



北辰实业
BEIJING NORTH STAR

HKEx Stock Code: 0588
SSE Stock Code: 601588

2020 ANNUAL REPORT



Contents

Corporate Profile	2
Financial Highlights	4
Chairman's Report	6
Management Discussion and Analysis	8
Report on Corporate Governance	28
Profile of Directors, Supervisors and Senior Management	42
Report of the Directors	46
Report of the Supervisory Committee	59
Independent Auditor's Report	60
Consolidated Financial Statements	68
Supplementary Information	180
Directors' Proposal on the Appropriation of Profit for the Year of 2020	181
Corporate Information	182



Corporate Profile

Beijing North Star Company Limited (the “Company”) was established by its sole promoter, Beijing North Star Industrial Group Limited Liabilities Company on 2 April 1997. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) in May in the same year. In October 2006, the Company’s A shares were issued and listed on the Shanghai Stock Exchange. The Company’s total registered capital is 3,367,020,000 shares, of which 2,660,000,000 shares (representing 79.002% of the total share capital) are A shares and 707,020,000 shares (representing 20.998% of the total share capital) are H shares.

With over 20 years of development, the Company has established two major core businesses comprising development properties and investment properties (including hotels).

The development properties business mainly set foot in Beijing aiming to expand beyond Beijing. In recent years, as the Company continued to deepen the regional exploration and development in new cities, a multi-level nationwide development layout covering a number of regions is gradually taking shape, and a property development system of different classes and features, covering residential units, apartments, villas, offices and commercial buildings, has been established. The development properties projects spread in the key cities in 15 hot regions, and both the development scale and market share of the Company have been continuously enhanced.



Corporate Profile (Continued)

The investment properties business taking convention and exhibition as a lead to actively drive the synergetic development of hotels, office buildings, apartments and other businesses. Properties held and operated by the Company include the National Convention Centre, Beijing International Convention Centre, InterContinental Beijing Beichen, North Star V-Continent Beijing Parkview Wuzhou Hotel, Beijing Continental Grand Hotel, National Convention Centre Hotel, North Star Century Center, Hui Bin Offices, Hui Xin Offices, North Star Times Tower, and Hui Yuan Apartment in the Asian-Olympic core district in Beijing, and Intercontinental North Star Hotel in Changsha, with a gross area exceeding 1,270,000 m².

While optimising and consolidating properties held, the Company relied on its affiliated North Star Exhibition Group (北辰會展集團), strengthened resources integration in its convention and exhibition business, exerted continued efforts on the expansion of new businesses and new technologies of exhibition industry, explored and developed upstream and downstream industries of the convention and exhibition business, including brand operation and management of exhibition venues and hotels, sponsoring and undertaking of conventions and exhibitions, informatization of convention and exhibition, and research and development of convention and exhibition, and constantly carry out innovation in operation with light assets in respect of the convention and exhibition business, thus facilitating high-quality development of the Company.

Adhering to the principle of maximizing shareholders' profit and on a mission of "servicing international communication and creating ideal space", the Company continues its great effort to develop into an international first-class convention and exhibition brand enterprise and a leading composite real estate brand enterprise in the PRC.



Financial Highlights

RESULTS

Year ended 31 December	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Revenue	17,995,842	20,122,314	17,859,790	15,303,224	9,642,510
Profit before income tax	1,512,580	4,681,368	3,860,018	2,979,513	1,448,024
Income tax expenses	1,042,383	2,579,488	1,606,703	1,402,372	703,864
Profit for the year	470,197	2,095,459	2,214,119	1,559,959	730,830
Attributable to:					
Ordinary shareholders of the Company	21,658	1,788,709	1,403,430	1,389,761	806,811
Investors of perpetual bonds	143,530	116,859	7,059	–	–
Non-controlling interests	305,009	189,891	803,630	170,198	(75,981)

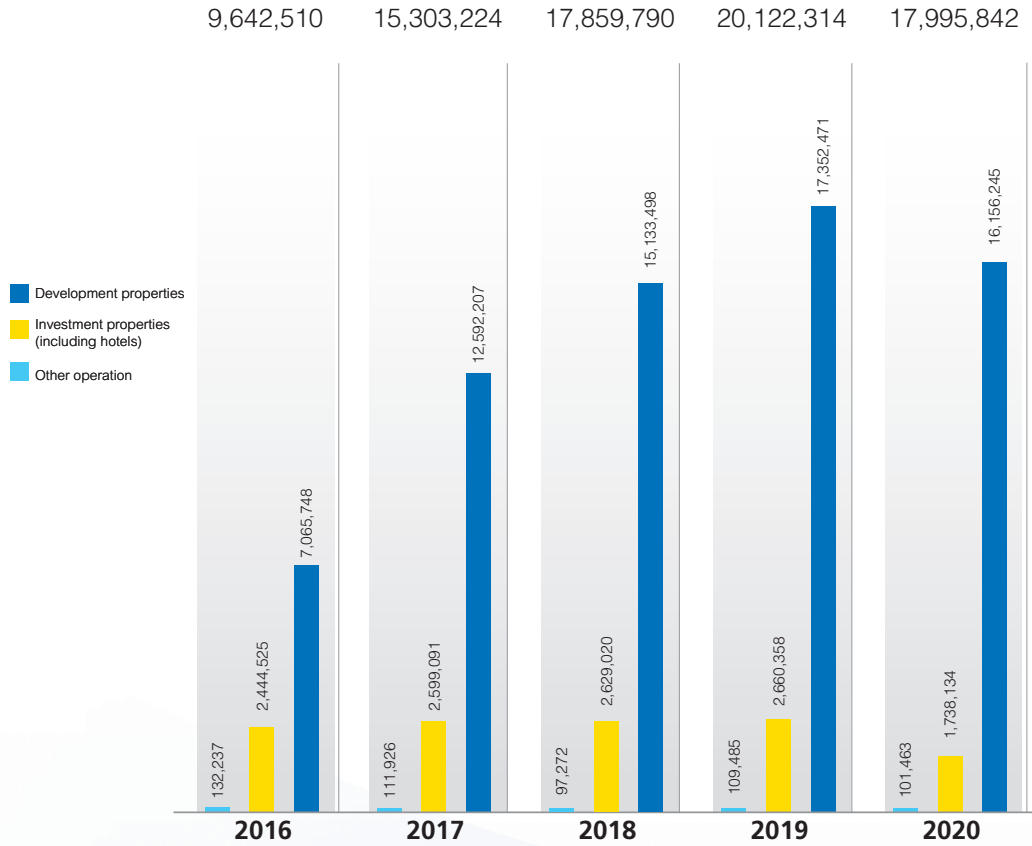
ASSETS AND LIABILITIES

As at 31 December	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Total assets	94,929,518	102,438,791	99,910,665	87,701,646	71,730,452
Total liabilities	68,835,886	75,900,502	77,054,480	68,548,411	53,939,155
Total equity	26,093,632	26,538,289	22,856,185	19,153,235	17,791,297

Financial Highlights (Continued)

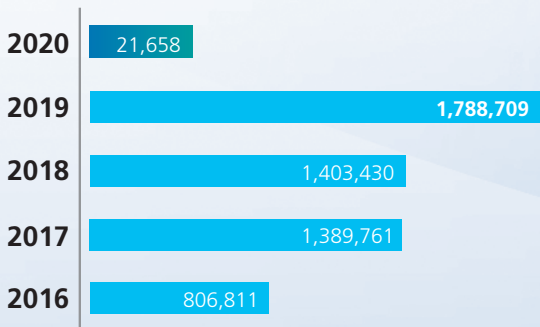
REVENUE BY BUSINESS

RMB'000



PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

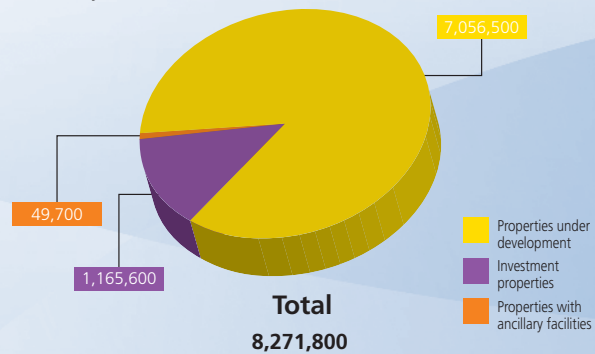
RMB'000



GROSS AREA OF PROPERTY PORTFOLIO

m²

For the year ended 31 December 2020



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 2020.

As of 31 December 2020, according to the Hong Kong Financial Reporting Standards ("HKFRS"), during the Reporting Period, the Company recorded an operating revenue of RMB17,995,842,000, representing a year-on-year decrease of 10.57%. Profit before tax amounted to RMB1,512,580,000, representing a year-on-year decrease of 67.69%. Profit attributable to Ordinary Shareholders amounted to RMB21,658,000, representing a year-on-year decrease of 98.79%. 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 RMB242,497,000, representing a year-on-year decrease of 85.52%. Losses (after tax) arising from the changes in fair value of investment properties were RMB220,839,000 in the period. Earnings per share were RMB0.0064.

Looking back on 2020, despite significant impacts of the COVID-19 pandemic on the operation of the global economy, China maintained its strategic focus and rose to the challenge, coordinated pandemic prevention and control and social and economic development, and became the only major economy in the world that achieved positive economic growth. In the face of the complicated and severe situation in mainland China and abroad and the impact brought by the pandemic, the Company overcame difficulties at all levels and forged ahead with determination by proactively fulfilling its responsibilities as a state-owned enterprise and comprehensively promoted pandemic prevention and control as well as work and production resumption. In terms of the development properties business, the Company deeply implemented lean management, and improved business deployment and scientific decision-making capabilities; in terms of the investment properties business, while insisting on the development strategy of synergistic progress in asset-heavy investment business and asset-light service business, the Company timely changed its business concept, adapted to the new consumption model derived from the pandemic, continuously optimized the layout of the convention and exhibition industrial chain, and served high-end state affairs with a high sense of responsibility and mission, thereby enhancing the brand influence of the convention and exhibition of North Star on an ongoing basis.



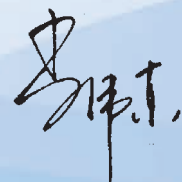
Chairman's Report (Continued)

Looking forward to 2021, in spite of a number of uncertainties in the changes of the pandemic and the external environment, China keeps unchanged economic fundamentals of seeking long-term progress and high-quality development while maintaining stability. The Chinese government will adhere to the general principle of seeking progress while maintaining stability, build on the new development stage, implement new development philosophy, construct a new development pattern, and consolidate and extend achievements in pandemic prevention and control and economic and social development, strive to maintain economic operation within a reasonable range. Under the circumstance of opportunities and challenges coexisting, the Company will orient itself towards "operation with light asset, support by new economy, expansion at low cost and development of high-end service industry", and focus on high quality development of principal business of the Company. For the development properties, the Company will constantly enhance its confidence in development, maintain a scientific pace in expansion and land acquisition, strengthen operational management and control, and benchmark itself against advanced enterprises in the industry, thereby continuously improving its product competitiveness and brand influence; for the investment properties, the Company shall be pragmatic and responsible, move forward under the circumstance, and, while taking the building of convention and exhibition platform in Beijing as the starting point and the foothold, fully integrate into the capital construction and new development pattern, deeply study both the changed and the unchanged under the pandemic, and steadily promote coordinated development of various kinds of business including conventions and exhibitions, office buildings, hotels and apartments, thus further enhancing the core competitiveness of the Company.

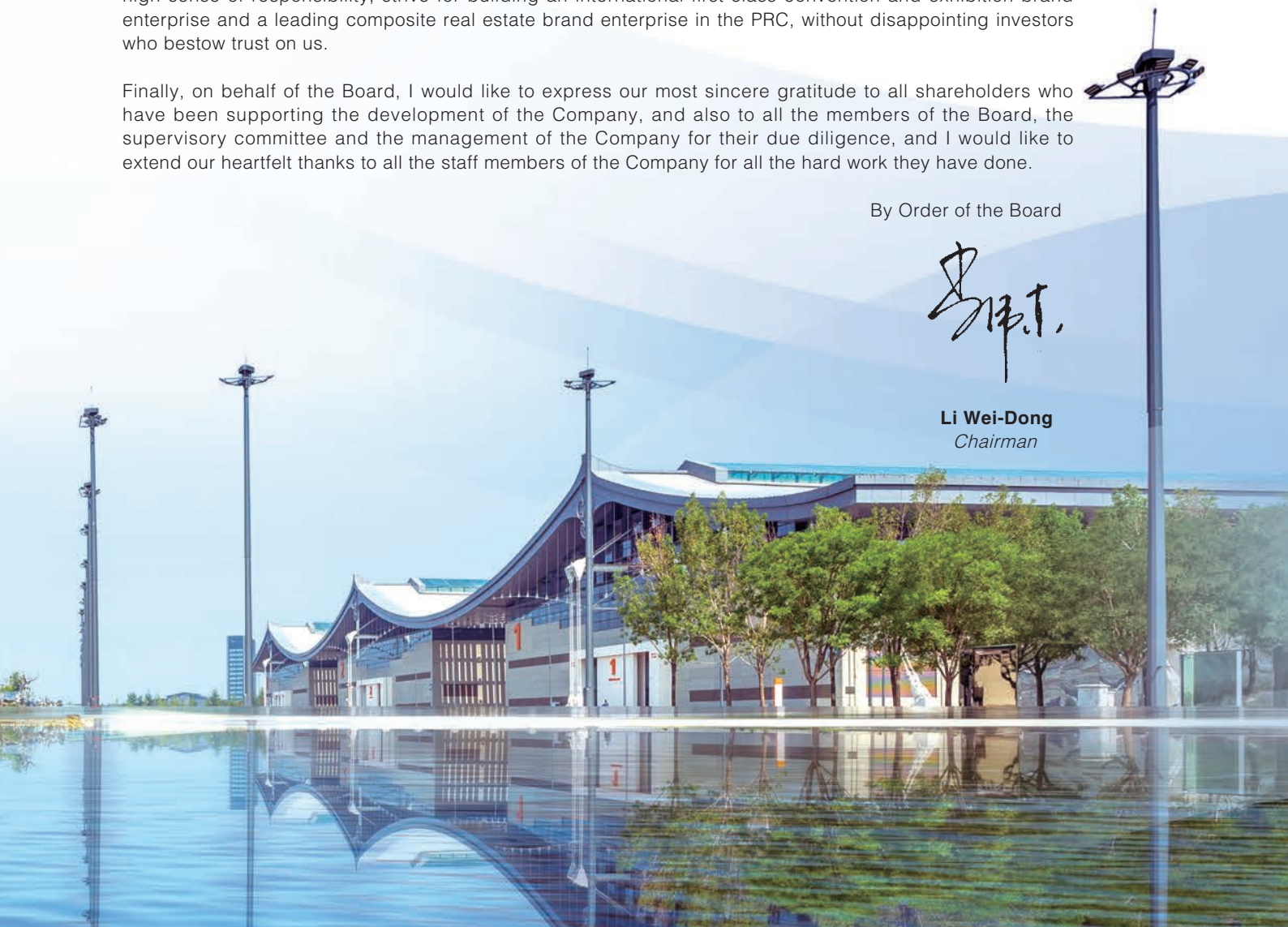
I firmly believe that, all the staff members of North Star will, with strong sense of professionalism and high sense of responsibility, strive for building an international first-class convention and exhibition brand enterprise and a leading composite real estate brand enterprise in the PRC, without 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. REVIEW OF THE OPERATING ENVIRONMENT DURING THE REPORTING PERIOD

In 2020, in the face of the intricate and complicated situation in mainland China and abroad and the severe impact brought by the Novel Coronavirus Pneumonia (the “Novel Coronavirus Pneumonia”) pandemic, China maintained its strategic focus and rose to the challenges. Decisive achievement was made in the “three critical battles”, major breakthrough was made in technological innovation and reform and opening up, and people’s livelihood was effectively guaranteed. The annual GDP growth rate reached 2.3%, and China was the only major economy in the world that achieved positive economic growth.

1. Development Properties

In 2020, the central government adhered to the principle of “housing properties are for accommodation, not speculation”, and such fundamentals of the real estate market regulation remained unchanged. In the first half of the year, due to the impact of the Novel Coronavirus Pneumonia pandemic, downward pressure on the economy increased. Local governments successively introduced policies to support the real estate industry, which made the real estate market regain its momentum. Commencing from the second half of the year, the central government emphasized that the real estate would no longer be used as a means to stimulate the economy in short run. With the continuous enhancement of financial regulation over the real estate industry and the pilot implementation of “three red lines”, many cities upgraded their regulation policies, to push the market to return rational. In general, the transaction scale and the average transaction price of commodity housing increased slightly for the whole year, and for the land market, the scale of residential land transactions, the average floor price of transactions and the average premium rate increased slightly.

Among the first-tier cities, the average transaction price of the commodity housing market in Beijing increased significantly, and the transaction scale dropped slightly. The overall supply exceeded demand, and the inventory level still stayed high; both the transaction volume and price of the commodity housing market in Guangzhou significantly increased. The average transaction price of commodity housing market in second-tier cities rose slightly while the transaction volume fell mildly, and the differentiation in cities lasted. The average transaction price of commodity housing in third-tier cities maintained stable with a slight increase, and the transaction volume was up modestly.



Management Discussion And Analysis (Continued)

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

City	Sales area (0'000 square meters)	Increase compared with the same period last year (%)	Sales Amount (RMB100 million)	Increase compared with the same period last year (%)	Average transaction price (RMB/ square meter)	Increase compared with the same period last year (%)
Beijing	734	-7.1	3,132	3.2	42,658	11.2
Guangzhou	1,223	10.5	3,316	24.8	27,112	12.9
Changsha	2,047	2.0	1,865	13.0	9,112	10.8
Wuhan	2,252	-24.5	3,305	-19.9	14,672	6.1
Hangzhou	1,472	14.6	3,970	16.6	27,614	4.1
Suzhou	1,994	0.5	3,692	5.7	18,518	5.2
Ningbo	1,531	6.4	2,712	18.1	17,718	11.0
Nanjing	1,214	6.7	3,056	38.3	25,175	29.6
Hefei	1,300	12.5	1,984	21.9	15,267	8.4
Chengdu	2,827	10.2	3,740	24.3	13,231	12.8
Chongqing	4,815	-6.5	4,293	-3.7	8,872	2.5
Langfang	716	8.3	895	22.7	12,497	13.3
Wuxi	1,359	9.6	2,176	22.5	16,013	11.8
Haikou	372	-0.5	613	5.4	16,494	6.0
Meishan	736	35.2	597	30.6	8,107	-3.4
Yuyao	222	37.3	281	53.4	12,672	11.7

Sources: CREIS China Index Database.



Management Discussion And Analysis (Continued)

2. Investment Properties (Including Hotels)

Affected by the Novel Coronavirus Pneumonia pandemic, in 2020, due to the cancellation or postponement of many large-scale exhibition activities and conferences at home and abroad, the international business and tourism suffered from heavy blow, and the convention and exhibition industry and the hotel industry were under great pressure. The convention and exhibition enterprises actively carried out online business and a series of online conferences and exhibitions arose at an opportune time. The vacancy rate of the office building market in Beijing rose slightly and the average rental fell significantly. As for the apartment market, there was lack of impetus for new lease and lease expansion, resulting in escalating vacancy rate.

II. MAJOR BUSINESS CONDITIONS DURING THE REPORTING PERIOD

In 2020, in the face of complicated and severe economic situation and the outbreak of the pandemic, the Company coordinated the pandemic prevention and control and the resumption of work and production scientifically, adjusted and optimized its operation deployment, adhered to innovation which served as the driving force and explored its potentials in operation deeply, however, in the short term, the Company's performance was still significantly affected. During the Reporting Period, the Company recorded an operating revenue of RMB17,995,842,000, representing a year-on-year decrease of 10.57%. The Company's profit before tax and profit attributable to ordinary shareholders amounted to RMB1,512,580,000 and RMB21,658,000, respectively, representing a year-on-year decrease of 67.69% and 98.79%, 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 RMB242,497,000, representing a year-on-year decrease of 85.52%. Losses (after tax) arising from the changes in fair value of investment properties were RMB220,839,000 during the period. Earnings per share were RMB0.0064.

1. Development Properties

In the face of the intensive introduction of the macro-control policies and the huge challenges posed by the prevention and control of the pandemic, the Company continued to advance the refined management, paid close attention to the development progress, and adjusted its marketing strategies as appropriate and thus, its operation experienced stabilities following some moderation.

In 2020, due to the impact of the development cycle, the areas to be settled of development properties and the percentage of products settled with high gross profit margin decreased, and impairment was provided for certain projects, operating revenue from development properties reached RMB16,156,245,000 (including parking spaces) and the profit before tax was RMB1,592,006,000, representing a year-on-year decrease of 6.89% and 40.64%, respectively. During the Reporting Period, the new and resumed construction area of development properties was 7,330,000 square meters; the completed area was 2,220,000 square meters; the contracted sales amount and the sales area achieved RMB12.2 billion (including parking spaces) and 690,000 square meters, respectively.

