Impact of HKFRS adjustments				
1. Reversal of depreciation and impairment of investment properties	232,846	115,052	2,152,615	1,919,769
2. Fair value adjustment of investment properties under HKFRS	(100,672)	(220,839)	4,344,107	4,444,779
As stated in accordance with HKFRS	334,834	165,188	21,954,087	23,413,694

Directors' Proposal on the Appropriation of Profit for the Year of 2021

In accordance with the pertinent regulations and based on the actual situation of the Company, the Board of Beijing North Star Company Limited, at a meeting held on 16 March 2022, proposed that the appropriation of profit of the Company for the year of 2021 be as follows:

- I. The appropriation of profits after taxation shall be: 10% for Statutory Reserve Fund, 0% for Discretionary Reserve Fund and 90% for profit available for distribution.
- II. A final dividend of RMB0.01 per share in cash (Note) is proposed to be paid to the shareholders whose names appear on the register of shareholders after the close of business at 4:30 p.m. on Wednesday, 25 May 2022. If the proposal is approved by the shareholders at the 2021 annual general meeting, the final dividend is expected to be paid on or before Tuesday, 12 July 2022. Further announcement will be made as to the exact form of payment.
- III. This proposal is subject to the approval by the shareholders at the 2021 annual general meeting.

Beijing North Star Company Limited

Note:

According to the Law on Corporate Income Tax of the People's Republic of China and the relevant implementing rules which came into effect on 1 January 2008, the Company is obliged to withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders as appearing on the H share register of shareholders of the Company. Any shares registered in the name of the non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other organizations and groups will be treated as being held by non-resident enterprise shareholders and therefore their dividends entitled will be subject to the withholding of the corporate income tax.

Corporate Information

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

COMPANY INFORMATION ENQUIRY

Address:	12th Floor, Tower A, Hui Xin Building No. 8 Bei Chen Dong Road Chao Yang District, Beijing, the PRC
Postal code:	100101
Telephone:	(8610) 6499 1277
Fax:	(8610) 6499 1352
Website:	www.beijingns.com.cn

Corporate Information (Continued)

REGISTRATION

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

AUDITORS

<i>PRC auditor:</i>	PricewaterhouseCoopers Zhong Tian LLP
Address:	11th Floor PricewaterhouseCoopers Center Link Square 2 202 Hu Bin Road, Huangpu District Shanghai, the PRC
Postal code:	200021
Telephone:	(8621) 2323 8888
Fax:	(8621) 2323 8800
<i>International auditor:</i>	PricewaterhouseCoopers <i>Certified Public Accountants</i> Registered Public Interest Entity Auditor
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Corporate Information (Continued)

LEGAL ADVISERS

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