Timely transforming marketing strategies. The Company scientifically deployed the strategy of "one policy for one city" and "one policy for one property" on the basis of in-depth study of macro policies and market situation, expanded marketing channels through online sales, sales live broadcast and the creation of "landmarks with internet celebrity" and other measures to preempt the backlog of customer resources during the pandemic and accelerate project turnover, and achieved a steady growth in contracted sales in the second half of the year. During the Reporting Period, contracted sales recorded from the Company's projects in Changsha, Beijing, Chengdu, Ningbo and Wuxi amounted to RMB2.3 billion, RMB2.1 billion, RMB1.7 billion, RMB1.4 billion and RMB1.3 billion, respectively.

Management Discussion And Analysis (Continued)



Interior real view of semi-detached villa of North Star Red Oak Villa



Chengdu North Star • Guosongfu



Ningbo Mansion • Jintian



Real view of Changsha North Star Delta

Prudently expanding land reserves. Under the pressure of intensifying market competition, the Company oriented itself towards the principles of deep urban exploration and precise land acquisition, established investment directions and investment standards in accordance with market development trends, which further strengthened its deep cultivation and forward-looking strategic deployment in first and second tier hotspots. During the Reporting Period, the Company acquired 5 prime land parcels in Guangzhou, Ningbo, Langfang, Haikou and Hangzhou, with a planned total floor area of 830,000 square meters. As at the end of the Reporting Period, the Company already established presence in 15 cities, namely Beijing, Guangzhou, Changsha, Wuhan, Hangzhou, Chengdu, Nanjing, Suzhou, Hefei, Langfang, Chongqing, Ningbo, Wuxi, Haikou and Meishan, with a total land reserve of 7,060,000 square meters, and possessed a total of 49 projects in the pipeline, under construction or for sale, with the planned total floor area of 20,090,000 square meters. Accordingly, the Company established a multi-level nationwide development layout covering a number of regions.

Continuously improving system construction. In strict compliance with the philosophy of “large-scale operation”, the Company has established a planned operating and management system centered on operation goals, with the planned management as the mainline and performance evaluation as the starting point. Meanwhile, it has established a model for the brand system of “ideal community” for NSREG from five dimensions of product development, quality control, property services, community support and community operation, which continuously consolidated its brand strength.

Management Discussion And Analysis (Continued)

Table 2: Real Estate Projects during the Reporting Period

Unit: square meter

No.	Project name	Location	Operating state	Project status	Project interests	Total investment (RMB'000 million)	Actual investment amount during the Reporting Period (RMB'000 million)	Project area	Total floor area	Planned plot ratio based on gross floor area	Land area held for development	New construction area during the Reporting Period	Floor area under construction during the Reporting Period	Completed area during the Reporting Period	Accumulated completed area	Saleable area during the Reporting Period	Contracted Area during the Reporting Period	Booked area during the Reporting Period	Booked revenue during the Reporting Period	Area to be booked at the end of the Reporting Period	
																					(RMB'000 million)
1	Beijing North Star Red Oak Villa	Changping, Beijing	Villa	Under Construction	100%	34,000	0.82	287,500	213,700	150,000	-	-	213,700	40,200	-	173,500	36,131	2,200	1,682	7,753	3,016
2	Beijing North Star Villa 190	Shunyi, Beijing	Residence	Completed	100%	24,450	-	101,200	213,300	140,000	-	-	213,300	-	-	213,300	39,487	3,215	14,236	51,788	2,147
3	Beijing Jinchun Mansion	Changping, Beijing	Residence	Under Construction	51%	53,170	3.85	86,600	283,200	170,400	86,900	3,100	283,200	283,200	-	-	190,508	40,322	-	-	46,081
4	Changsha North Star Delta	Changsha, Hunan	Residence, commercial and office building	Under Construction	100%	371,168	18.57	780,000	5,200,000	3,820,000	416,700	334,000	4,783,300	873,500	236,600	4,146,400	146,888	65,461	92,164	115,287	284,337
5	Changsha North Star Central Park	Changsha, Hunan	Residence	Under Construction	51%	24,480	3.10	336,300	927,100	720,000	367,200	-	927,100	366,100	153,300	714,300	103,041	66,451	123,287	97,712	65,423
6	Changsha North Star Shiguangli	Changsha, Hunan	Residence and commercial	Under Construction	100%	13,070	2.06	27,700	145,400	107,900	-	-	145,400	145,400	-	-	69,007	46,066	-	-	49,288
7	Wuhan North Star Guangji	Wuhan, Hubei	Commercial	Under Construction	51%	17,310	2.70	84,200	492,000	337,000	171,900	135,000	387,000	387,200	282,100	282,100	51,482	6,772	9,329	14,546	57,585
8	Wuhan Blue City	Wuhan, Hubei	Service	Under Construction	100%	105,720	9.65	358,000	980,100	716,000	234,700	-	745,400	508,000	379,200	616,600	91,402	23,706	1,088	1,026	259,189
9	Wuhan Gemdale North Star China Chic	Wuhan, Hubei	Residence and commercial	Under Construction	51%	20,990	1.53	41,800	178,900	127,000	64,900	-	178,900	178,900	46,000	46,000	38,780	22,384	-	-	106,720
10	Wuhan North Star Peacock Steel	Wuhan, Hubei	Residence	Under Construction	60%	10,790	1.20	75,200	220,400	172,800	103,700	-	220,400	220,400	-	-	52,188	6,382	-	-	81,830
11	Wuhan North Star Jingjiayou (Lot 067)	Wuhan, Hubei	Residence and commercial	Under Construction	80%	16,000	1.48	50,500	177,200	126,200	101,000	-	177,200	177,200	-	-	25,738	4,984	-	-	4,984
12	Wuhan North Star Jingjiayou (Lot 068)	Wuhan, Hubei	Residence and commercial	Under Construction	80%	12,960	1.50	63,200	227,700	158,100	126,500	-	227,700	227,700	-	-	67,817	22,783	-	-	-
13	Wuhan North Star Jindiyang Time	Wuhan, Hubei	Residence and commercial	Under Construction	49%	18,720	1.80	50,500	212,100	151,400	74,200	-	212,100	212,100	-	-	-	-	-	-	-
14	Hangzhou North Star Shushan Project	Hangzhou, Zhejiang	Residence and commercial	Completed	80%	22,090	0.89	83,900	317,500	235,000	188,000	-	317,500	-	-	317,500	8,407	609	1,978	5,764	582
15	Hangzhou Guosonglu Project	Hangzhou, Zhejiang	Residence	Completed	100%	16,270	1.33	21,900	69,900	48,200	-	-	69,900	-	-	69,900	717	184	31,910	102,767	8,571
16	Hangzhou North Star Lingtao Mansion	Hangzhou, Zhejiang	Residence	Under Construction	100%	11,103	1.70	12,200	44,400	25,700	-	-	44,400	44,400	-	-	-	-	-	-	-
17	Hangzhou Fuyang Project	Hangzhou, Zhejiang	Residence	In the pipeline	100%	36,750	9.75	69,000	278,200	179,500	278,200	-	-	-	-	-	-	-	-	-	-
18	Ningbo Beichenlu	Ningbo, Zhejiang	Residence	Completed	100%	46,490	6.22	47,300	189,700	137,400	-	-	189,700	-	-	189,700	48,179	37,805	111,415	327,177	1,334

Management Discussion And Analysis (Continued)

No.	Project name	Location	Operating state	Project status	Project interests	Total investment (RMB'000 million)	Actual investment amount during the Reporting Period (RMB'000 million)	Project area	Total floor area	Planned plot ratio-based gross floor area	Land area held for development	New construction area during the Reporting Period	Floor area under construction during the Reporting Period	Completed area during the Reporting Period	Accumulated completed area	Saleable area during the Reporting Period	Contracted area during the Reporting Period	Booked area during the Reporting Period	Booked revenue during the Reporting Period (RMB'000)	Area to be booked at the end of the Reporting Period
19	Ningbo Mansion • Jintan	Ningbo, Zhejiang	Residence and commercial	Completed	51%	34.62	3.20	133,000	404,800	292,500	149,200	-	-	-	404,800	2,714	1,775	25,107	582,777	-
20	Ningbo Yuqun Project ▲	Yuyao, Zhejiang	Residence	Under construction	100%	21.62	11.44	68,700	166,500	116,800	-	166,500	166,500	-	-	-	-	-	-	-
21	Suzhou Gaianan Mansion	Suzhou, Jiangsu	Residence and commercial	Under Construction	100%	64.51	6.77	170,000	392,900	286,800	-	-	392,900	65,400	65,400	96,709	6,831	1,793	3,326	38,256
22	Wuxi Tianyi Juchu	Wuxi, Jiangsu	Residence	Completed	49%	28.60	1.89	88,000	255,400	196,000	96,000	-	131,900	131,900	255,400	548	548	-	-	-
23	Wuxi Times City	Wuxi, Jiangsu	Residence	Under Construction	40%	46.79	2.97	137,900	554,400	413,800	165,500	-	345,100	160,000	350,300	101,253	90,314	-	-	-
24	Chengdu North Star • Xiangju	Chengdu, Sichuan	Residence and commercial	Completed	100%	18.35	0.49	40,400	148,300	96,900	-	-	148,300	-	148,300	4,512	347	420	1,777	313
25	Chengdu North Star • Sun Lake Xiangju	Chengdu, Sichuan	Residence	Completed	100%	29.16	3.03	88,000	297,100	210,000	-	-	147,700	147,700	297,100	23,100	7,884	94,571	107,965	5,112
26	Chengdu North Star Royal Palace	Chengdu, Sichuan	Residence and commercial	Completed	100%	17.28	2.66	26,600	120,000	79,800	-	-	120,000	120,000	120,000	67,617	19,013	21,142	35,760	9,785
27	Chengdu North Star Luming Mansion	Chengdu, Sichuan	Residence and commercial	Under Construction	80%	23.78	3.19	80,100	227,100	160,300	128,200	-	227,100	227,100	-	-	68,178	56,123	-	56,123
28	Sichuan North Star Gusuojing	Meishan, Sichuan	Residence and commercial	Completed	100%	16.24	3.11	59,900	197,400	149,800	-	-	197,400	197,400	197,400	104,512	24,080	49,451	38,576	8,457
29	Sichuan North Star Longta	Meishan, Sichuan	Residence and commercial	Under Construction	100%	10.94	-	69,900	126,600	84,000	-	126,600	126,600	-	-	-	-	-	-	-
30	Langfang North Star Xiangju	Langfang, Hebei	Residence and commercial	Under Construction	100%	25.73	3.36	140,700	357,700	296,800	-	-	357,700	93,700	93,700	85,528	9,933	32,278	42,148	48,532
31	Langfang North Star Blue City (Lot 2019-3)	Langfang, Hebei	Commercial	In the pipeline	100%	5.75	5.61	21,100	72,800	52,800	72,800	-	-	-	-	-	-	-	-	-
32	Langfang Lot 2020-5 Project ▲	Langfang, Hebei	Residence	In the pipeline	100%	13.43	-	46,200	138,300	92,000	138,300	-	-	-	-	-	-	-	-	-
33	Hebei North Star CFI Park	Hebei, Anhui	Residence and commercial	Completed	50%	21.07	1.19	141,700	358,200	239,000	119,500	-	358,200	55,900	358,200	22,160	18,628	22,224	41,844	14,040
34	Chongqing Yiala No.1	Yubei, Chongqing	Residence and commercial	Under Construction	100%	100.66	7.08	429,100	1,274,000	918,000	372,000	-	920,000	755,200	238,000	128,014	57,566	5,015	7,795	155,515
35	Chongqing North Star Xiangju	Yubei, Chongqing	Residence	Under Construction	100%	21.93	3.51	68,200	150,400	102,200	-	150,400	150,400	-	-	-	-	-	-	-
36	North Star Mansion in Hailou	Hailou, Hainan	Residence and commercial	Under Construction	70%	41.91	4.39	106,800	263,400	206,000	44,200	29,200	234,200	71,500	71,500	97,837	46,148	13,176	21,134	58,982
37	Haikou Chongju Shijia ▲	Haikou, Hainan	Residence	In the pipeline	100%	12.28	4.59	30,500	139,400	106,800	139,400	-	-	-	-	-	-	-	-	-
38	Guangzhou Lanfeng Xiangju (Lot 116)	Guangzhou, Guangdong	Residence and commercial	Under construction	51%	17.66	0.48	25,500	112,800	77,800	39,700	-	112,800	112,800	-	-	-	-	-	-
39	Guangzhou Lanfeng Xiangju (Lot 114) ▲	Guangzhou, Guangdong	Residence and commercial	Under construction	49%	9.66	0.90	25,100	110,300	76,600	37,500	-	110,300	110,300	-	-	-	-	-	-

Management Discussion And Analysis (Continued)

Notes:

1. "▲" represents newly added real estate projects for reserve purpose during the Reporting Period.
2. Total investment represents the estimated total investment amounts for each project.
3. Planned plot ratio-based gross floor area and equity area represent the data calculated with reference to the conditions of assignment at the time of project auction.
4. Equity area (i.e. area of cooperative development projects) represents the plot ratio-based gross floor area attributable to the percentage of interest in the Company.
5. Land area held for development represents the gross construction area of undeveloped portion of project land.
6. During the Reporting Period, total land reserve of the Company was 7,056,500 square meters, representing a year-on-year decrease of 1.80%; equity land reserve was 6,274,100 square meters, representing a year-on-year decrease of 4.46% and the newly added real estate reserve was 832,600 square meters, representing a year-on-year increase of 96.97%;

New construction area was 1,099,700 square meters, representing a year-on-year decrease of 41.83%; area for new and resumed construction was 7,333,100 square meters, representing a year-on-year decrease of 15.70%; the completed area was 2,221,900 square meters, representing a year-on-year decrease of 16.75%; Sales area was 692,200 square meters, representing a year-on-year decrease of 45.08%; sales amount was RMB12,208,000,000, representing a year-on-year decrease of 35.73%; settlement area was 881,000 square meters, representing a year-on-year decrease of 31.80%; the settlement amount was RMB16,156,000,000, representing a year-on-year decrease of 6.89%; the area to be booked as at the end of the Reporting Period was 1,371,000 square meters, representing a year-on-year decrease of 18.93%.

2. Investment Properties (Including Hotels)

Since the beginning of the year, the pandemic has brought a huge impact to the Company's investment properties, especially in the first half of the year, the convention and exhibition and hotel were almost stagnated, and the demand for office buildings and apartments was sluggish. The Company fully utilized the window period when the pandemic eased in the second half of the year to seize the performance, and minimize the impact of the pandemic.

In 2020, the operating revenue and profit before tax from investment properties (including hotels) reached RMB1,738,134,000 and RMB94,206,000, respectively, representing a year-on-year decrease of 34.67% and 88.55%, respectively. The assessment impairment for this period was RMB294,452,000.

Servicing international communication, enhancing the brand influence of North Star Events. Under the favorable background of continuously promoting China's opening up to the outside world at a higher level and constructing a domestic and international dual circulation, the Company made use of its expertise and integrated the convention and exhibition business more closely into the new development pattern. During the Reporting Period, North Star Events Group overcame the impact of the pandemic and provided services to guarantee the 2020 China International Fair for Trade in Services (hereinafter referred to as the "CIFTIS"), one of the three major exhibition platforms for China's opening up, and was invited to undertake some major guarantee tasks for the 3rd China International Import Expo, fully fulfilling its responsibility for serving both the great power diplomacy with Chinese characteristics and the construction of the capital's international communication center. It has shaped a first-class image of China's services on the international arena, and has also accumulated valuable experience for the development of the convention and exhibition industry in the post-pandemic era.

Management Discussion And Analysis (Continued)



Fair for Trade in Services held at the National Convention Center

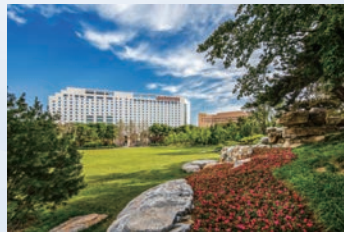


The 2020 New Product-New Technology-New Scenario Promotion Conference held at the National Convention Center

Adjusting the business strategies and exploring the potential of asset-heavy investment business. On the basis of the normalization of the prevention and control of the pandemic, the Company explored and innovated business concept and strived to take the initiative to turn crises into opportunities. The convention and exhibition business accelerated the science and technology empowering, and during the Reporting Period, the Company reached cooperation with Tencent Wesee to jointly build an online cloud convention and exhibition platform, and made all-round in-depth experience of the platform module functions through the “cloud display”, “cloud forum” and “cloud negotiation” during the CIFTIS, extended the service content of the convention and exhibition industrial chain, continuously explored innovative profit models and speeded up the construction of green, efficient and smart convention and exhibition; the office building business strengthened online marketing, established a regular property description mechanism with internationally renowned agencies, and effectively expanded customers in the industries of the internet, games, online education and other categories while focusing on increasing customer stickiness through humanized customer care services and accurate solutions for the sore points, the renewed lease area of the office buildings reached above 90% during the Reporting Period; the hotel and apartment business conformed to the changes in consumption patterns and habits of the residents under the pandemic, and enhanced market competitiveness by ways such as expanding the outdoor catering consumption areas, setting up catering retail windows and online live marketing. In addition, the Company adjusted its overhaul and renovation plan in a timely manner, and made necessary renovations and upgrades to the key equipment and facilities of investment properties such as hotels and apartments during the operation gap period, so as to provide practical guarantee for the continuous improvement of the quality of operation services.



North Star Times Tower



Beijing Continental Grand Hotel



Exterior view of North Star Hui Yuan Apartment

Management Discussion And Analysis (Continued)

Optimizing the layout of the industrial chain and conducting innovative development of asset-light service business. Riding on the professional experience accumulated for years and the resource endowment of the brand of North Star Events, the Company further extended the layout of convention and exhibition industrial chain by focusing on the operation with light asset.

The operation and management of the Company's convention and exhibition venues as well as hotel branding have been steadily advancing. During the Reporting Period, North Star Events Group entered into contracts in respect of entrusted management for 3 venues, namely Hangzhou Future Sci-Tech City Academic Exchange Center (杭州未來科技城學術交流中心), Nanjing Yangtze River International Convention Center (南京揚子江國際會議中心) and Pinggu Jinhai Lake International Convention and Exhibition Center (平谷金海湖國際會展中心), and entered into 12 new consulting projects for convention and exhibition venues and hotels located in 11 provinces, autonomous regions and municipalities such as Xiong'an, Shanghai, Shenzhen, Zhuhai, Hangzhou and Guangzhou, achieved a record highest ever over the years. As at the end of the Reporting Period, North Star Events Group established presence in 25 cities across the country, and had a total of 15 contracted convention and exhibition venues under entrusted management covering a total floor area of 3.10 million square meters and 22 contracted hotels under entrusted management. North Star Events has become the convention and exhibition enterprise that runs the largest number of convention and exhibition venues, and it is the largest in terms of overall scale and is capable of undertaking the finest convention and exhibition in China.

The online and offline connectivity was accelerated for the convention hosting and undertaking businesses. The Company led the creation of Beijing online exhibition development alliance and attracted 49 members in total, and carried out numbers of online technology sharing sessions. During the Reporting Period, the Company undertook the "China Digital Creative Technology Exhibition and 2020 CGF China Animation Comic Game Festival Online Cloud Exhibition (中國數字創意科技展暨2020 CGF中國遊戲節Online雲展)", the "2020 Western China (Chengdu) International Supply Chain and Logistics Technologies and Equipment Expo (2020中國西部(成都)國際供應鏈與物流技術裝備博覽會)" and the "2020 Beijing International Beauty Expo Online & Offline Series Exhibition (2020北京國際美博會線上線下系列展會)". The Company actively participated in the construction and research of regional convention and exhibition platforms system and made fruitful achievements in its convention and exhibition research and development business. During the Reporting Period, the Company undertook more than 20 research projects in relation to the convention and exhibition industry for the Ministry of Commerce, the CCPIT, the Bureau of Commerce of Beijing, the Bureau of Commerce of Shunyi District, the Bureau of Commerce of Pinggu District and other organizations, which covered various fields such as the development model of the CIFTIS, the innovative model of online exhibitions, and the impact of the pandemic on the convention and exhibition industry, and made more than 22 research results including research reports.

Management Discussion And Analysis (Continued)



Exterior view of Hangzhou Future Sci-Tech City Academic Exchange Center



Demonstration diagram of Nanjing Yangtze River International Convention Center



Demonstration diagram of night View of Beijing Jinhai Lake International Convention and Exhibition Center



Exterior view of Fuzhou Digital China Convention & Exhibition Center



Night view of Deqing International Convention Center



Exterior view of Hangzhou International Expo Center



Qingdao International Convention Center

Management Discussion And Analysis (Continued)

Table 3: Leasing of Real Estate during the Reporting Period

Unit: 0'000 Currency: RMB

No.	Region	Project	Operation format	Construction area of the real estate leased (square meter)	Rental income of the real estate leased	Equity proportion (%)
1	No. 7 Tian Chen Dong Road, Chao Yang District, Beijing	China National Convention Center	Convention and exhibition	270,800	54,018	100
2	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Beijing International Convention Center	Convention and exhibition	58,000	7,816	100
3	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Bin Plaza	Office building	37,800	6,265	100
4	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Xin Plaza	Office building	40,900	4,849	100
5	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	North Star Times Tower	Office building	131,300	16,914	100
6	No. 8 Bei Chen Xi Road, Chao Yang District, Beijing	North Star Century Center	Office building	149,800	27,406	100
7	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Zhen Building Property	Office building	8,400	1,961	100
8	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Beijing Continental Grand Hotel	Hotel	42,000	4,568	100
9	No. 8 Bei Chen Xi Road, Chao Yang District, Beijing	National Convention Centre Hotel	Hotel	42,900	3,211	100
10	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	V-Continent Beijing Parkview Wuzhou Hotel	Hotel	60,200	4,359	100
11	No. 8 Bei Chen Xi Road, Chao Yang District, Beijing	Intercontinental Beijing North Star Hotel	Hotel	60,000	1,636	100
12	No. 1500, Xiang Jiang Bei Road, Kaifu District, Changsha, Hunan Province	Intercontinental Changsha	Hotel	79,200	15,392	100
13	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Yuan Apartment	Apartment	184,300	15,465	100
14	A13 Beiyuan Road, Chao Yang District, Beijing	B5 Commercial Area of North Star Green Garden	Commercial	49,700	3,322	100

Note:

- 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.
- Construction area of the real estate leased represents the total construction area of the project.
- The rental income of real estate leased is the operating income of the projects.
- 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.
- The above-mentioned properties items 2, 3, 7, 8, 10 and 13 are erected on land leased from BNSIGC for a rental of RMB16,902,849 for the year 2020.

Management Discussion And Analysis (Continued)

Chart 1: Entrusted management projects of the Company as at the end of 2020

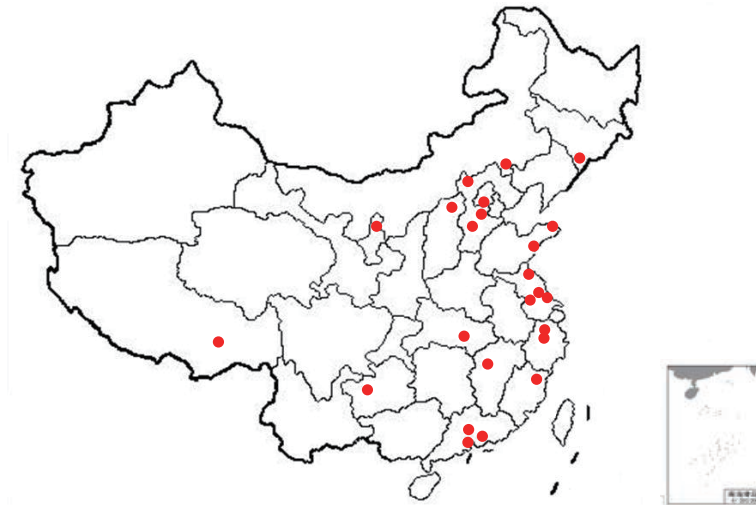


Table 4: Breakdown table of entrusted management projects of the Company as at the end of 2020

No.	Convention and exhibition venue projects under entrusted management	Hotel projects under entrusted management
1	Zhuhai International Convention & Exhibition Center	V-Continent Nyingchi Hotel
2	Lianyungang Land Bridge Convention Center and ancillary hotels	North Star V-Continent Huidong Executive Apartment
3	Hangzhou International Expo Center and ancillary hotels	North Star V-Continent Jiangxi Hongwei Crown Hotel
4	Ningxia International Hall	North Star V-Continent Zhangjiakou Crown Hotel
5	Taizhou China Medical City Exhibition Center	North Star V-Continent Datong Executive Apartment
6	Qingdao International Convention Center	North Star V-Continent Yinfeng Hotel
7	Shijiazhuang International Convention & Exhibition Center	North Star V-Continent Anshun Garden-style Hotel
8	Deqing International Convention Center	North Star V-Continent Chifeng Hotel
9	Nantong International Convention & Exhibition Center and ancillary hotels	North Star V-Continent Wanquan Hotel
10	Fuzhou Digital China Convention & Exhibition Center	North Star V-Continent Hua'an Garden-style Hotel
11	Chongli International Convention & Exhibition Center and ancillary hotels	North Star V-Continent Nanjing Wangyudao Garden-style Hotel
12	Weihai International Economic and Trade Exchange Center and ancillary hotels	North Star V-Continent Wuhan China Communications City Crown Hotel
13	Hangzhou Future Sci-Tech City Academic Exchange Center	North Star V-Continent Zhuhai Crown Hotel
14	Nanjing Yangtze International Convention Center	Guangzhou Xiangxue V-Continent Crown Hotel
15	Pinggu Jinhai Lake International Convention and Exhibition Center	North Star V-Continent Tonghua Wanfeng Crown Hotel
16		North Star V-Continent Changsha China Communications International Center Crown Hotel (長沙中交國際中心北辰五洲皇冠酒店)

Management Discussion And Analysis (Continued)

3. Nurturing Business

In the context of consumption upgrade and population aging, the Company has made in-depth exploration of the industry model of real estate + elderly care, and established North Star ORPEA International Elderly Nursing Center. By introducing the operation and management standards of the French ORPEA, the Company has created professional high-quality elderly care service and elderly care institution product featuring “Beijing Style Service”. The center has rapidly grown into a demonstration base for elderly care service in central China.



Changsha North Star ORPEA Elderly Nursing Center

4. Financing Work

Despite of the continuous tightening of financing environment for the real estate sector, due to the Company's good credit status, during the Reporting Period, an upward adjustment was made to the corporate credit rating of the Company from AA+ to AAA, and the Company issued corporate bonds amounting to RMB600 million and medium-term notes amounting to RMB260 million during the year; meanwhile, the Company made use of diversified financing models such as “headquarters financing” flexibly, which provided a medium and long-term stable source of funds for the project development and construction of the Company.

Table 5: Financing of the Company during the Reporting Period

Unit: 0'000 Currency: RMB

Total financing amount for the period	Overall average financing cost (%)	Interest capitalised
2,896,755	5.96	169,546

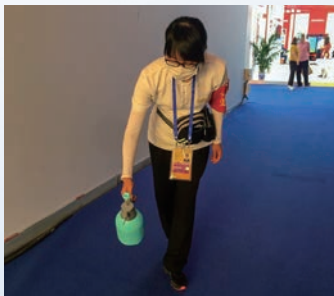
Management Discussion And Analysis (Continued)

5. Investor Relations

While 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, teleconference, special column on the website of the Company and telephone hotline, to improve the management of investor relations, so as to boost the governance capability of the Company.

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

2020 was the year during which China achieved the target of building itself into a moderately prosperous society in all respects and a decisive year for China to win the battle of poverty alleviation. In the year, the Company actively fulfilled its social responsibilities, helped with poverty alleviation, provided support for the green and environmental protection cause, and made significant achievements in such causes. During the Reporting Period, the Company 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; actively purchased products for poverty alleviation and helped sell such products with an amount of RMB6.806 million through cooperation with Beijing Entrepreneurship and Innovation Center for Poverty Alleviation through Consumption (北京市消費扶貧雙創中心), achieving poverty alleviation through consumption and then through industrial development; assisted in the development of the husbandry industry in Chicheng County, Hebei Province, established workshops for poverty alleviation through industrial development, helped the farmers realize centralized breeding, provided 170 special posts for poverty alleviation to poverty-stricken households, which helped Chicheng County complete its annual target for poverty alleviation ahead of schedule; adhered to green development which served as guidance, carried out various environmental protection work effectively, with a surplus of carbon dioxide emission quota amounting to 9,272 tons for the year; volunteered to provide assistance to small and micro enterprises and spared no effort to provide rental reduction and exemption for more than 1,200 qualified small and medium-sized enterprises; further, with sustainable development as its target, the Company has disclosed its "Social Responsibility Report" (namely environmental, social and governance report) for eleven 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 2020" (2020年度ESG卓越企業).



InterContinental Beijing Beichen actively supporting the Fair for Trade in Services



InterContinental Beijing Beichen actively supporting the Fair for Trade in Services



Pandemic prevention and control work of North Star V-Continent Crown Hotel

Management Discussion And Analysis (Continued)

III. INDUSTRY LANDSCAPE AND TREND

In 2021, by adhering to the general principal of seeking progress while maintaining stability, China will build on the new development stage, implement new development philosophy and establish a new development pattern, with promotion of high-quality development as the theme, deepening supply-side structural reform as the main task, and reform and innovation as the fundamental impetus, so as to consolidate and extend achievements in pandemic prevention and control and economic and social development, strive to maintain economic operation within a reasonable range, and ensure a good start for the “14th Five-Year Plan”.

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

As for investment properties, as the domestic pandemic has been effectively controlled, companies have actively resumed work and production, and people’s lives have become normal. Economic activities have steadily resumed. 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 new opportunities.



North Star Century Center



Exterior view of Block D, North Star Hui Yuan Apartment



Beijing Continental Grand Hotel

Management Discussion And Analysis (Continued)

IV. DEVELOPMENT STRATEGY OF THE COMPANY

In 2021, the Company will, with “operation with light asset, support by new economy, expansion at low cost and development of high-end service industry” as the guide and further focus on convention and exhibition and real estate as the principal business, continue to optimize capital distribution, accelerate the pace of innovation and reform, and highlight high-quality development, striving to build itself into an international first-class convention and exhibition brand enterprise and a leading composite real estate brand enterprise in the PRC.

1. Development Properties

In respect of development strategies, the Company will continue to monitor macro policies and the industrial development trend and seize the structural opportunities arising from the market fragmentation, in order to achieve precise investment deployment. As for key areas such as Beijing, Tianjin and Hebei, the Yangtze River Delta, the central China, Guangdong, Hong Kong, Macao as well as Chengdu-Chongqing circle which have strong economic vitality and high population density, the Company will increase its research efforts, adhere to regional deep cultivation, adopt one policy for one city, and expand land reserves in a scientific and prudent way. In terms of project operation, the Company will, while optimizing project development speed and cash repayment ratio, strengthen cost management and control, improve the refined management level, and create high-quality products and services, so as to enhance the overall competitiveness of the enterprise. As for innovation in the development model, the Company will give full play to the advantages of multi-business, multi-field and multi-regional layout, and seek new opportunities arising from collaborative development, enhance the pooled effects of all lines and provide new driving force to the high-quality development of the Company through organic integration and interaction of real estate development and convention and exhibition, health and elderly care, and other business lines.



Delivery site of Hangzhou North Star Guosongfu



Demonstration diagram of the landscape of Chengdu North Star Royal Palace

2. Investment Properties (Including Hotels)

In the context of the coordinated development of Beijing, Tianjin and Hebei, and the strengthened construction of the “Four Centers” and improvement of the level of the “Four Services” of Beijing, the Company will, in terms of convention and exhibition business, further strengthen upstream business, enhance midstream business, and expand downstream business, to accelerate the formation of an industrial space layout featuring “three main business, one auxiliary business and multiple drivers” with upstream hosting business, high-end summit undertaking service and venue operation business as the main business, convention and exhibition research business as the auxiliary business, and business development in other convention and exhibition-related fields as multiple drivers, in order to continuously improve the level of marketization, professionalization, branding, and internationalization development of the convention and exhibition high-quality, while taking convention and exhibition as a lead to drive the synergetic development of hotels, office buildings, apartments and other business, the Company will condense the brand value of North Star Events and build a competitive convention and exhibition industrial complex.

Management Discussion And Analysis (Continued)

3. Nurturing Business

The North Star ORPEA International Elderly Nursing Center (北辰歐葆庭國際頤養中心) in Changsha is a beneficial exploration and in-depth implementation of the Company's elderly care industry model. Apart from accumulating its own service management experience in existing elderly care project and forming a sound elderly care system, the Company should also closely integrate with the Company's layout of the real estate segment, and develop whole-age community elderly nursing service groups and urban embedded elderly service apartments, exploring a sustainable commercial model of elderly care real estate.

4. Financing and Capital Expenditure

The Company will actively carry out multi-channel and multi-way financing, further strengthen risk prevention and control, and fully utilize the advantages of the "headquarters financing" mode, to decrease finance costs, and perform the management and control of both debt scale and asset-liability ratio in a satisfactory manner, so as to maintain financial stability.

In 2021, the Company's investment in fixed assets is expected to be RMB850 million, which will be paid according to project progress and funded by internal resources.

V. SCHEME OF OPERATIONS

In 2021, it is estimated that new construction area of the Company's development properties will be 740,000 square meters, the area for new and resumed construction will be 5,850,000 square meters and the completed area will be 2,020,000 square meters. Overcoming the impact of the regulation policy on real estate industry, the Company will strive to achieve sales of 1,060,000 square meters with contracts signed (including parking spaces) amounting to RMB19 billion in 2021.

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.

Management Discussion And Analysis (Continued)

VI. POTENTIAL RISKS FACED BY THE COMPANY

1. Risks in relation to the Novel Coronavirus Pneumonia pandemic

In early 2020, the outbreak of the Novel Coronavirus Pneumonia pandemic has caused relatively material impacts on the economy of China. All industries including the real estate industry and service industry have been subject to the impacts of different levels. Due to the outbreak of the pandemic and the implementation and normalization of pandemic prevention and control, the construction area and sales area of the real estate development business, and occupancy rate and lodging rate of investment properties and hotels of the Company would be affected in the certain term.

In response to the above risks, the Company established and improved the pandemic prevention and control mechanism, coordinated and implemented the pandemic prevention and control work. In addition, the Company will actively take effective measures to minimize or eliminate possible adverse impacts of the pandemic on the production and operation of the Company in accordance with the development of the pandemic. In particular, in respect of development properties, on the one hand, the Company will seize market opportunities and promote sales through multiple channels by formulating the strategy of “one policy for one city”; on the other hand, it will strictly control costs and improve the efficiency of capital use. In respect of investment properties, on the one hand, it will expand marketing channels and stabilize and attract customers by optimizing services, so as to consolidate existing businesses, while striving to expand new projects; on the other hand, it will actively explore digital transformation of traditional exhibition projects, and a new model of synchronous interaction between, and organic integration of, online and offline exhibitions.

2. Policy Risks

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

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

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

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 continue to adhere to the idea of low-cost expansion, expand new land acquisition methods, and reduce funding pressure. At the same time, the Company is committed to strengthening professional management, shortening the development cycle and accelerating the turnover rate, and improving the cash recovery rate and 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 to promote the construction of a high-quality and professional leadership team and select and form a high-caliber talents team by taking measures including internal promotion and cultivation and market-based recruitment as well as providing training to corporate leaders and young talents, and to expand talents reserve by nurturing professional talents for the Convention Group and practical talents for the Real Estate Group.

VII. ANALYSIS ON CORE COMPETITIVENESS

In recent years, under the real estate policy of “preventing risks and safeguarding people’s livelihood”, “housing properties for accommodation, not speculation” has become the main tone of macro-control, and the real estate industry is gradually showing a trend of change from incremental to stock and from financialization attributes to product attributes. In the meantime, with the deepening of the new urbanisation process and the rapid development of the digital economy, the real estate industry has entered a new development stage with opportunities and challenges coexisting.

Under such sectoral background, the Company’s comprehensive operating capacity in the real estate market and the comprehensive brand influence of its convention and exhibition business have become its advantages and core competitiveness. The real estate development business, presenting in multi-type large-scale form, has become the 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 increasing the anti-risk capacity of the Company.

Management Discussion And Analysis (Continued)

On the one hand, the Company has the ability to develop and operate composite real estate and brand advantage. Property types developed by the Company include luxury homes, villas, apartments, affordable housing, office buildings, commercial properties, etc. In addition, it also has strong professional competence and competitiveness in the development of large-scale and comprehensive real estate projects. Since 2007, it has been awarded with the title of “Professional Leading Brand of China Complex Estate” by China TOP10 Real Estate Research Group for fourteen consecutive years. Besides, in recent years, the Company continued to promote its expansion into new cities and regional penetration as well as balanced regional layout. As at the end of the Reporting Period, it has launched real estate development business in 15 cities, namely Beijing, Guangzhou, Changsha, Wuhan, Hangzhou, Chengdu, Nanjing, Suzhou, Hefei, Langfang, Chongqing, Ningbo, Wuxi, Haikou, and Meishan, representing the Company’s foundations and professional capability for nationwide development.

On the other hand, as one of the PRC’s largest exhibition venues operators, the Company boasts the ability in high-end exhibition and hotel operation and services, and enjoys high brand awareness and influence in the industry. The Company holds and operates more than 1.2 million square meters of investment properties (including hotels) in the Asian-Olympic core district. With more than 20 years of experience in exhibition and hotel operation and the ability in providing internationalized professional operation services, it has successfully delivered hosting services for an array of national, integrated and international conferences such as the Olympic Games, APEC summit, 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 the eighth Beijing Xiangshan Forum, International Horticultural Exhibition Beijing China and Conference on Dialogue of Asian Civilizations, creating a globally renowned service brand of North Star. In the meantime, the Company takes the North Star Events Group as the platform to scientifically integrate its industrial resources such as exhibitions, hotels, and information services, thereby carrying out exploration and practice for the whole value chain covering the operation and management of convention and exhibition venues as well as hotel branding, sponsoring and undertaking of conventions and exhibitions, informationization of convention and exhibition, and research and development on exhibitions, creating huge rooms for the Company’s full integration and innovative development of its exhibition economy and new economy, new technologies and new business.

In the future, the Company will sustain the overall development path featuring “operation with light asset, support by new economy, expansion at low cost and development of high-end service industry”, in a great effort to develop itself into an international first-class exhibition-brand enterprise and a nationally leading composite real estate brand.

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.

Save as disclosed below, the Company has fully complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year:

As stated in the announcement of the Company dated 15 May 2020, the Company was not in full compliance with the requirements set out under Code Provision A.5.1 of the Corporate Governance Code contained in Appendix 14 of the Listing Rules regarding the composition of the nomination committee following the resignation of Mr. HE Jiang-Chuan. Mr. LI Wei-Dong has been appointed as the chairman of the nomination committee of the Company on 20 August 2020, and the Company has accordingly re-complied with the relevant requirements under Code Provision A.5.1.

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 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 2020, 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.

Report on Corporate Governance (Continued)

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 2020 :

Name of Directors	Reading regulatory updates/attending in house briefing	Attending expert briefing/conference/seminars relevant to the business/directors' duties
Mr. LI Wei-Dong	✓	✓
Ms. LI Yun	✓	✓
Mr. CHEN De-Qi	✓	✓
Ms. ZHANG Wei-Lei	✓	✓
Mr. GUO Chuan	✓	✓
Mr. HE Jiang-Chuan (Resigned on 14 May 2020)	✓	✓
Mr. FU Yiu-Man	✓	✓
Mr. WU Ge	✓	✓
Mr. GAN Pei-Zhong (Appointed on 20 October 2020)	✓	✓
Mr. DONG An-Sheng (Resigned on 20 October 2020)	✓	✓

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 42 times in total during 2020.

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

Report on Corporate Governance (Continued)

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

Directors	No. of meetings attended in person/ No. of meetings held	No. of meetings attended by proxy (Note) No. of meetings held
<i>Executive directors</i>		
Mr. LI Wei-Dong	42/42	0/42
Ms. LI Yun	42/42	0/42
Mr. CHEN De-Qi	42/42	0/42
Ms. ZHANG Wen-Lei	42/42	0/42
Mr. GUO Chuan	42/42	0/42
Mr. HE Jiang-Chuan (Resigned on 14 May 2020)	16/16	0/16
<i>Independent non-executive directors</i>		
Mr. FU Yiu-Man	42/42	0/42
Mr. WU Ge	42/42	0/42
Mr. GAN Pei-Zhong (Appointed on 20 October 2020)	8/8	0/8
Mr. DONG An-Sheng (Resigned on 20 October 2020)	7/34	0/34

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 2020, none of the directors and supervisors of the Company had dealt in securities of the Company.

THE CHAIRMAN AND GENERAL MANAGER

The position of chairman of the Board is held by Mr. LI Wei-Dong, since Mr. HE Jiang-Chuan resigned as the chairman of the Board on 14 May 2020 and Mr. LI Wei-Dong was appointed as the chairman of the Board on 20 August 2020 and ceased to hold the position as the general manager, which was temporarily vacant. The Company will complete the selection and appointment of the general manager pursuant to the legal procedures as soon as possible. The positions of chairman and general manager have been clearly defined with separate responsibilities.

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

Report on Corporate Governance (Continued)

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

ACCOUNTABILITY OF DIRECTORS ON COMPANY'S FINANCIAL STATEMENTS

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

The statement issued by the auditor on its reporting responsibilities is set out in the Independent Auditor's Report on pages 60 to 67 of this annual report.

FUNCTIONS OF CORPORATE GOVERNANCE

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

In the year of 2020, the Board has fulfilled the aforesaid functions of corporate governance.

AUDIT COMMITTEE

The Company has established an audit committee since September 2004. The audit committee comprises three independent non-executive directors, namely Mr. WU Ge as the chairman, Mr. FU Yiu-Man and Mr. GAN Pei-Zhong (appointed on 20 October 2020). 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 2020.

Report on Corporate Governance (Continued)

In accordance with the stipulations in the Rules of Procedures of Meetings of the Audit Committee of the Board of Directors of the Company, the audit committee of the Board of the Company performed their duties of due diligence. During the Reporting Period, the audit committee held five meetings in total, at which, they mainly considered the audit opinion of the external auditors on the financial report and internal control for the year of 2019 of the Company, and the review results of the external auditors on the interim report for the year of 2020 of the Company. In addition, the audit committee of the Company gave full play to their functions as a professional committee and proactively promoted the establishment of the internal control system of the Company. Moreover, the committee guided the internal audit work of the Company in real earnest and coordinated the communication and cooperation between the Company and the external auditors, so as to improve the relevant work efficiency.

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

Members	No. of meetings attended/ No. of meetings held
Mr. WU Ge	5/5
Mr. FU Yiu-Man	5/5
Mr. GAN Pei-Zhong (Appointed on 20 October 2020)	0/0
Mr. DONG An-Sheng (Resigned on 20 October 2020)	1/5

REMUNERATION AND EVALUATION COMMITTEE

The remuneration and evaluation committee of the Board of the Company comprises three independent non-executive directors. This committee is chaired by Mr. WU Ge, with the other two members being Mr. FU Yiu-Man and Mr. GAN Pei-Zhong (appointed on 20 October 2020).

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

In accordance 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 two meetings to carefully consider employees performance appraisal methods and independent director remuneration adjustment plans, aiming to improve corporate efficiency and provide practical guarantee for the improvement of the Company's incentive mechanism.

Report on Corporate Governance (Continued)

For the year ended 31 December 2020, the remuneration of the members of the senior management by band is set out below:

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

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

Further particulars regarding the directors, supervisors and senior management's emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 27, 36(ix) 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. WU Ge	2/2
Mr. FU Yiu-Man	2/2
Mr. GAN Pei-Zhong (Appointed on 20 October 2020)	1/1
Mr. DONG An-Sheng (Resigned on 20 October 2020)	0/1

NOMINATION COMMITTEE

The nomination committee of the Board of the Company comprises three independent non-executive directors and one executive director. This committee is chaired by Mr. WU Ge, with the other three members being Mr. LI Wei-Dong (appointed on 20 August 2020), Mr. FU Yiu-Man and Mr. GAN Pei-Zhong (appointed on 20 October 2020).

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

BOARD DIVERSITY POLICY

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

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

Report on Corporate Governance (Continued)

NOMINATION POLICY

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

1. review the structure, size and composition (including the gender, age, cultural and educational background, race, term of service, skills, knowledge and experience) of the Board at least once a year and make recommendations to the Board regarding any proposed changes to the Board with reference to the Company's strategies;
2. identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
3. assess the independence of independent non-executive directors;
4. make recommendations to the Board in respect of the appointment or re-appointment of and succession planning for directors, in particular the Chairman and the chief executive;
5. study and make recommendations on the selection standards and procedures of directors and 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.

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 two meetings, at which, it reviewed and made recommendations on the candidates for directors and chairman of the Board, giving full play to the professional role of the committee.

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. WU Ge	2/2
Mr. LI Wei-Dong (Appointed on 20 August 2020)	2/2
Mr. FU Yiu-Man	2/2
Mr. GAN Pei-Zhong (Appointed on 20 October 2020)	0/0
Mr. HE Jiang-Chuan (Resigned on 14 May 2020)	1/1
Mr. DONG An-Sheng (Resigned on 20 October 2020)	0/2

STRATEGIC COMMITTEE

The strategic committee of the Board of the Company comprises three independent non-executive directors and one executive director. This committee is chaired by Mr. LI Wei-Dong (appointed on 20 August 2020), and the other three members are Mr. FU Yiu-Man, Mr. WU Ge and Mr. GAN Pei-Zhong (appointed on 20 October 2020).

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. Taking into account of the actual operation and based on the in-depth review of the Company's main business development during the "13th Five-Year" period, they made constructive suggestion for the development of the Company's main businesses of conference and exhibition and real estate during the "14th Five-Year" period.

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

Members	No. of meetings attended/ No. of meetings held
Mr. LI Wei-Dong (Appointed on 20 August 2020)	2/2
Mr. FU Yiu-Man	2/2
Mr. WU Ge	2/2
Mr. GAN Pei-Zhong (Appointed on 20 October 2020)	2/2
Mr. HE Jiang-Chuan (Resigned on 14 May 2020)	0/0
Mr. DONG An-Sheng (Resigned on 20 October 2020)	0/0

Report on Corporate Governance (Continued)

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, Mr. FU Yiu-Man, Mr. WU Ge and Mr. GAN Pei-Zhong.

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”, during the Reporting Period, the legal compliance committee of the Board of the Company held one meeting, at which, the members of the legal compliance committee earnestly performed their duties in due diligence. They reviewed and analyzed the legal construction and the litigation progress of legal disputes of the Company to provide the decision-making basis for the Company to effectively prevent and resolve legal risks.

Members	No. of meetings attended/ No. of meetings held
Mr. LI Wei-Dong (Appointed on 20 October 2020)	1/1
Mr. GUO Chuan (Appointed on 20 October 2020)	1/1
Mr. FU Yiu-Man (Appointed on 20 October 2020)	1/1
Mr. WU Ge (Appointed on 20 October 2020)	1/1
Mr. GAN Pei-Zhong (Appointed on 20 October 2020)	1/1

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. HU Hao, Mr. MO Fei, Mr. YAN Jing-Hui and Mr. TIAN Zhen-Hua.

During 2020, 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 six meetings in 2020.

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

Supervisors	No. of meetings attended/ No. of meetings held
Ms. LI Xue-Mei (Appointed on 16 June 2020)	3/3
Mr. HU Hao (Appointed on 16 June 2020, and retired on 21 January 2021)	3/3
Mr. MO Fei (Appointed on 16 June 2020)	3/3
Mr. YAN Jing-Hui (Resigned on 18 March 2021)	6/6
Mr. TIAN Zhen-Hua (Appointed on 21 April 2020)	4/4
Mr. WANG Jian-Xin (Resigned on 16 June 2020)	3/3
Mr. ZHANG Jin-Li (Resigned on 16 June 2020)	3/3
Mr. LIU Hui (Resigned on 16 June 2020)	0/3
Mr. ZHANG Weiyang (Resigned on 21 April 2020)	2/2

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

COMPANY SECRETARY

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

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

EXTERNAL AUDITOR AND ITS REMUNERATION

The external auditor currently appointed by the Company is PricewaterhouseCoopers. The work which the external auditor is engaged to perform must produce measurable benefits and added-values to the Company and should not cause adverse effects on the independence or independent standing of its audit function. The fees paid to the Company's auditor, PricewaterhouseCoopers, for the year of 2020 was RMB7,240,000, all of which were related to auditing, reviewing and other annual audit services.

Report on Corporate Governance (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

In 2020, 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 2020, 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 2020 and considered the adequacy of resources, qualifications and experience of staff in respect of the Company's accounting and financial reporting function, and their training programs and budget in accordance with code provisions C.2.1 and C.2.2 of the Corporate Governance Code of the Listing Rules.

Report on Corporate Governance (Continued)

MANAGEMENT OF INSIDE INFORMATION

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

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

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

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

INVESTOR RELATIONS AND SHAREHOLDER'S INTEREST

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

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

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

Report on Corporate Governance (Continued)

GENERAL MEETINGS

In 2020, the Company held two general meetings, including the 2019 annual general meeting and the first extraordinary general meeting of 2020.

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

Directors	Annual general meeting	Extraordinary general meeting	Attendance rate
<i>Executive directors</i>			
Mr. LI Wei-Dong	1/1	1/1	100%
Ms. LI Yun	0/1	1/1	50%
Mr. CHEN De-Qi	1/1	1/1	100%
Ms. ZHANG Wen-Lei	0/1	0/1	0
Mr. GUO Chuan	1/1	1/1	100%
Mr. HE Jiang-Chuang (Resigned on 14 May 2020)	0/0	0/0	–
<i>Independent non-executive directors</i>			
Mr. FU Yiu-Man	0/1	0/1	0
Mr. WU Ge	0/1	0/1	0
Mr. GAN Pei-Zhong (Appointed on 20 October 2020)	0/0	0/0	–
Mr. DONG An-Sheng (Resigned on 20 October 2020)	0/1	0/1	0

CONSTITUTION

In 2020, the Company made two amendments to the Articles of Association in accordance with relevant laws and regulations under the Securities Law of the People's Republic of China and requirements of relevant documents issued by the State-owned Assets Supervision and Administration Commission of the State Council and State-owned Assets Supervision and Administration Commission of Beijing Municipality, taking into account the actual operation and business development needs of the Company. The amendments are related to the restrictions on shareholding of directors, supervisors and senior management, the adjustment to the notice period of the general meeting and the addition of the legal compliance committee of the Board. The above two amendments to the Articles of Association were considered and approved at the 2019 annual general meeting and the first extraordinary general meeting of 2020, respectively.

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 secretariat of the Board of the Company. The contact details of the secretariat of the Board are set out in Corporate Information on page 182 of this annual report.

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

In 2021, 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, 24 March 2021

Profile of Directors, Supervisors and Senior Management

CHAIRMAN

LI Wei-Dong, aged 52, is the Chairman of the Company. He graduated from Renmin University of China with a master's degree in management. He is an engineer. Mr. LI served as the mechanical workshop director, deputy manager and manager of Beijing Yanshan Cement Factory (北京市燕山水泥廠), the chief of the real estate division and the assistant to the general manager of BBMG Group Company Limited* (北京金隅集團有限責任公司) and the manager of Tengda Plaza (騰達大廈), manager of BBMG Property Management Co., Ltd. (北京金隅物業管理有限責任公司), chairman of Beijing Dacheng Property Development Co., Ltd. (北京大成房地產開發有限責任公司), deputy general manager and executive director of BBMG Corporation* (北京金隅股份有限公司). Mr. LI joined the Company in 2016 and was appointed as an executive director and the general manager of the Company. Mr. LI was re-elected as an executive director and the general manager of the Company in May 2018, and was elected as the Chairman of the Company and ceased to serve as the general manager in August 2020. Mr. LI possesses extensive experience in real estate development and property management.

EXECUTIVE DIRECTORS

LI Yun, aged 53, is an executive director of the Company. Ms. LI graduated from the Beijing Institute of Technology with the degree of master of business administration. She is qualified as a senior economist and a senior political work specialist. Ms. LI joined BNSIGC in 1990 and successively served as the sales manager of the public relations department of Hui Yuan 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 was elected as an executive director of the Company in May 2018. Ms. LI has profound experience in operation and management of hotels, convention centre and investment property.

CHEN De-Qi, aged 57, is an executive director and a deputy general manager of the Company. Mr. CHEN graduated from Chinese Academy of Sciences with a master's degree in science. He is qualified as a senior economist. Mr. CHEN joined BNSIGC in 1993 and successively served as the deputy head of the Development Department of BNSIGC, deputy general manager and general manager of Beijing North Star Real Estate Development Co., Limited and general manager of the branch company of Beijing North Star Property of the Company. Mr. CHEN has become the deputy general manager of the Company since 2015 and was elected as an executive director of the Company in May 2018. Mr. CHEN possesses profound experience in real property development and management.

ZHANG Wen-Lei, aged 53, 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. Ms. ZHANG has extensive experience in construction engineering, tendering, works pricing and works supervision.

GUO Chuan, aged 52, is an executive director, a deputy general manager, the secretary to the Board and the chief legal advisor of the Company. Mr. GUO graduated from the Capital University of Economics and Business and the University of International Business and Economics with an LLB degree in economic law and an EMBA degree, and is a qualified lawyer. Mr. GUO joined BNSIGC in 1991, and was consecutively deputy director and director of the Secretariat of the Board of the Company. In February 2004, Mr. GUO was appointed as secretary to the Board of the Company and was appointed as the chief legal advisor of the Company in July 2008. He has served as a deputy general manager of the Company since March 2017 and was elected as an executive director of the Company in May 2018. Mr. GUO has extensive experience in corporate governance, legal affairs, corporate branding management.

Profile of Directors, Supervisors and Senior Management (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

FU Yiu-Man, aged 65, is an independent non-executive director of the Company. Mr. FU graduated from the University of Pennsylvania in the U.S. Mr. FU had successively served in ABN AMRO HG Asia, Peregrine Group, Vickers Ballas, UBS New York, Barings Securities and CCB International Securities in Hong Kong. Mr. FU has become the chairman of the board of directors of Value Convergence Holdings Limited since March 2018. Mr. FU was re-elected as an independent non-executive director of the Company in May 2018. Mr. FU has extensive experience in terms of financial management and securities business.

WU Ge, aged 53, is an independent non-executive director of the Company. Mr. WU consecutively obtained a bachelor's degree in science, master's degree in accounting and doctoral degree in economics from Nanjing Normal University (南京師範大學), Nankai University (南開大學) and the University of International Business and Economics (對外經貿大學). He is currently a professor of the Accounting Department of the International Business School of the University of International Business and Economics, and an instructor for doctoral candidates. He was a council member of the fourth session of the Financial Accounting Society of China (中國金融會計學會), council member of the sixth and seventh sessions of the Finance and Cost Sub-society of the Accounting Society of China (中國會計學會財務成本分會). Mr. WU also serves as an independent director of Yunnan Bowin Technology Industry Co. Ltd. (雲南博聞科技實業股份有限公司), Beijing Mass Data Technology Co., Ltd. (北京海量數據技術股份有限公司), Minsheng Holdings Co., Ltd. (民生控股股份有限公司) and Jacobio Pharmaceuticals Group Co., Ltd. (加科思藥業集團有限公司). Mr. WU was re-elected as an independent non-executive director of the Company in May 2018. Mr. WU has rich experience in areas such as financial management, corporate practical accounting, cost management and international accounting.

GAN Pei-Zhong, aged 64, 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. Mr. GAN currently serves as the dean, professor and tutor of doctoral students of Lanzhou University Law School, 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, an advisor to the Supreme People's Court, an expert member of the Guiding Cases Commission of the Supreme People's Court* (最高人民法院案例指導委員會), and a member of the Expert Consultation Commission of the Executive Council of the Supreme People's Court* (最高人民法院執行局專家諮詢委員會). 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 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 Shanghai Stock Exchange (Stock Code: 603919). Mr. Gan was elected as an independent non-executive director of the Company in October 2020. Mr. GAN has extensive experience in field of economic law, enterprise law, corporate law and securities law.

CHAIRMAN OF SUPERVISORY COMMITTEE

LI Xue-Mei, aged 52, 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. Ms. LI has extensive experience in corporate governance and strategic planning and management.

Profile of Directors, Supervisors and Senior Management (Continued)

SUPERVISORS

HU Hao, aged 42, was a supervisor representing the shareholders of the Company during the period from 16 June 2020 to 21 January 2021. Mr. HU is a deputy general manager of the Company. For details of Mr. HU's profile, please refer to the section headed "DEPUTY GENERAL MANAGER" below.

MO Fei, aged 50, 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. Mr. Mo has extensive experience in corporate legal affairs regulation.

YAN Jing-Hui, aged 60, is a supervisor representing staff and workers of the Company. Mr. YAN graduated from Beijing Municipal Communist Party School with a post-graduate degree. Mr. YAN joined BNSIGC in 1990. He served as a party branch secretary and general manager of Beijing Theatre, the president and vice chairman of Beijing Chen'ao Coffee & Food Co., Ltd. (北京辰奧咖啡有限公司), a vice general manager of North Star Asian Games Village Auto Trade Market Center (北辰亞運村汽車交易市場中心), and the vice chairman of the labour union of the Company. He was re-elected as a supervisor representing staff and workers of the Company in March 2018, and retired in March 2021. Mr. YAN has ample working experience in administration management and labour union work.

TIAN Zhen-Hua, aged 40, 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 49, 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 56, is a deputy general manager of the Company. He graduated from Beijing Normal University with a doctor's degree in law. Mr. DU served as the deputy director of the General Office of the Beijing Municipal Government and deputy director of the Information Network Office of the Beijing Municipal Government. He joined BNSIGC in 2004. He was the deputy general manager of BNSIGC. Mr. DU has become the deputy general manager of the Company since 2012. Mr. DU has extensive experience in corporate administration and management, enterprise culture and publicity work.

Profile of Directors, Supervisors and Senior Management (Continued)

LIU Tie-Lin, aged 58, 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 58, 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 of Beijing North Star Company Limited, general manager of Office Building Operation and Management Branch of Beijing North Star Company Limited. Mr. SUN has served as an assistant to general manager of Beijing North Star Company Limited and standing deputy general manager of Beijing North Star Convention Group Co., Limited. He is currently the chairman of Beijing North Star Convention Group Co., Limited, and has served as a deputy general manager of the Company since March 2017. Mr. SUN has extensive experience in investment properties management.

HU Hao, aged 42, 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 and the assistant to the general manager of the Company. He was elected as a supervisor representing the shareholders of the Company in June 2020. He resigned from the position of supervisor representing the shareholders of the Company due to work rearrangement in January 2021, and served as the deputy general manager of the Company in the same month. Mr. HU has extensive experience in corporate capital operation and operation control.

COMPANY SECRETARY

LEE Ka Sze, Carmelo, aged 60, 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 2020.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

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

The Group’s business performance, principal risk and uncertainties and future development for the year ended 31 December 2020 are discussed in the section “Chairman’s Report” on pages 6 to 7 and the section “Management Discussion and Analysis” on pages 8 to 27 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 2020 is set out in the sub-section “Fulfill social responsibility and promote sustainable development of the Company” paged 21 of the section “Management Discussion and Analysis” of this annual report and the separately published “2020 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 2020 analysed based on the financial key performance indicators is set out in the section “Financial Highlights on pages 4 to 5, the section “Chairman’s Report” on pages 6 to 7 and the section “Management Discussion and Analysis” on pages 8 to 27 of this annual report.

Report of the Directors (Continued)

RESULTS AND PROFIT DISTRIBUTION

The results of the Group for the year ended 31 December 2020 and the financial positions of the Group and the Company as at 31 December 2020 prepared in accordance with HKFRS are set out on pages 68 to 71 of this annual report.

DIVIDEND

The Board recommends the payment of a final dividend of RMB0.03 per share for the year ended 31 December 2020, totalling RMB101,010,600.

FIVE YEAR FINANCIAL SUMMARY

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

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

DISTRIBUTABLE RESERVES

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

Distributable reserves of the Company as at 31 December 2020 amounted to RMB2,180,073,228 (2019: RMB 2,500,854,820).

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 (Appointed on 20 August 2020)	<i>Chairman</i>
LI Yun	<i>Director</i>
CHEN De-Qi	<i>Director</i>
ZHANG Wen-Lei	<i>Director</i>
GUO Chuan	<i>Director</i>
HE Jiang-Chuan (Resigned on 14 May 2020)	<i>Chairman</i>

Independent Non-Executive Directors

FU Yiu-Man	<i>Director</i>
WU Ge	<i>Director</i>
GAN Pei-Zhong (Appointed on 20 October 2020)	<i>Director</i>
DONG An-Sheng (Resigned on 20 October 2020)	<i>Director</i>

Report of the Directors (Continued)

Supervisors

LI Xue-Mei (Appointed on 16 June 2020)	<i>Chairman of the Supervisory Committee</i>
MO Fei (Appointed on 16 June 2020)	<i>Supervisor</i>
TIAN Zhen-Hua (Appointed on 21 April 2020)	<i>Supervisor</i>
LV Yi-Hong (Appointed on 18 March 2021)	<i>Supervisor</i>
WANG Jian-Xin (Resigned on 16 June 2020)	<i>Chairman of the Supervisory Committee</i>
ZHANG Jin-Li (Resigned on 16 June 2020)	<i>Supervisor</i>
LIU Hui (Resigned on 16 June 2020)	<i>Supervisor</i>
HU Hao (Appointed on 16 June 2020, and retired on 21 January 2021)	<i>Supervisor</i>
YAN Jing-Hui (Resigned on 18 March 2021)	<i>Supervisor</i>
ZHANG Wei-Yan (Resigned on 21 April 2020)	<i>Supervisor</i>

Senior Management

CHEN De-Qi	<i>Deputy 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>
LI Wei-Dong (Retired on 20 August 2020)	<i>General Manager</i>
CUI Wei (Resigned on 9 June 2020)	<i>Financial Controller</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 42 to 45 of this annual report.

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

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

PERMITTED INDEMNITY PROVISIONS

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

EQUITY-LINKED AGREEMENTS

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

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(ix) and 38 to the consolidated financial statements.

INDIVIDUALS WITH THE HIGHEST PAY

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

MANAGEMENT CONTRACTS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2020, 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 2020 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 2020, 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 2020.

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

As at 31 December 2020, 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: 152,281 holders

Shareholdings of top ten shareholders of the Company as at 31 December 2020

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	686,894,199	20.401
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	29,607,892	0.879
Yang Liu (楊柳)	A share	23,500,000	0.698
Qian Zhoujian(錢周健)	A share	11,425,894	0.339
Liu Wenke(劉文科)	A share	8,812,000	0.262
Suo Qiang(索強)	A share	8,000,000	0.238
Zhang Rongming(張榮明)	A share	6,365,146	0.189

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 2020, the Group had no designated deposits placed with financial institutions in the PRC. All of the Group's cash deposits are placed with commercial banks in the PRC and are in compliance with applicable laws and regulations. The Group has not experienced any incidents of not being able to withdraw bank deposits upon maturity.

STAFF RETIREMENT SCHEME

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

Report of the Directors (Continued)

EMPLOYEES

As at 31 December 2020, the Company had 5,725 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 RMB 10,000 of authorised logo and signage usage fee to BNSIGC during the Reporting Period, representing 0.02% of the leases of the Company. Such transaction was settled by cash.

(2) Renting Properties

In 2020, 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 2020 and ended on 31 December 2020. The rental for the Reporting Period was RMB 900,000, representing 1.40% of the leases of the Company. Such transaction was settled by cash.

Report of the Directors (Continued)

(3) General Construction Contract

On 27 February 2020, Changsha North Star Real Estate Development Co., Limited (“Changsha North Star”), a subsidiary of the Company, (as the principal) entered into the General Construction Contract with China Construction Second Engineering Bureau Ltd. (“CCSEB”) (as the contractor), pursuant to which CCSEB agreed to undertake the construction of the construction and installation works of North Star Xinhe Delta project (北辰新河三角洲項目) in Area D4 on the land lot located at Xinhe Delta, Kaifu District, Changsha City, Hunan Province (湖南省長沙市開福區新河三角洲), be responsible for the civil works, installation and construction, water supply and drainage, fire protection, electrical engineering and other works under the project. The total contract price was approximately RMB695,340,550.71, and shall be payable on a monthly basis based on construction progress. However, after the construction project is completed, accepted and settled, the payment made by Changsha North Star to CCSEB shall not exceed 97% of the total settlement amount, and the remaining 3%, as the quality guarantee deposit, shall be paid upon expiry of the defect liability period.

CCSEB is a substantial shareholder of Hangzhou North Star Real Estate Co., Limited (杭州北辰置業有限公司), a non-wholly owned subsidiary of the Company. Therefore, CCSEB is a connected person at subsidiary level of the Company under Chapter 14A of the Listing Rules.

(4) Light-current and Smart System Construction Projects

Beijing Asia Olympic Technology Co., Limited (北京康辰亞奧技術股份有限公司) (“Asia Olympic Technology”) is an associate of BNSIGC, the controlling shareholder of the Company. Therefore, Asia Olympic Technology is a connected person of the Company under Chapter 14A of the Listing Rules.

During the Reporting Period, the Group and Asia Olympic Technology entered into the following contracts:

	Date	Contracting Parties of the Group	Scope of Transaction	Payment Terms
1.	23 September 2020	Chongqing North Star Liangjiang Investment Co., Limited (重慶北辰兩江置業有限公司) (“Chongqing North Star”)	According to the requirements of the relevant contract, Asia Olympic Technology is responsible for the smart system construction for the project of Chongqing North Star.	<p>The contract price shall be payable in stages according to the construction timelines. However, after the construction project is completed, accepted and settled, the payment made by Chongqing North Star to Asia Olympic Technology shall not exceed 97% of the total settlement amount, and the remaining 3%, being the quality guarantee deposit, shall be paid upon expiry of the defect liability period.</p> <p>Asia Olympic Technology shall submit to Chongqing North Star a bank performance guarantee in an aggregate amount equivalent to 10% of the contract price.</p>

Report of the Directors (Continued)

	Date	Contracting Parties of the Group	Scope of Transaction	Payment Terms
2.	12 March 2020	Chongqing North Star	According to the requirements of the relevant contract, Asia Olympic Technology is responsible for the smart system construction services for the project of Chongqing North Star.	The contract price shall be payable in stages according to the construction timelines. However, after the construction project is completed, accepted and settled, the payment made by Chongqing North Star to Asia Olympic Technology shall not exceed 97% of the total settlement amount, and the remaining 3%, being the quality guarantee deposit, shall be paid upon expiry of the defect liability period.
3.	28 February 2020	Chongqing North Star	According to the requirements of the relevant contract, Asia Olympic Technology provides and installs smart equipment for the new office of Chongqing North Star.	The contract price shall be payable in stages according to the construction timelines. However, after the construction project is completed, accepted and settled, the payment made by Chongqing North Star to Asia Olympic Technology shall not exceed 97% of the total settlement amount, and the remaining 3%, being the quality guarantee deposit, shall be paid upon expiry of the defect liability period.
4.	24 February 2020	Chengdu North Star Tianfu Properties Co., Ltd. (成都北辰天府置業有限公司) ("Chengdu North Star")	According to the requirements of the relevant contract, Asia Olympic Technology is responsible for the light-current construction for the project of Chengdu North Star.	The contract price shall be payable in stages according to the construction timelines. However, after the construction project is completed, accepted and settled, the payment made by Chengdu North Star to Asia Olympic Technology shall not exceed 97% of the total settlement amount, and the remaining 3%, being the quality guarantee deposit, shall be paid upon expiry of the defect liability period.

Report of the Directors (Continued)

	Date	Contracting Parties of the Group	Scope of Transaction	Payment Terms
5.	21 January 2020	Sichuan North Star Tianren Real Estate Co., Limited (四川北辰天仁置業有限公司) ("Sichuan North Star")	According to the requirements of the relevant contract, Asia Olympic Technology is responsible for the light-current and smart system construction for the project of Sichuan North Star.	The contract price shall be payable in stages according to the construction timelines. However, after the construction project is completed, accepted and settled, the payment made by Sichuan North Star to Asia Olympic Technology shall not exceed 97% of the total settlement amount, and the remaining 3%, being the quality guarantee deposit, shall be paid upon expiry of the defect liability period. Asia Olympic Technology shall submit to Sichuan North Star a bank performance guarantee in an aggregate amount equivalent to 10% of the contract price.

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.

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 2020, 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 2020, the bank loans and other borrowings of the Group are set out in note 23 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

Report of the Directors (Continued)

SUBSIDIARIES

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

MAJOR LITIGATION OR ARBITRATION

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

POLICIES ON INCOME TAX

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

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2020, the equity attributable to ordinary shareholders of the Company amounted to RMB20,783,314,000, representing a decrease of 2.00% as compared to 31 December 2019.

The Group's bank and other borrowings as at 31 December 2020 amounted to RMB22,979,490,000. 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 RMB2,148,733,000, RMB1,495,129,000, RMB1,116,267,000 and RMB258,933,000, respectively. Asset-backed securities were RMB969,000,000 at the end of the year.

Current assets of the Group, which mainly comprised cash at bank and on hand, completed properties held for sale and properties under development, amounted to RMB74,590,824,000, whereas the current liabilities amounted to RMB41,545,833,000. As at 31 December 2020, balances of cash at bank and on hand amounted to RMB10,830,539,000 (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 2020, the Group had secured borrowings from banks and other financial institutions of RMB15,086,730,000 with certain investment properties, hotel properties and properties under development and completed properties for sale as the collaterals. The asset-liability ratio calculated by total liabilities divided by total assets for the Group was 73% as at the end of the Reporting Period (31 December 2019: 74%).

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.

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

PROVISION FOR IMPAIRMENT OF INVENTORIES

During the Reporting Period, after having comprehensively taken into account the market conditions of the real estate project location, project positioning, development and sales plans and other factors, the Company performed the impairment tests on the net realisable value of its projects, and made provision for the impairment of inventories whose cost is higher than its net realisable value. As confirmed by the test, the Company is required to make provision for the impairment of inventories for real estate projects of RMB891 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. Save as disclosed below, the Company has fully complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the year:

As stated in the announcement of the Company dated 15 May 2020, the Company was not in full compliance with the requirements set out under Code Provision A.5.1 of the Corporate Governance Code contained in Appendix 14 of the Listing Rules regarding the composition of the nomination committee following the resignation of Mr. HE Jiang-Chuan. Mr. LI Wei-Dong was appointed as the chairman of the nomination committee of the Company on 20 August 2020, and the Company has accordingly re-complied with the relevant requirements under Code Provision A.5.1.

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 2020 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 2020 annual general meeting.

By Order of the Board



LI Wei-Dong
Chairman

Beijing, the PRC, 24 March 2021

Report of the Supervisory Committee

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

In 2020, the Supervisory Committee met 6 times in total and the supervisors attended the Board meetings, 2019 annual general meeting as well as the first extraordinary general meetings of 2020 held during the reporting period. During the course of preparation of 2019 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 2019 annual general meeting. It also strictly and effectively monitored and supervised the Board and management of the Company in making significant policies and specific decisions to ensure that they were in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of its shareholders and employees. It is of the opinion that in 2020, the Board and management of the Company were able to make decision in lawful procedures, strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the shareholders in accordance with the laws and regulations and the Articles of Association.

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

The Supervisory Committee is satisfied with the achievement and economic effects of the Company in 2020 and has great confidence in the future of the Company.

In 2021, 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, 24 March April 2021

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") set out on pages 68 to 179, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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

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 Note 7 to the consolidated financial statements</p> <p>As at 31 December 2020, the Group's investment properties were measured at fair value and carried at approximately RMB15,345 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, office units, 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 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 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 internal control 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. • Checked the property specific information such as location, building age, occupancy status and rental value used by the Valuer against the related operation records as maintained by the Group. • Assessed the appropriateness of the valuation approach or method applied based on our knowledge of the business and industry.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
<p>Refer to Note 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 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 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"> Involved our internal valuation specialists to assist on assessing, on a sample basis, the methodologies used by the Valuer and compared the valuations of investment properties to our independently formed market expectations. <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
<p>Assessment of net realisable value of properties under development and completed properties held-for-sale</p> <p>Refer to Notes 13 and 14 to the consolidated financial statements</p> <p>The Group's properties under development ("PUD") and completed properties held-for-sale ("PHS") amounted to approximately RMB56,399 million as at 31 December 2020 (representing approximately 59.4% of the Group's total assets). The management assessed the net realisable value ("NRV") of PUD and PHS as at 31 December 2020 and the carrying amounts of PUD and PHS were stated at the lower of cost and NRV.</p> <p>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.</p>	<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 internal control 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. • We evaluated and tested on a sample basis, the 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 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 on a sample basis, performed audit procedures as follows: <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 through recalculation by reference to the relevant tax rules. – compared the estimated costs to completion to budgets approved by management and compared estimated total costs to the actual costs of similar type of completed properties of the Group. <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 HKSA's, 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, 24 March 2021

Consolidated balance sheet

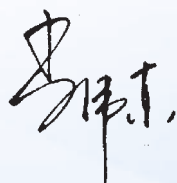
		As at 31 December	
	<i>Note</i>	2020	2019
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	6	467,600	333,799
Investment properties	7	15,344,734	15,025,176
Property, plant and equipment	8	2,392,887	2,125,927
Investments accounted for using the equity method	10	541,853	463,981
Deferred income tax assets	24	1,263,905	1,340,213
Other receivables and prepayments	12	327,715	299,963
		20,338,694	19,589,059
Current assets			
Properties under development	13	42,427,185	55,341,162
Completed properties held-for-sale	14	13,971,935	5,342,597
Other inventories	15	40,594	49,528
Trade and other receivables and prepayments	12	5,105,636	7,304,766
Restricted bank deposits	16	2,214,935	3,035,938
Cash and cash equivalents	17	10,830,539	11,775,741
		74,590,824	82,849,732
Total assets		94,929,518	102,438,791
LIABILITIES			
Non-current liabilities			
Long term borrowings	23	22,373,226	22,046,678
Loans from other parties	21	2,658,262	1,434,826
Employee termination benefit obligations	36	114,240	125,671
Deferred income tax liabilities	24	2,121,516	2,156,777
Lease liabilities	6	20,066	31,483
Deferred income		2,743	1,943
		27,290,053	25,797,378
Current liabilities			
Trade and other payables	21	10,386,752	10,599,741
Loans/advances from other parties	21	5,210,695	4,524,262
Contract liabilities	5	17,882,773	24,287,096
Current income tax liabilities	22	2,409,342	3,028,096
Lease liabilities	6	30,945	25,744
Current portion of long term borrowings	23	5,625,326	6,738,185
Short term borrowings	23	-	900,000
		41,545,833	50,103,124
Total liabilities		68,835,886	75,900,502
Net assets		26,093,632	26,538,289

Consolidated balance sheet (Continued)

		As at 31 December	
	<i>Note</i>	2020	2019
		RMB'000	RMB'000
EQUITY			
Share capital	18	3,367,020	3,367,020
Other reserves	19	4,868,600	4,773,482
Retained earnings	19	12,547,694	13,067,511
<hr/>			
Capital and reserves attributable to ordinary shareholders of the Company		20,783,314	21,208,013
Perpetual bond	20	2,630,380	2,630,380
Non-controlling interests		2,679,938	2,699,896
<hr/>			
Total equity		26,093,632	26,538,289

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

The financial statements on pages 68 to 179 were approved by the Board of Directors on 24 March 2021 and were signed on its behalf.



Li Wei Dong
Director



Guo Chuan
Director

Consolidated income statement

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Continuing operations			
Revenue	5	17,995,842	20,122,314
Cost of sales	25	(14,764,210)	(13,912,152)
Gross profit			
Selling and marketing expenses	25	(539,461)	(555,161)
Administrative expenses	25	(848,839)	(916,414)
Fair value (losses)/gains on investment properties	7	(294,452)	146,641
Net reversal of/(provision for) impairment losses on financial assets		6,510	(14,845)
Other income and gains – net	26	71,020	38,038
Operating profit		1,626,410	4,908,421
Finance income	28	172,289	137,298
Finance expenses	28	(472,546)	(551,820)
Finance expenses – net		(300,257)	(414,522)
Share of net profit of investments accounted for using the equity method	10	186,427	187,469
Profit before income tax		1,512,580	4,681,368
Income tax expense	29	(1,042,383)	(2,579,488)
Profit from continuing operations		470,197	2,101,880
Loss from discontinued operation (attributable to ordinary shareholders of the Company)		–	(6,421)
Profit for the year		470,197	2,095,459
Attributable to:			
Ordinary shareholders of the Company	30	21,658	1,788,709
Holders of perpetual bond	20	143,530	116,859
Non-controlling interests		305,009	189,891
		470,197	2,095,459
Earnings per share attributable to ordinary shareholders of the Company (expressed in RMB cents per share) (basic and diluted)			
From continuing operations	30	0.64	53.31
From discontinued operations	30	–	(0.19)
		0.64	53.12

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

Consolidated statement of comprehensive income

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Profit for the year		470,197	2,095,459
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of properties newly transferred to investment properties	19	–	275,353
Remeasurement of post-employment benefit obligations	19	3,623	619
Income tax relating to these items	19	–	(68,838)
Other comprehensive income for the period, net of tax		3,623	207,134
Total comprehensive income for the year		473,820	2,302,593
Attributable to:			
Ordinary shareholders of the Company		25,281	1,995,843
Holders of perpetual bond		143,530	116,859
Non-controlling interests		305,009	189,891
		473,820	2,302,593
Total comprehensive income for the year attributable to ordinary shareholders of the Company arises from:			
Continuing operations		25,281	2,002,264
Discontinued operations		–	(6,421)
		25,281	1,995,843

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 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

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

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

Consolidated cash flow statement

		Year ended 31 December	
	Note	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	32	1,430,350	1,989,680
Interest received		172,289	137,298
Interest paid		(2,184,468)	(2,213,453)
Income tax paid		(1,351,129)	(2,006,084)
Net cash used in operating activities		(1,932,958)	(2,092,559)
Cash flows from investing activities			
Payments for property, plant and equipment		(137,772)	(71,395)
Payments for investment properties		(192,270)	(64,290)
Loans granted to an associate	36(iv)	(161,205)	–
Loan repayments from associates and joint ventures		957,100	181,789
Interests received on loans granted		10,455	2,542
Proceeds from sale of property, plant and equipment and investment properties		763	1,187
Proceeds from disposal of a subsidiary		(16,969)	–
Payment for acquisition of an associate and a joint venture		(50,980)	–
Dividends from associates and joint ventures		–	51,261
Net cash generated from investing activities		409,122	101,094
Cash flows from financing activities			
Proceeds from borrowings and issuance of bonds		5,984,099	11,690,584
Proceeds from borrowings from Beijing North Star Industrial Group Limited Liabilities Company (“BNSIGC”)		1,000,000	–
Repayment of commercial mortgage backed securities issued by a subsidiary		(16,000)	(15,000)
Repayments of borrowings and bonds		(7,678,940)	(10,276,428)
Proceeds from borrowings from non-controlling interests		2,084,224	667,357
Proceeds from borrowings from associates and joint ventures	36(vi)	384,500	555,226
Repayments of loans/funds to non-controlling interests		(436,620)	(1,505,452)
Repayment of borrowings from associates and joint ventures		(53,850)	(519,803)
Proceeds from capital injection from non-controlling interests		102,965	960,500
Dividends paid to the Company's shareholders	31	(505,053)	(404,042)
Dividends paid to the non-controlling interests		(92,859)	(77,017)
Dividends paid to the holders of perpetual bond		(143,530)	(91,530)
Proceeds from issuance of perpetual bond		–	991,600
Principal elements of lease payments		(34,432)	(16,314)
Proceeds from loans from a third party		–	18,358
Net increase in deposits paid for obtaining borrowings		(15,870)	(62,621)
Net cash generated from financing activities		578,634	1,915,418
Net decrease in cash and cash equivalents		(945,202)	(76,047)
Cash and cash equivalents at beginning of year		11,775,741	11,851,788
Cash and cash equivalents at end of year	17	10,830,539	11,775,741

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”.

Following the outbreak of Coronavirus Disease 2019 (the “COVID-19” outbreak) in early 2020, a series of precautionary and control measures have been and continued to be implemented across China. For the year ended 31 December 2020, the COVID-19 outbreak has a temporary unfavorable impact on the progress of the Group’s property construction activities and the sales of its properties. In addition, the occupancy rates of the Group’s investment properties and hotels have also been impacted adversely and hence the income as generated from the operations of these properties has also been reduced temporary due to the COVID-19 outbreak. And also, the Group has granted certain rental concession reliefs to tenants based on the relevant PRC local regulations, and these concession reliefs have been accounted for as lease modifications.

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 24 March 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) *Compliance with HKFRS*

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, except for investment properties 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 (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) *Amended standards and revised conceptual framework adopted by the Group*

The Group has applied the following amended standards and revised conceptual framework (what are relevant to the Group) for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of a Business – amendments to HKFRS 3
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

The amended standards and revised conceptual framework listed above did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments, and are not expected to significantly affect the current or future periods.

(iii) *New and amended standards, interpretations and annual improvements not yet adopted*

Certain new and amended standards, interpretations and annual improvements have been published that are not mandatory for 31 December 2020 reporting period and have not been early adopted by the Group. These standards, interpretations and annual improvements are not expected to have a material impact on the entity 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 Subsidiaries

2.2.1 Consolidation

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

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

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

(a) Business combinations

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

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

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

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

2.3 Associates

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Associates (Continued)

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

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

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

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

2.4 Joint arrangements

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

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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".

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (Continued)

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.

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".

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Properties (Continued)

(b) *Investment properties (Continued)*

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.

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.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

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.

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*

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.

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.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits (Continued)

(a) *Pension obligations (Continued)*

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

(b) *Termination benefits*

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

(c) *Early retirement benefits*

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

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.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition (Continued)

(a) *Sales of properties (Continued)*

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

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

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

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

(b) *Rental income*

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

(c) *Provision of services*

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

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

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

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Leases (Continued)

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.

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.

Notes to the Consolidated Financial Statement (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Leases (Continued)

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

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

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

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

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 2020, if interest rates of borrowings obtained at variable rates had increased/decreased by 10% with all other variables held constant, the Group's post-tax profit for the year, after taking into account the impact of interest capitalisation, would have decreased/increased by approximately RMB17,271,000 (2019: RMB20,587,000).

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 loan receivable from subsidiaries of CIFI Holdings (Group) Co., Ltd. ("CIFI") (a non-controlling shareholder of certain subsidiaries of the Group, and has significant influence over the related subsidiaries which are material to the Group and hence is deemed as a related party 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 doubtful accounts and actual losses incurred have been within management's expectation, and management believes that there is no material credit risk inherent in the Group's outstanding receivable balances.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. 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.

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.

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

As at 31 December 2020 and 2019, the loss allowance was determined as follows for trade receivables:

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

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

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 2020 (2019: 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 2020 and 2019, the loss allowance was determined as follows for other receivables:

	Deposit <i>RMB'000</i>	Due from related parties <i>RMB'000</i>	Due from non- controlling interests <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Opening loss allowance as at 1 January 2020	(5,301)	(1,259)	(1,713)	(15,212)	(23,485)
(Increase)/ decrease 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)
	Deposit <i>RMB'000</i>	Due from related parties <i>RMB'000</i>	Due from non- controlling interests <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Opening loss allowance as at 1 January 2019	(577)	(1,556)	(1,743)	(15,095)	(18,971)
(Increase)/ decrease in the allowance recognised in profit or loss	(4,724)	297	30	(117)	(4,514)
Closing loss allowance as at 31 December 2019	(5,301)	(1,259)	(1,713)	(15,212)	(23,485)

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)

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 2020 (2019: Nil).

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.

The Group also provides guarantees to certain related parties of the Group to obtain borrowings (Note 36 (xiii)) after assessing the historical credit profile of these related parties. The Group closely monitors the repayment progress of the relevant borrowings by these related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties. The directors of the Company consider that the likelihood of default in payments is minimal, therefore, the expected losses for financial guarantee is close to zero.

Notes to the Consolidated Financial Statement (Continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk*

Cash flow forecasting is performed in the operating entities of the Group 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 <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
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) (<i>Note i</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
At 31 December 2019					
Borrowings (including interest)	9,282,811	8,406,973	13,128,505	3,923,860	34,742,149
Trade and other payables (including interest) (<i>Note i</i>)	14,484,063	538,708	221,273	1,420,374	16,664,418
Lease liabilities	27,572	14,674	23,159	–	65,405
	23,794,446	8,960,355	13,372,937	5,344,234	51,471,972

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 2020 and 2019 were as follows:

	As at 31 December 2020	2019
Asset-liability ratio	73%	74%

3.3 Fair value estimation

Other than investment properties, the Group has no other assets that carried at fair value as at 31 December 2020 and 2019. 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.

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 apartment, office building, conference center 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 this 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 2020 and 2019 are as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenue		
Properties development segment	16,156,245	17,352,471
Investment properties and hotels segment	1,738,134	2,660,358
	17,894,379	20,012,829
Other segments	101,463	109,485
	17,995,842	20,122,314

During the years ended 31 December 2020 and 2019, the Group derives revenue from the deliveries of properties, goods and services over time and at a point in time from the following segments:

	At a point in time	Over time
	RMB'000	RMB'000
Year ended 31 December 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
Year ended 31 December 2019		
Properties development segment	16,486,602	865,869
Investment properties and hotels segment*	355,143	428,983
Other segments	27,573	81,912
	16,869,318	1,376,764

* Rental income from investment properties for the year ended of 31 December 2020 RMB1,372,765,000 (2019: RMB1,876,232,000) 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 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 2020 is as follows:

Business segment	Properties development RMB'000	Investment properties and hotels RMB'000	Other segments RMB'000	Total RMB'000
Total segment revenues	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 provided to the Board for the reportable segments for the year ended 31 December 2019 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	17,352,471	2,719,852	151,856	20,224,179
Inter-segment revenues	–	(59,494)	(42,371)	(101,865)
Revenues from external customers	17,352,471	2,660,358	109,485	20,122,314
Adjusted profit/(loss) before income tax	2,682,071	822,625	(66,574)	3,438,122
Adjusted profit/(loss) before income tax is stated after (charging)/crediting the following:				
Adjusted cost of sales or services rendered	(11,722,304)	(1,070,490)	(111,637)	(12,904,431)
Adjusted depreciation and amortisation	(19,968)	(307,381)	(5,752)	(333,101)
Finance income	66,218	5,865	456	72,539
Finance expenses	(64,339)	–	–	(64,339)
Share of net profit from investments accounted for using the equity method	187,469	–	–	187,469
Adjusted income tax expenses	(2,450,035)	(202,693)	–	(2,652,728)

Notes to the Consolidated Financial Statement (Continued)

5. SEGMENT INFORMATION (CONTINUED)

The segment information as at 31 December 2020 and 2019 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 2020				
Total segment assets	70,510,659	7,388,960	113,103	78,012,722
Total 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
As at 31 December 2019				
Total segment assets	78,568,330	7,297,195	83,582	85,949,107
Total assets include:				
Investments accounted for using the equity method	463,981	–	–	463,981
Additions to non-current assets (other than deferred income tax assets)	49,809	133,359	5,528	188,696
Total segment liabilities	65,213,870	1,317,491	104,744	66,636,105
Contract liabilities	24,145,579	133,303	8,214	24,287,096

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 2020, 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	
	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Development properties	13,644,618	15,888,660
Investment properties and hotels	101,576	64,870
All other segments	19,966	52,347
	13,766,160	16,005,877

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Adjusted profit before income tax for reportable segments	1,605,028	3,438,122
Corporate overheads	(180,443)	(263,486)
Corporate finance expense	(367,563)	(482,982)
Corporate finance income	106,142	64,759
Other (losses)/gains – net	(3,263)	18,228
Fair value (losses)/gains on investment properties	(294,452)	146,641
Reversal of depreciation of investment properties	153,403	183,836
Land appreciation tax	493,728	1,576,250
Profit before income tax	1,512,580	4,681,368

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	
	2020	2019
	RMB'000	RMB'000
Total segment assets	78,012,722	85,949,107
Deferred income tax assets at corporate level	940,304	818,673
Corporate cash	7,275,439	7,034,814
Accumulated fair value gains on investment properties	5,926,372	6,220,824
Reversal of accumulated depreciation of investment properties	2,559,693	2,406,290
Assets of discontinued segment	–	9,083
Corporate investment in a joint venture and corporate loan advanced to an associate	179,310	–
Other corporate current assets	35,678	–
Total assets per balance sheet	94,929,518	102,438,791
Total segment liabilities	59,547,129	66,636,105
Deferred income tax liabilities at corporate level (Note 24)	2,121,516	2,156,777
Corporate borrowings	5,307,891	6,372,133
Other corporate liabilities	1,859,350	721,516
Liabilities of discontinued segment	–	13,971
Total liabilities per balance sheet	68,835,886	75,900,502

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 RMB143,820,000 (2019: RMB174,549,000).

The reconciliation between reportable segment income tax expenses and total income tax expenses is amounting to RMB146,543,000 (2019: RMB73,240,000), 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 2020 and 2019 are derived in the PRC.

At 31 December 2020 and 2019, all the Group's non-current assets other than deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) are located in the PRC.

The Group has a large number of customers, and there was no significant revenue derived from any specific external customers for the years ended 31 December 2020 and 2019.

Notes to the Consolidated Financial Statement (Continued)

6. RIGHT-OF-USE ASSETS AND LEASES

(a) Right-of-use assets

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January	333,799	294,514
Addition	176,120	62,719
Amortisation	(42,319)	(23,434)
At 31 December	467,600	333,799

Notes:

- (i) As at 31 December 2020 and 2019, the Group's right-of-use assets comprise of land use rights, leased land, properties and equipment and details of which has been set out in Note (b) (i) below.
- (ii) As at 31 December 2020, certain right-of-use assets with net book value of RMB428,247,000 (2019: RMB285,042,000) 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	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Right-of-use assets		
Land use rights and leased land*	432,846	288,736
Leased properties	34,660	44,875
Leased equipment	94	188
	467,600	333,799

* As at 31 December 2020, land use rights with carrying amounts of RMB429,034,000 (2019: RMB285,862,000) represent the prepaid lease payments made to the Mainland China government for the use of land for a lease term of 40 years, net of the accumulated depreciation or amortisation as of that date. Leased land with carrying amount of RMB3,812,000 (2019: RMB2,874,000) represent the net book amount of the land as leased from BNSIGC, details of which has been set out in Note 36(i) (a).

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	
	2020	2019
	RMB'000	RMB'000
Lease liabilities		
Current	30,945	25,744
Non-current	20,066	31,483
	51,011	57,227

(ii) Amounts recognised in the consolidated income statement.

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

	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land use rights, leased land, properties and equipment	(42,319)	(23,434)
Interest expense (included in finance expenses)	(3,307)	(2,393)
Expense relating to short-term leases (included in administrative expenses)	(15,859)	(23,462)

(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 month 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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At fair value		
At 1 January	15,025,176	12,867,800
Additions	293,354	72,866
Disposal	(344)	(132)
Transfer from owner-occupied property, properties under development and completed properties held-for-sale	321,000	1,662,648
Fair value (losses)/gains recognised in profit or loss	(294,452)	146,641
Fair value gains credited to other comprehensive income	–	275,353
At 31 December	15,344,734	15,025,176

(a) Amounts recognised in income statement for investment properties

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Rental income	1,360,918	1,766,812
Direct operating expenses arising from investment properties that generate rental income	(515,963)	(539,737)
Direct operating expenses that did not generate rental income	(340,691)	(338,296)
Fair value (losses)/gains recognised in profit or loss	(294,452)	146,641

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 no variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of leases.

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

The minimum lease payments receivable on leases of investment properties has been 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 2020 and 2019.

(i) Fair value hierarchy

	Fair value measurements at 31 December using significant unobservable inputs (Level 3)	
	2020	2019
	RMB'000	RMB'000
Recurring fair value measurements for investment properties including:		
Office units	6,361,600	6,412,600
Apartments	1,977,860	1,943,200
Convention centers	3,883,000	3,712,000
Shopping malls	3,110,900	2,948,800
Others	11,374	8,576
	15,344,734	15,025,176

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

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

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

(ii) Valuation processes of the Group

The Group's investment properties were valued on 31 December 2020 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;
Estimated vacancy rates	Based on current and expected future market conditions after expiry of any current lease;
Maintenance costs	Including necessary investments to maintain functionality of the property for its expected useful life;
Capitalisation rates	Based on actual location, size and quality of the properties and taking into account market data at the valuation date;
Terminal value	Taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

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 2020 (RMB'000)	Valuation technique (s)	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Investment properties -office units, apartments (except block A), and shopping malls	9,370,360	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 rental value, 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	Room rate	For Year 1 to 5 RMB396 - 441/room/day	The higher the room rate, the higher the fair value
			Discount rate	9.5%	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 technique (s)	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to 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	
			Reversionary yield	From 7% to 8%	The higher the reversionary yield, the lower the fair value	
			Residual method	Rental value	RMB7.9 - 12.5/sq.m/day	The higher the rental value, the higher the fair value
			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	
			Residual method	Rental value	RMB2.0 - 6.6/sq.m/day	The higher the rental value, the higher the fair value
			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	

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

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

Description	Fair value at 31 December 2019 (RMB'000)	Valuation technique (s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Investment properties -office units, apartments (except block A), and shopping malls	9,357,600	Income approach (term and reversionary method)	Term yield	0.5% to 1.5% downward adjustment on the reversionary yield	The higher the term yield, the lower the fair value
			Reversionary yield	From 4% to 13%	The higher the reversionary yield, the lower the fair value
Investment properties -convention centers	3,712,000	Discounted cash flow	Rental value	For Year 1 to 5 RMB5.94- 7.37/sq,m/day	The higher the rental value, the higher the fair value
			Discount rate	From 12.5% to 16.5%	The higher the discount rate, the lower the fair value
Investment properties -apartment (block A)	89,000	Discounted cash flow	Room rate	For Year 1 to 5 RMB398 - 448/room/day	The higher the room rate, the higher the fair value
			Discount rate	10%	The higher the discount rate, the lower the fair value
Investment properties under development- office units	228,000	Income approach (term and reversionary method)	Term yield	0.5% downward adjustment on the reversionary yield	The higher the term yield, the lower the fair value
			Reversionary yield	From 7% to 8%	The higher the reversionary yield, the lower the fair value
		Residual method	Rental value	RMB4.21 - 8.71/sq,m/day	The higher the rental value, the higher the fair value
		Development costs to completion	Approximately RMB3,700/sq.m	The higher the cost, the lower the fair value	

Notes to the Consolidated Financial Statement (Continued)

7. INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

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

Description	Fair value at 31 December 2019 (RMB'000)	Valuation technique (s)	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value	
Investment properties under development- shopping malls	1,630,000	Income approach (term and reversionary method)	Term yield	1.0% downward adjustment on the reversionary yield	The higher the term yield, the lower the fair value	
			Reversionary yield	7%	The higher the reversionary yield, the lower the fair value	
			Residual method	Rental value	RMB1.8 – 7.3/sqm/day	The higher the rental value, the higher the fair value
			Development costs to completion	Approximately RMB4,600/sq.m	The higher the cost, the lower the fair value	
Investment properties- others	8,576	Discounted cash flow	Annual rent	Approximately RMB16,000,000	The higher the annual rent, the higher the fair value	
			Discount rate	6.20%	The higher the discount rate, the lower the fair value	

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 2020, certain investment properties with fair value of RMB12,572,860,000 (2019: RMB12,437,200,000) 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 2019						
Cost	686,079	2,354,714	528,636	654,599	3,031	4,227,059
Accumulated depreciation	(266,650)	(711,360)	(432,489)	(492,345)	-	(1,902,844)
Net book amount	419,429	1,643,354	96,147	162,254	3,031	2,324,215
Year ended 31 December 2019						
Opening net book amount	419,429	1,643,354	96,147	162,254	3,031	2,324,215
Additions	-	-	18,015	39,880	1,829	59,724
Disposals	-	-	(2,420)	(4,832)	-	(7,252)
Transfer to investment properties	(31,545)	-	(1,058)	(45)	-	(32,648)
Transfers	(35,637)	-	24,581	12,344	(1,288)	-
Depreciation (<i>Note 25</i>)	(7,687)	(48,210)	(28,822)	(50,399)	-	(135,118)
Others	(19,197)	(63,768)	(29)	-	-	(82,994)
Closing net book amount	325,363	1,531,376	106,414	159,202	3,572	2,125,927
At 31 December 2019						
Cost	599,700	2,290,946	567,725	701,946	3,572	4,163,889
Accumulated depreciation	(274,337)	(759,570)	(461,311)	(542,744)	-	(2,037,962)
Net book amount	325,363	1,531,376	106,414	159,202	3,572	2,125,927
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

Notes to the Consolidated Financial Statement (Continued)

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

- (i) Depreciation expense of RMB80,133,000 (2019: RMB103,009,000) has been charged in cost of sales, RMB2,258,000 (2019: RMB3,312,000) in selling and marketing expenses and RMB30,883,000 (2019: RMB28,797,000) in administrative expenses in the consolidated income statement.
- (ii) As at 31 December 2020, property, plant and equipments with net book value of RMB1,821,855,000 (2019: RMB1,529,853,000) are pledged as securities for bank and other borrowings (Note 23).

9. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2020. 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	
				2020	2019	2020	2019
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 x)	Beijing	Trading in Beijing	RMB1,000,000	100%	100%	-	-
Beijing North Star Xin Cheng Property Management Co., Limited 北京北辰信誠物業管理有限責任公司 (Notes iii and x)	Beijing	Property management in Beijing	RMB5,000,000	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, x and xi)	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 x)	Beijing	Property development in Beijing	RMB11,000,000	100%	100%	-	-
Beijing North Star Xintong Internet Technology Service Co., Limited 北京北辰信通網絡技術服務有限公司 (Notes iii and x)	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 北京首倡物業管理有限公司 (Notes iii and x)	Beijing	Property management in Beijing	RMB5,140,600	100%	100%	-	-
Beijing North Star Hotel Management Co., Limited 北京北辰酒店管理有限公司 (Notes iii and x)	Beijing	Hotel and restaurant management consulting service in Beijing	RMB20,500,000	100%	100%	-	-
Beijing North Star Times Exhibition Co., Limited 北京北辰時代會展有限公司 (Notes iii and x)	Beijing	Convention and exhibition in Beijing	RMB10,000,000	100%	100%	-	-
Beijing North Star Exhibition Research Co., Limited 北京北辰會展研究院有限公司 (Notes iii and x)	Beijing	Convention and exhibition in Beijing	RMB10,000,000	100%	100%	-	-
Beijing North Star Exhibition Information Service Co., Limited 北京北辰會展信息服務有限公司 (Notes iii and x)	Beijing	Convention and exhibition in Beijing	RMB20,000,000	100%	100%	-	-

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation	Principal activities and place of operation	Registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
				2020	2019	2020	2019
Beijing North Star Convention Group Co., Limited (“BCHZJT”) 北京北辰會展集團有限公司 (Notes iii and xi)	Beijing	Convention and exhibition in Beijing	RMB63,196,100	100%	100%	-	-
Beijing North Star Linghang Business Exhibition Research Co., Limited 北京北辰領航商務會展有限公司 (Notes iii and xi)	Beijing	Convention and exhibition in Beijing	RMB10,000,000	100%	100%	-	-
Changsha Central Garden Real Estate Co., Limited 長沙世紀御景房地產有限公司 (Notes iii and xi)	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 xi)	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 xi)	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 xi)	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 (Notes iii and xi)	Nanjing	Property development in Nanjing	RMB50,000,000	51%	51%	49%	49%
Langfang North Star Real Estate Co., Limited 廊坊市北辰房地產開發有限公司 (Note iii)	Langfang	Property development in Langfang	RMB31,000,000	100%	100%	-	-
Suzhou North Star Xuzhao Real Estate Co., Limited 蘇州北辰旭昭置業有限公司 (Notes iii and xi)	Suzhou	Property development in Suzhou	RMB700,000,000	50%	50%	50%	50%
Chengdu North Star Real Estate Co., Limited 成都北辰置業有限公司 (Note iii)	Chengdu	Property development in Chengdu	RMB50,000,000	100%	100%	-	-
Chengdu North Star Tianfu Investment Co., Limited 成都北辰天府置業有限公司 (Note iii)	Chengdu	Property development in Chengdu	RMB50,000,000	100%	100%	-	-
Hangzhou North Star Jinghua Investment Co., Limited 杭州北辰京華置業有限公司 (Note iii)	Hangzhou	Property development in Hangzhou	RMB50,000,000	100%	100%	-	-
Hefei Chenxu Real Estate Development Co., Limited (“HFCX”) 合肥辰旭房地產開發有限公司 (Notes iii and xi)	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%	-	-
Ningbo Chenxin Investment Co., Limited (“NBCX”) 寧波辰新置業有限公司 (Notes iii and xi)	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 武漢北辰辰智房地產開發有限公司 (Note iii)	Wuhan	Property development in Wuhan	RMB30,000,000	100%	100%	-	-
Wuhan North Star Chenhui Real Estate Development Company Limited 武漢北辰辰慧房地產開發有限公司 (Note iii)	Wuhan	Property development in Wuhan	RMB30,000,000	100%	100%	-	-

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	
				2020	2019	2020	2019
Haikou Chenzhi Real Estate Company Limited 海口辰智置業有限公司(Notes iii)	Haikou	Property development in Haikou	RMB50,000,000	70%	100%	30%	-
Chengdu North Star Huafu Real Estate Co. Limited 成都北辰華府置業有限公司(Notes 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(Notes 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 xi)	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, x and xi)	Chengdu	Convention and exhibition in Chengdu	RMB5,000,000	51%	51%	49%	49%
Wuhan Jinchenyingshi Real Estate Co. Limited 武漢金辰盈智置業有限公司(Notes iii and xi)	Wuhan	Property development in Wuhan	RMB20,000,000	51%	51%	49%	49%
Wuhan Yuchen Real Estate Co. Limited 武漢裕辰房地產開發有限公司(Notes 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 xi)	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(Notes 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 xi)	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(Notes iii)	Wuhan	Property development in Wuhan	RMB30,000,000	80%	100%	20%	-
Wuhan Chenzhan Real Estate Co. Limited 武漢辰展房地產開發有限公司(Notes iii)	Wuhan	Property development in Wuhan	RMB30,000,000	80%	100%	20%	-
Changsha Binchen Real Estate Co. Limited 長沙濱辰置業有限公司(Notes 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(Notes 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(Notes iii)	Chengdu	Property development in Chengdu	RMB50,000,000	80%	100%	20%	-
Chongqing Beichen Heyue Real Estate Co. Limited 重慶北辰合悅置業有限公司(Notes 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(Notes iii and xi)	Guangzhou	Property development in Guangzhou	RMB50,000,000	51%	100%	49%	-
Beijing North Star Xingshun Exhibition Co. Limited 北京北辰興順會展有限公司(Notes iii and xi)	Beijing	Convention and exhibition in Beijing	RMB50,000,000	90%	90%	10%	10%
Ningbo North Star Jingcheng Real Estate Co. Limited ("NBJC") 寧波北辰京誠置業有限公司(Notes iii)	Ningbo	Property development in Ningbo	RMB50,000,000	100%	Not applicable	-	Not applicable
Langfang Chenrui Real Estate Development Co., Ltd ("LFCR") 廊坊市辰睿房地產開發有限公司(Notes iii)	Langfang	Property development in Langfang	RMB31,000,000	100%	Not applicable	-	Not applicable
Diaoyutai North Star Exhibition Co. Limited ("DYTC") 釣魚臺北辰(北京)會展有限公司(Notes iii and xi)	Beijing	Convention and exhibition in Beijing	RMB20,000,000	51%	Not applicable	49%	Not applicable
Haikou Chenrui Real Estate Co. Limited ("HKCR") 海口辰睿置業有限公司(Notes iii)	Haikou	Property development in Haikou	RMB50,000,000	100%	Not applicable	-	Not applicable
Hangzhou North Star Jingyang Real Estate Co. Limited ("HZJY") 杭州北辰京陽置業有限公司(Notes iii)	Hangzhou	Property development in Hangzhou	RMB50,000,000	100%	Not applicable	-	Not applicable

Notes to the Consolidated Financial Statement (Continued)

9. SUBSIDIARIES (CONTINUED)

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

- (i) BNSRE is a joint stock limited Company. A joint stock limited Company is a Company having a registered share capital divided into shares of equal par value.
- (ii) These companies are equity joint ventures. Equity joint ventures are sino-foreign joint ventures of which the partners' capital contribution ratios are defined in the joint venture contracts and the partners' profit-sharing ratios are in proportion to the capital contribution ratios.
- (iii) These companies are limited liability companies.
- (iv) In May 2020, NSREG established a wholly owned subsidiary NBJC by investing RMB50,000,000. NBJC is a limited liability company incorporated in the PRC and engaged mainly in property development in Ningbo, the PRC.
- (v) In June 2020, NSREG established a wholly owned subsidiary LFCR by investing RMB31,000,000. LFCR is a limited liability company incorporated in the PRC and engaged mainly in property development in Langfang, the PRC.
- (vi) In August 2020, BCHZJT established a subsidiary, DYTC by investing RMB10,200,000 or 51% of the total paid in capital of DYTC. DYTC is a limited liability company incorporated in the PRC and engaged mainly in convention and exhibition in Beijing, the PRC.
- (vii) In October 2020, NSREG established a wholly owned subsidiary HKCR by investing RMB50,000,000. HKCR is a limited liability company incorporated in the PRC and engaged mainly in property development in Haikou, the PRC.
- (viii) In November 2020, NSREG established a wholly owned subsidiary HZJY by investing RMB50,000,000. HZJY is a limited liability company incorporated in the PRC and engaged mainly in property development in Hangzhou, the PRC.
- (ix) Beijing North Star Supermarket Chain Co., Limited (北京北辰超市連鎖有限公司) has completed the industrial and commercial cancellation in November 2020.
- (x) Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 3.84% of the Group's total net assets.
- (xi) 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 profit attributable to non-controlling interest for the year ended 31 December 2020 amounting to approximately RMB305,009,000, 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	
	2020	2019
	RMB'000	RMB'000
Current		
Assets	1,459,557	1,707,039
Liabilities	118,153	184,573
Total net current assets	1,341,404	1,522,466
Non-current		
Assets	4,665	13,266
Liabilities	–	–
Total net non-current assets	4,665	13,266
Net assets	1,346,069	1,535,732

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	
	2020	2019
	RMB'000	RMB'000
Current		
Assets	1,685,827	8,052,887
Liabilities	765,756	7,550,251
Total net current assets	920,071	502,636
Non-current		
Assets	9,015	61,597
Liabilities	–	460,700
Total net non-current assets/(liabilities)	9,015	(399,103)
Net assets	929,086	103,533

(iii) BJCY

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current		
Assets	9,345,569	8,161,947
Liabilities	7,838,546	5,819,937
Total net current assets	1,507,023	2,342,010
Non-current		
Assets	211	272
Liabilities	109,097	610,269
Total net non-current liabilities	(108,886)	(609,997)
Net assets	1,398,137	1,732,013

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	
	2020	2019
	RMB'000	RMB'000
Revenue	9,549	572,578
Profit before income tax	6,852	280,283
Income tax expense	3,485	(130,996)
Post-tax profit	10,337	149,287
Other comprehensive income	–	–
Total comprehensive income	10,337	149,287
Total comprehensive income allocated to non- controlling interests	5,169	74,644
Dividends paid to non-controlling interests	–	–

(ii) NBCX

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	5,827,774	488,901
Profit before income tax	1,216,228	101,596
Income tax expense	(390,675)	(25,450)
Post-tax profit	825,553	76,146
Other comprehensive income	–	–
Total comprehensive income	825,553	76,146
Total comprehensive income allocated to non- controlling interests	404,521	37,312
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	
	2020 RMB'000	2019 RMB'000
Revenue	–	–
Loss before income tax	(333,876)	(264,706)
Income tax expense	–	–
Post-tax loss	(333,876)	(264,706)
Other comprehensive income	–	–
Total comprehensive loss	(333,876)	(264,706)
Total comprehensive loss allocated to non-controlling interests	(163,599)	(129,706)
Dividends paid to non-controlling interests	–	–

Summarised cash flows

(i) SZXZ

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Cash used in operations	(29,072)	(198,809)
Interest paid	–	–
Income tax paid	(3,557)	(313,385)
Net cash used in operating activities	(32,629)	(512,194)
Net cash used in investing activities	–	(48)
Net cash from financing activities	–	520,000
Net (decrease)/increase in cash and cash equivalents	(32,629)	7,758
Cash and cash equivalents at beginning of the year	45,020	37,262
Exchange gains on cash and cash equivalents	–	–
Cash and cash equivalents at end of the year	12,391	45,020

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	
	2020 RMB'000	2019 RMB'000
Cash used in operations	(394,122)	(53,359)
Interest paid	(27,545)	(59,169)
Income tax paid	(5,101)	(90,660)
Net cash used in operating activities	(426,768)	(203,188)
Net cash used in investing activities	(45)	(61)
Net cash from/(used in) financing activities	549,999	(17,000)
Net increase/(decrease) in cash and cash equivalents	123,186	(220,249)
Cash and cash equivalents at beginning of the year	161,282	381,531
Exchange gains on cash and cash equivalents	—	—
Cash and cash equivalents at end of the year	284,468	161,282

(ii) BJCY

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Cash generated from/(used in) operations	736,715	(265,061)
Interest paid	(389,950)	(752,033)
Income tax paid	(29,736)	(11,281)
Net cash from/(used in) operating activities	317,029	(1,028,375)
Net cash used in investing activities	(2)	(218)
Net cash (used in)/from financing activities	(175,858)	1,161,107
Net increase in cash and cash equivalents	141,169	132,514
Cash and cash equivalents at beginning of the year	168,684	36,170
Exchange gains on cash and cash equivalents	—	—
Cash and cash equivalents at end of the year	309,853	168,684

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	
	2020	2019
	RMB'000	<i>RMB'000</i>
Associates	240,012	29,302
Joint ventures	301,841	434,679
	541,853	463,981

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

	For the year ended 31 December	
	2020	2019
	RMB'000	<i>RMB'000</i>
Associates	162,180	15,039
Joint ventures	14,085	172,430
	176,265	187,469

(a) Investments in associates

	2020	2019
	RMB'000	<i>RMB'000</i>
At 1 January	29,302	65,524
Additions	48,530	–
Share of net profit accounted for using the equity method	162,180	15,039
Dividends paid	–	(51,261)
At 31 December	240,012	29,302

Set out below is the associate of the Group as at 31 December 2020, 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%	Note (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	
	2020	2019
	RMB'000	RMB'000
Current		
Cash	300,780	758,433
Other current assets (excluding cash)	354,176	2,491,181
Total current assets	654,956	3,249,614
Financial liabilities (excluding trade payables)	11,997	130,544
Other current liabilities (including trade payables)	300,783	3,172,559
Total current liabilities	312,780	3,303,103
Non-current		
Assets	152	40,391
Net assets/(liabilities)	342,328	(13,098)

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	3,099,702	166
Depreciation and amortisation	(21)	(13)
Interest income	3,406	439
Interest expense	(50)	(2,185)
Profit/(loss) before income tax expense	511,663	(36,608)
Income tax (expenses)/credit	(156,237)	8,872
Post-tax profit/(loss)	355,426	(27,736)
Other comprehensive income	-	-
Total comprehensive income/(loss)	355,426	(27,736)
Dividends received from the associate	-	-

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.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Opening net (liabilities)/assets	(13,098)	14,638
Profit/(loss) for the year	355,426	(27,736)
Closing net assets/(liabilities)	342,328	(13,098)
Interest in the associate (49%) (<i>Note</i>)	167,741	-
Adjusted for eliminations resulting from downstream transactions	-	-
Carrying value	167,741	-

Note:

As at 31 December 2019, the Group had shared the loss of WXCW only up to the extent that the Group's business interest in WXCW was reduced to zero as the Group has not incurred any legal or constructive obligations to recognise additional losses.

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.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Aggregate carrying amount of the immaterial associates	72,271	29,302
Aggregate amounts of the Group's share of: Post-tax (loss)/profit	(5,560)	15,039
Other comprehensive income	–	–
Total comprehensive (loss)/income	(5,560)	15,039

(b) Investments in joint ventures

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January	434,679	262,249
Additions	28,077	–
Share of net profit accounted for using the equity method	14,085	172,430
Dividends paid	(175,000)	–
At 31 December	301,841	434,679

Set out below is the joint venture of the Group as at 31 December 2020, 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 ("WXSJ") 無錫北辰盛陽置業有限公司	Wuxi, the PRC	40%	Note (i)	Equity

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

As at 31 December 2020 and 2019, 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.

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 2020 RMB'000	2019 RMB'000
Current		
Cash	699,607	992,795
Other current assets (excluding cash)	3,017,455	1,769,009
Total current assets	3,717,062	2,761,804
Financial liabilities (excluding trade payables)	13,774	573,071
Other current liabilities (including trade payables)	3,069,500	1,600,407
Total current liabilities	3,083,274	2,173,478
Non-current		
Liabilities	527,074	553,072
Net assets	106,714	35,254

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	
	2020	2019
	RMB'000	RMB'000
Revenue	383,922	1,481,368
Depreciation and amortisation	(72)	(170)
Interest income	5,636	5,996
Interest expense	(98)	(3,733)
Profit before income tax expense	97,704	58,731
Income tax expense	(26,244)	(5,123)
Post-tax profit	71,460	53,608
Other comprehensive income	–	–
Total comprehensive income	71,460	53,608
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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Opening net assets/(liabilities)	35,254	(18,354)
Profit for the year	71,460	53,608
Closing net assets	106,714	35,254
Interest in the joint venture (40%) (<i>Note</i>)	42,686	14,102
Adjusted for eliminations resulting from downstream transactions	(41,609)	(14,102)
Carrying value	1,077	–

Note:

As at 31 December 2019, the Group had share the loss of WXSJ only up to the extent that the Group's interest WXSJ was reduced to zero as the Group had not incurred any legal or constructive obligations to recognise additional losses.

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.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Aggregate carrying amount of the immaterial joint ventures (<i>note</i>)	300,764	434,679
Aggregate amounts of the Group's share of: Post-tax profit	13,008	172,430
Total comprehensive income	13,008	172,430

Note:

As at 31 December 2020, the immaterial joint ventures with carrying amounts of RMB280,208,000 (2019: RMB434,679,000) 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 2020 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	
	2020	2019
	RMB'000	RMB'000
Financial assets at amortised cost		
Trade receivables (Note 12)	153,890	55,241
Other receivables (b) (Note 12)	2,430,515	4,149,761
Restricted bank deposits (Note 16)	2,248,986	3,035,938
Cash and cash equivalents (Note 17)	10,796,488	11,775,741
	15,629,879	19,016,681
Financial liabilities	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Liabilities at amortised cost		
Trade and other payables and loans/advances from other parties (c)	17,722,863	16,030,054
Borrowings (Note 23)	27,998,552	29,684,863
	45,721,415	45,714,917

- (a) The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.
- (b) The above other receivables comprise receivables due from related parties, receivables due from subsidiaries of CIFIL, 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					
	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables (a)	2,312,203	272,202	2,584,405	4,034,519	170,483	4,205,002
Prepayments (b)	2,793,433	55,513	2,848,946	3,270,247	129,480	3,399,727
	5,105,636	327,715	5,433,351	7,304,766	299,963	7,604,729

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	2020 Non-current RMB'000	Total RMB'000	Current RMB'000	2019 Non-current RMB'000	Total RMB'000
Trade receivables (i)	191,398	–	191,398	94,485	–	94,485
Less: provision for impairment of trade receivables	(37,507)	–	(37,507)	(39,244)	–	(39,244)
Trade receivables – net	153,891	–	153,891	55,241	–	55,241
Receivables due from related parties (Note 36(x))	316	161,205	161,521	2,658	–	2,658
Receivables due from subsidiaries of CIFI (Note 36(x))	979,900	–	979,900	1,255,900	–	1,255,900
Receivables due from non-controlling interests	860,685	–	860,685	1,713,426	–	1,713,426
Deposits paid to local government authority for land bidding	–	–	–	758,110	–	758,110
Other receivables	335,403	111,717	447,120	271,812	171,340	443,152
	2,176,304	272,922	2,449,226	4,001,906	171,340	4,173,246
Less: provision for impairment of other receivable	(17,992)	(720)	(18,712)	(22,628)	(857)	(23,485)
Other receivables – net	2,158,312	272,202	2,430,514	3,979,278	170,483	4,149,761
	2,312,203	272,202	2,584,405	4,034,519	170,483	4,205,002

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 2020 and 2019, the ageing analysis of the trade receivables were as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
0 – 30 days	28,695	26,792
31 – 90 days	3,334	27,435
Over 90 days	159,369	40,258
	191,398	94,485

(b) Prepayments

	As at 31 December					
	2020		2019			
	Current	Non-current	Total	Current	Non-current	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Prepaid land use rights consideration	–	–	–	148,500	–	148,500
Prepaid tax	2,728,909	–	2,728,909	3,062,045	–	3,062,045
Prepaid costs to obtain customer contracts	–	59,086	59,086	–	129,480	129,480
Other prepayments	64,524	–	64,524	59,702	–	59,702
	2,793,433	59,086	2,852,519	3,270,247	129,480	3,399,727
Less: provision for impairment of prepayments	–	(3,573)	(3,573)	–	–	–
	2,793,433	55,513	2,848,946	3,270,247	129,480	3,399,727

Notes to the Consolidated Financial Statement (Continued)

13. PROPERTIES UNDER DEVELOPMENT

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
As at 1 January	55,341,162	51,244,333
Addition	10,507,216	14,846,997
Transfer to completed properties held-for-sale (<i>Note 14</i>)	(21,445,288)	(9,290,005)
Transfer to cost of sales in connection with those property sales revenue as recognised over time	(631,995)	(697,684)
Transfer to investment property and owner-occupied property	(720,840)	–
Impairment	(623,070)	(762,479)
As at 31 December	42,427,185	55,341,162

	As at 31 December 2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Land use rights	31,132,544	38,956,572
Development costs and capitalised expenditure	8,984,511	12,532,509
Finance expenses capitalised	3,550,806	4,850,887
Less: impairment	(1,240,676)	(998,806)
As at 31 December	42,427,185	55,341,162

	As at 31 December 2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Land use rights:		
In PRC, held on leases of:		
Between 40 – 50 years	7,417,071	7,172,599
Over 50 years	23,715,473	31,783,973
As at 31 December	31,132,544	38,956,572

As at 31 December 2020, certain properties under development with net book value of RMB15,125,097,000 (2019: RMB21,480,428,000) are pledged as securities for bank and other borrowings (*Note 23*).

As at 31 December 2020, 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 RMB24,991,786,000 (2019: RMB38,213,801,000). 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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
As at 1 January	5,342,597	9,102,815
Transfer from properties under development (<i>Note 13</i>)	21,445,288	9,290,005
Transfer to investment properties	–	(1,624,984)
Transfer to cost of sales	(12,522,956)	(11,239,411)
Impairment	(267,908)	(1,125)
Others (<i>note</i>)	(25,086)	(184,703)
As at 31 December	13,971,935	5,342,597

Note:

Others represent the amounts adjusted arising from the difference between the final settled costs and the estimated costs originally recognised according to the budget.

	As at 31 December 2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Land use rights	3,336,326	2,017,788
Development costs and capitalised expenditure	10,514,491	2,907,563
Finance expenses capitalised	473,187	419,892
Less: impairment	(352,069)	(2,646)
	13,971,935	5,342,597

	As at 31 December 2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Land use rights:		
In PRC, held on leases of:		
Between 40 – 50 years	576,103	347,388
Over 50 years	2,760,223	1,670,400
	3,336,326	2,017,788

As at 31 December 2020, properties held for sale with carrying amounts of RMB2,774,641,000 (2019: Nil) were pledged as securities for bank borrowings (*Note 23*).

Notes to the Consolidated Financial Statement (Continued)

15. OTHER INVENTORIES

	As at 31 December	
	2020	2019
	RMB'000	<i>RMB'000</i>
Goods for resale	21,206	29,232
Consumables	19,632	21,090
Less: provision for inventories	(244)	(794)
	40,594	49,528

The cost of inventories recognised as expense and included in cost of sales amounted to RMB221,625,000 (2019: RMB221,475,000).

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	
	2020	2019
	RMB'000	<i>RMB'000</i>
Cash at bank and on hand	6,580,539	7,225,741
Short-term bank deposits (a)	4,250,000	4,550,000
	10,830,539	11,775,741
Maximum exposure to credit risk	10,829,610	11,774,864

- (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% (2019: from 1.50% 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	
	2020	2019
	RMB'000	<i>RMB'000</i>
Renminbi	10,822,454	11,767,817
US dollar	5,307	5,681
HK dollar	1,526	1,635
EUR dollar	1,252	608
	10,830,539	11,775,741

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	
	2020	2019
	RMB'000	<i>RMB'000</i>
Registered, issued and fully paid	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 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)
Partial disposal of subsidiaries without a change in control (note)	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
At 1 January 2019	3,372,229	877,962	161,468	89,943	4,501,602	11,747,590
Profit for the year	-	-	-	-	-	1,788,709
2018 final dividends	-	-	-	-	-	(404,042)
Appropriation of statutory reserves	-	64,746	-	-	64,746	(64,746)
Revaluation of properties newly transferred to investment properties, net of tax	-	-	-	206,515	206,515	-
Remeasurement of post- employment benefit obligations	-	-	-	619	619	-
At 31 December 2019	3,372,229	942,708	161,468	297,077	4,773,482	13,067,511

Notes to the Consolidated Financial Statement (Continued)

19. RESERVES AND RETAINED EARNINGS (CONTINUED)

Note:

In 2020, certain wholly-owned subsidiaries have issued shares to third parties, that do not result in a change in control of the subsidiaries. The differences between the amount by which the non-controlling interests were adjusted and the fair value of the considerations received were recognised in equity.

- (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 2020 and 2019.

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.

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 2020 is net of the accrued distribution payments of RMB143,530,000 (2019: RMB116,859,000).

Notes to the Consolidated Financial Statement (Continued)

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

	As at 31 December					
	2020			2019		
	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)	10,386,752	–	10,386,752	10,599,741	–	10,599,741
Loans/advances from other parties (b)	5,210,695	2,658,262	7,868,957	4,524,262	1,434,826	5,959,088
	15,597,447	2,658,262	18,255,709	15,124,003	1,434,826	16,558,829

(a) Trade and other payables

	As at 31 December					
	2020			2019		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Trade payables	7,055,136	–	7,055,136	6,682,732	–	6,682,732
Prepaid rental income from tenants	230,349	–	230,349	239,102	–	239,102
Dividends payable to non-controlling interests of subsidiaries	1,162	–	1,162	17,162	–	17,162
Amounts due to subsidiaries of CIFI (Note 36(x))	54,924	–	54,924	98,123	–	98,123
Amounts due to related parties (Note 36(x))	5,681	–	5,681	5,780	–	5,780
Employee termination benefit obligations current portion	7,604	–	7,604	6,981	–	6,981
Other tax payable	1,701,927	–	1,701,927	2,206,587	–	2,206,587
Other payables	1,329,969	–	1,329,969	1,343,274	–	1,343,274
	10,386,752	–	10,386,752	10,599,741	–	10,599,741

At 31 December 2020 and 2019, 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	
	2020 RMB'000	2019 RMB'000
0 – 180 days	2,674,492	3,210,242
181 – 365 days	1,630,539	814,286
Over 365 days	2,750,105	2,658,204
	7,055,136	6,682,732

Notes to the Consolidated Financial Statement (Continued)

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

(b) Loans/advances from other parties

	As at 31 December			2019		Total RMB'000
	Current RMB'000	2020 Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	
Loans from non-controlling interests (i)	3,198,056	1,068,872	4,266,928	3,047,121	465,826	3,512,947
Loans from a third party contractor (ii)	612,298	136,390	748,688	701,298	-	701,298
Loan from a third party (iii)	18,358	-	18,358	18,358	-	18,358
Loans from BNSIGC	500,000	500,000	1,000,000	-	-	-
Commercial mortgage backed securities ("CMBS") issued by a subsidiary of the Company (iv)	16,000	953,000	969,000	16,000	969,000	985,000
Advances from non-controlling interests	101,323	-	101,323	152,475	-	152,475
Advances from related parties (Note 36(x))	764,660	-	764,660	589,010	-	589,010
	5,210,695	2,658,262	7,868,957	4,524,262	1,434,826	5,959,088

- (i) Loans from non-controlling shareholders of subsidiaries ("non-controlling interests") are all unsecured loans. Except for loan amounts of RMB104,810,000 (2019: RMB104,810,000) which have no fixed terms of repayment, RMB7,400,000 is repayable by installment within 6 months and RMB8,800,000 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 RMB3,757,957,000, RMB404,161,000 and RMB104,810,000 (2019: RMB2,793,277,000, RMB614,860,000 and RMB104,810,000) bear interests at fixed rates of 6.5%, 7% and 10.5% (2019: 6.5%, 7% and 10.5%) per annum respectively.

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

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 (2019: the loan amounts of RMB701,298,000 is repayable in November 2020).

- (iii) The loan is unsecured, bears interests of a fixed rate of 7.0% per annum and has no fixed terms of repayment.

- (iv) On 20 December 2018, NSREG issued CMBS of RMB1,050,000,000, which has a term of 18 years and are divided into senior tranche A, 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. The senior tranches A and B of the CMBS were guaranteed by the Group. In 2020, the Group repaid RMB16,000,000 (2019: RMB15,000,000) according to the payment schedule.

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 2020 RMB'000	2019 RMB'000
Income tax payable	490,219	583,373
Land appreciation tax payable	1,919,123	2,444,723
	2,409,342	3,028,096

23. BORROWINGS

	As at 31 December 2020 RMB'000	2019 RMB'000
Non-current		
Long term borrowings		
– Secured and guaranteed borrowings (a)	22,857,290	23,551,983
– Unsecured borrowings	122,200	274,950
– 5 year bonds of 2015 (b)	–	600,022
– 7 year bonds of 2015 (b)	1,495,129	1,494,971
– 5 year bonds of 2016 (b)	359,258	356,668
– 5 year medium term notes of 2017 (b)	1,116,267	1,314,638
– 5 year bonds of 2019 (b)	1,193,430	1,191,631
– 5 year bonds of 2020 (b)	596,045	–
– 2 year medium term notes of 2020 (b)	258,933	–
	27,998,552	28,784,863
Less: current portion of long term borrowings	(5,625,326)	(6,738,185)
	22,373,226	22,046,678
Current		
Short term borrowings		
– Guaranteed short term borrowings	–	100,000
– Unsecured short term borrowings	–	800,000
Current portion of long term borrowings	5,625,326	6,738,185
	5,625,326	7,638,185
Total borrowings	27,998,552	29,684,863

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS (CONTINUED)

- (a) Secured and guaranteed borrowings

Secured borrowings

As at 31 December 2020, long term borrowings of RMB15,086,730,000 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) (2019: long term borrowings of RMB15,737,585,000 were secured by certain right-use-of assets (Note 6), investment properties (Note 7), property, plant and equipments (Note 8) and properties under development (Note 13)). Out of these secured borrowings, borrowings of RMB3,891,333,000 (2019: RMB4,178,444,000) are guaranteed by BNSIGC (Note 36(xii)) and borrowings of RMB1,141,400,000 as at 31 December 2019 were additionally guaranteed by the non-controlling shareholder of certain subsidiaries.

Guaranteed borrowings

As at 31 December 2020, long term borrowings of RMB7,770,560,000 (2019: RMB7,398,000,000) obtained by certain subsidiaries are unsecured and guaranteed by the Company and borrowings of RMB416,398,000 as at 31 December 2019 was unsecured and guaranteed by a subsidiary.

- (b) On 20 January 2015, the Company issued corporate bonds amounting to RMB2,500,000,000. Among which, corporate bonds of RMB1,000,000,000 has a term of 5 years ("5 year bonds"), carried a coupon rate of 4.8% per annum and also embedded a put option at the end of the third year. On 22 January 2018, the investors put to sell back 5 year bonds of RMB400,798,000 to Company and the remaining 5 year bonds carry an interest rate of 5.65% per annum, and the Company had fully paid the 5 year bonds on 20 January 2020. 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 are 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 is fully repayable on 21 April 2021.

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.

- (c) The Group's borrowings mature until 2031 and bonds mature until 2025. As at 31 December 2020 and 2019, the Group's borrowings were repayable as follows:

	Bank borrowings As at 31 December		Other borrowings As at 31 December		Corporate bonds and medium term notes As at 31 December	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Within 1 year	2,310,068	3,099,554	2,956,000	1,129,000	359,258	3,409,631
Between 1 and 2 years	1,883,697	3,257,159	5,181,000	2,979,000	4,063,759	356,668
Between 2 and 5 years	3,193,315	3,574,163	4,768,000	7,325,000	596,045	1,191,631
Over 5 years	1,701,410	2,375,057	986,000	988,000	–	–
	9,088,490	12,305,933	13,891,000	12,421,000	5,019,062	4,957,930

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS (CONTINUED)

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

	As at 31 December	
	2020	2019
Bank and other long term borrowings	6.10%	5.90%
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%	–
2 year medium term notes of 2020	4.02%	–

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
– expiring within one year	1,420,456	519,710
– expiring between one and five years	4,210,002	6,019,677
– expiring over five years	2,502,846	2,611,255
	8,133,304	9,150,642

(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	
	2020	2019
	RMB'000	RMB'000
6 months or less	10,097,308	13,435,053
between 6 and 12 months	690,351	1,564,200
between 1 and 5 years	16,126,816	13,623,000
over 5 years	1,084,077	1,062,610
	27,998,552	29,684,863

Notes to the Consolidated Financial Statement (Continued)

23. BORROWINGS (CONTINUED)

- (g) The fair values of the long term borrowings are not materially different from their carrying amounts.
- (h) All borrowings are denominated in Renminbi.

24. DEFERRED INCOME TAX

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred income tax assets:		
– To be recovered after more than 12 months	1,149,432	1,096,585
– To be recovered within 12 months	114,473	243,628
	1,263,905	1,340,213
Deferred income tax liabilities:		
– To be settled after more than 12 months	(2,121,516)	(2,156,777)
Deferred income tax liabilities-net	(857,611)	(816,564)

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

	2020	2019
	RMB'000	RMB'000
At 1 January	(816,564)	(1,139,426)
(Charged)/credited the income statement (<i>Note 29</i>)	(39,439)	391,700
Charged to other comprehensive income	–	(68,838)
Deemed disposal of a subsidiary (<i>Note 26</i>)	(1,608)	–
At 31 December	(857,611)	(816,564)

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 2019	33,353	67,185	764,102	864,640
Credited/(charged) to profit or loss	7,844	(571)	468,300	475,573
At 31 December 2019	41,197	66,614	1,232,402	1,340,213
Credited/(charged) to profit or loss	52,007	(23,299)	(96,048)	(67,340)
Deemed disposal of a subsidiary (<i>Note 26</i>)	–	–	(1,608)	(1,608)
At 31 December 2020	93,204	43,315	1,134,746	1,271,265

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 2019	(1,338,683)	(665,383)	–	(2,004,066)
Charged to profit or loss	(37,914)	(45,959)	–	(83,873)
Charged to other comprehensive income	(68,838)	–	–	(68,838)
At 31 December 2019	(1,445,435)	(711,342)	–	(2,156,777)
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)

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 recognise deferred income tax assets of RMB248,574,000 (2019: RMB111,848,000) in respect of losses amounting to RMB994,295,000 (2019: RMB447,391,000) that can be carried forward against future taxable income, these tax losses will expire in the period from 2021 to 2025 as follows:

Year ending 31 December					
2021	2022	2023	2024	2025	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
8,035	11,158	119,596	365,682	489,824	994,295

- (b) Following the outbreak of Coronavirus Disease 2019 and the continuous strict control in the real estate industry in 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 RMB35,721,000 were derecognised in 2020.

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	
	2020	2019
	RMB'000	RMB'000
Depreciation of property, plant and equipment and right-of-use assets	155,297	158,552
Provision of impairment for properties (<i>Notes 13 and 14</i>)	890,978	763,604
Provision of prepaid costs to obtain customer contracts	3,573	–
Employee benefit expense (<i>Note 27</i>)	919,124	1,035,735
Advertising costs	125,745	126,396
Cost of properties sold	12,607,527	11,722,304
Cost of consumables used	221,625	221,475
Taxes and levies (other than income tax expenses)	338,964	428,580
Office and consumable expenses	84,565	145,549
Properties management fees	111,041	92,474
Energy and utilities expenses	103,960	132,142
Consulting and service expenses	329,191	335,933
Repair and maintenance expenses	82,586	98,896
Short-term leases	15,859	39,462
Auditor's remuneration	7,240	7,240
Exhibition construction fee (<i>note</i>)	104,234	15,364
Others	51,001	60,021
	16,152,510	15,383,727

Notes to the Consolidated Financial Statement (Continued)

25. EXPENSES BY NATURE (Continued)

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 2020 China International Fair for Trade in Services" (2020年中國國際服務貿易交易會) as held in in the Group's investment properties in September 2020.

26. OTHER INCOME AND GAINS – NET

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Gain from the liquidation of a subsidiary	5,017	–
Gain on deemed disposal of a subsidiary (note)	45,811	–
Loss on disposal of property, plant and equipment and investment properties	(5,205)	(6,106)
Donation	(3,250)	(8,460)
Government grants	25,615	23,114
Penalty and compensation income	17,190	15,738
Penalty and compensation expense	(18,487)	(4,568)
Gain from revaluation of investment properties as transferred from completed properties held-for-sales	–	5,016
Interest income on loans to an associate and a joint venture	–	2,167
Others	4,329	11,137
	71,020	38,038

Note:

In April 2020, a wholly-owned subsidiary of the Group, Wuhan Jinchenyingchuang Real Estate Co., Limited ("WHJCYC"), had issued a total of 25,500,000 subscription shares to a third party company named 金宏智達(武漢)置業有限公司(the "new joint venture partner") at the aggregate subscription price of RMB26,670,000 (the "Subscription"). The aforesaid subscription shares represent 51% of the total number of shares in issue of WHJCYC.

Upon completion of the Subscription on 30 April 2020, the Group's interest in WHJCYC has been diluted to 49% and the Group no longer has the control over WHJCYC as the key financial and operating decisions of WHJCYC are now jointly controlled by the Group and the new joint venture partner. Accordingly, the Group has accounted for its remaining 49% equity interest in WHJCYC as investment in a joint venture since then.

The Group's retained interest in WHJCYC is measured to its fair value with the change in carrying amount recognised in profit or loss. As a result, a gain of RMB45,811,000 has been recognised in profit or loss for the year ended 31 December 2020.

Notes to the Consolidated Financial Statement (Continued)

26. OTHER INCOME AND GAINS – NET (CONTINUED)

The assets and liabilities derecognised due to the deemed disposal of WHJCYC are summarised as below:

	As at 30 April 2020 RMB'000
Cash and cash equivalents	158,722
Trade and other receivables and prepayments	34,924
Properties under development	1,037,953
Property, plant and equipment	34
Deferred income tax assets	1,608
Current income tax liabilities	(2,860)
Trade and other payables	(7,589)
Contract liabilities	(285,876)
Loans from a related party	(957,100)
Net liabilities derecognised	(20,184)

27. EMPLOYEE BENEFIT EXPENSE

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages and salaries	812,763	836,951
Social security costs	212,314	232,690
Retirement benefit costs – defined contribution plans (a)	35,574	108,198
	1,060,651	1,177,839
Less: capitalised in properties under development	(141,527)	(142,104)
	919,124	1,035,735

(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 2020 (2019: Nil) to reduce future contributions.

Contribution totaling RMB7,711,000 (2019: RMB9,418,000) were payable to the funds at the year end.

Notes to the Consolidated Financial Statement (Continued)

27. EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Five highest paid individuals

During the year ended 31 December 2020, one director (whose emolument is reflected in the analysis shown in Note 38) is one of the five individuals whose emoluments were the highest in the Group for the year (2019: nil). The emoluments payable to the remaining four (2019: the remaining five) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Basic salaries and other allowances	4,002	5,521
Employer's contribution to retirement benefit scheme	133	372
	4,135	5,893

The emolument fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2020	2019
Emolument bands		
RMB nil – RMB842,000 (equivalent to HK\$ Nil – HK\$1,000,000)	3	–
Over RMB842,000 – RMB1,262,000 (equivalent to HK\$1,000,000 – HK\$1,500,000)	–	5
Over RMB1,262,000 (equivalent to over HK\$1,500,000)	1	–

- (c) During the year ended 31 December 2020, 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 (2019: Nil). No directors waived or agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

Notes to the Consolidated Financial Statement (Continued)

28. FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Interest expenses:		
– bank and other borrowings	(1,882,690)	(1,985,338)
– bonds and medium term notes	(279,489)	(262,556)
	(2,162,179)	(2,247,894)
Less: amounts capitalised in properties under development and hotel properties at a capitalisation rate of 6.29% (2019: 6.17%) per annum	1,695,457	1,700,573
	(466,722)	(547,321)
Bank charges and others	(5,824)	(4,499)
Finance expenses	(472,546)	(551,820)
Finance income – interest income	172,289	137,298
Finance expenses – net	(300,257)	(414,522)

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% (2019: 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	
	2020 RMB'000	2019 RMB'000
Current income tax		
– PRC enterprise income tax	509,216	1,394,938
– PRC land appreciation tax	493,728	1,576,250
Deferred income tax (Note 24)	39,439	(391,700)
	1,042,383	2,579,488

Notes to the Consolidated Financial Statement (Continued)

29. INCOME TAX EXPENSES (CONTINUED)

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

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit from continuing operations before income tax expense	1,512,580	4,681,368
Loss from discontinued operation before income tax expense	–	(6,421)
	1,512,580	4,674,947
Less: share of net profit of investments accounted for using the equity method	(176,265)	(187,469)
	1,336,315	4,487,478
Tax calculated at the statutory tax rate of 25% (2019: 25%)	334,079	1,121,870
Expenses not deductible for tax purposes	10,667	7,384
Tax losses not recognised	122,456	77,378
Temporary differences not recognised	169,552	190,893
Effect of the land appreciation tax in the PRC	370,296	1,182,188
Utilisation of previously unrecognised tax losses	(388)	(225)
Derecognition of deferred income tax assets (<i>Note 24(b)</i>)	35,721	–
Income tax expenses	1,042,383	2,579,488

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 2020 and 2019.

	Year ended 31 December	
	2020	2019
Profit attributable to ordinary shareholders of the Company (<i>RMB'000</i>)	21,658	1,788,709
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>)	0.64	53.12
From continuing operations	0.64	53.31
From discontinued operations	–	(0.19)

Notes to the Consolidated Financial Statement (Continued)

31. DIVIDENDS

The dividends paid in 2020 are RMB505,053,000 (2019: RMB404,042,000). Proposed dividends of 2020 and 2019 were as follows:

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interim dividend paid	–	–
2020 proposed final dividend of RMB0.03 (2019: RMB0.15) per share	101,011	505,053
	101,011	505,053

The Board recommended the payment of a 2020 final dividend of RMB0.03 per ordinary share. Total amount of the 2020 final dividend would be RMB101,011,000 which is calculated according to the ordinary shares in issue as of 31 December 2020. Such dividend is subject to approval by the shareholders at the 2020 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	
	2020 RMB'000	2019 RMB'000
Profit before income tax (net of loss from discontinued operation)	1,512,580	4,674,947
Adjustments for:		
– Loss allowance for receivables	(6,510)	28,135
– Impairment for properties under development and completed properties held-for-sale (Notes 13 and 14)	890,978	763,604
– Impairment for prepaid costs to obtain customer contracts (Notes 12)	3,573	–
– Depreciation of property, plant and equipment and right-of-use assets	155,297	158,552
– Gain on deemed disposal of a subsidiary (Note 26)	(45,811)	–
– Gain from the liquidation of a subsidiary (Note 26)	(5,017)	–
– Fair value losses/(gains) on investment properties	294,452	(146,641)
– Loss on disposal of property, plant and equipment and investment properties	5,205	6,197
– Gain from revaluation of investment properties as transferred from completed properties held-for-sales	–	(5,016)
– Interest income on loans to an associate and a joint venture	–	(2,167)
– Interest income	(172,289)	(137,298)
– Interest expense	466,722	547,321
– Share of net profit of investments accounted for using the equity method	(186,427)	(187,469)
Operating profit before working capital changes	2,912,753	5,700,165
Changes in working capital:		
– Decrease/(increase) in restricted bank deposits	679,250	(1,131,120)
– Decrease/(increase) in other inventories	8,934	(1,976)
– Decrease/(increase) in properties under development and completed properties held for sale, net	3,330,325	(1,024,626)
– Decrease in trade and other receivables	923,462	908,012
– Decrease in trade and other payables	(20,051)	(496,208)
– Decrease in contract liabilities	(6,404,323)	(1,964,567)
Cash generated from operations	1,430,350	1,989,680

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							
	Borrowing due within 1 year RMB'000	Borrowing due after 1 year 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	Total RMB'000
At 1 January 2020	(7,638,185)	(22,046,678)	(4,385,078)	(985,000)	(589,010)	–	(35,643,951)
Cash flows	2,014,630	(319,789)	(738,675)	16,000	(350,650)	(1,000,000)	(378,484)
Amortisation of the bonds	(1,771)	(6,759)	–	–	–	–	(8,530)
Non-cash financing activities (Note 32(c))	–	–	(11,544)	–	175,000	–	163,456
At 31 December 2020	(5,625,326)	(22,373,226)	(5,135,297)	(969,000)	(764,660)	(1,000,000)	(35,867,509)

Liabilities from financing activities							
	Borrowings due within 1 year RMB'000	Borrowings due after 1 year 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	Total RMB'000	
At 1 January 2019	(8,491,618)	(19,768,944)	(5,196,356)	(1,000,000)	(553,587)	(35,010,505)	
Cash flows	860,003	(2,274,159)	1,010,146	15,000	(35,423)	(424,433)	
Amortisation of the bonds	(6,570)	(3,575)	–	–	–	(10,145)	
Non-cash financing activities (Note 32(c))	–	–	(198,868)	–	–	(198,868)	
At 31 December 2019	(7,638,185)	(22,046,678)	(4,385,078)	(985,000)	(589,010)	(35,643,951)	

(b) Major non-cash investing or financing activities

- (i) During the year ended 31 December 2020, the Group's dividends receivables from a joint venture of RMB175,000,000 (2019 Nil) have been offset against the amounts due to the joint venture.
- (ii) During the year ended 31 December 2020, the interests payable on loans from minority interests of approximately RMB11,544,000 (2019: RMB198,868,000) has been converted as part of the loan principal owing to the minority interests.
- (iii) During the year ended 31 December 2020, the Group's dividends payable to the non-controlling interests of RMB296,000,000 (2019: Nil) have been offset against the amounts due from the non-controlling interests.
- (iv) 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.

Notes to the Consolidated Financial Statement (Continued)

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 RMB17,950,665,000 as at 31 December 2020 (2019: RMB18,439,722,000).

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

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

34. COMMITMENTS

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Properties under development		
– Contracted but not provided for	9,328,273	10,390,505
– Authorised but not contracted for	6,729,734	12,023,029
	16,058,007	22,413,534

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Investment properties and hotel properties		
– Contracted but not provided for	694,524	105,516
– Authorised but not contracted for	425,775	763,519
	1,120,299	869,035

- (b) At 31 December 2020 and 2019, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as lessor as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Rental receivables in respect of investment properties		
Not later than one year	799,785	844,818
Later than one year and not later than five years	906,079	951,637
Later than five years	664,450	690,766
	2,370,314	2,487,221

Notes to the Consolidated Financial Statement (Continued)

35. TERMINATION BENEFITS

	As at 31 December			2019		
	Current RMB'000	2020 Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Termination benefits	7,604	114,240	121,844	6,981	125,671	132,652

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	
	2020 RMB'000	2019 RMB'000
Present value of unfunded obligations	121,844	132,652

The significant actuarial assumptions were as follows:

	2020	2019
	Beijing	Beijing
Discount rate	2.75%-3.50%	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 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

Notes to the Consolidated Financial Statement (Continued)

35. TERMINATION BENEFITS (CONTINUED)

	Change in assumption 2019	Impact on defined benefit obligation	
		Increase in assumption 2019	Decrease in assumption 2019
		<i>RMB'000</i>	<i>RMB'000</i>
Discount rate	One percentage point	Decrease by 18,373	Increase by 24,711
Salary growth rate	One percentage point	Increase by 1,364	Decrease by 1,315

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 2020 and 2019, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government (collectively the "government controlled entities") mainly include the drawdown of bank borrowings and purchases of certain goods and services from these government controlled entities. The transactions with the government controlled entities are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

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

For the years ended 31 December 2020 and 2019, 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 addition to the above-mentioned transactions with the government related entities and the related party information shown elsewhere in these consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year and balances arising from related party transactions at the end of the year indicated below:

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
BNSIGC (operating lease payment in respect of the Land) (Note a)	–	12,320
BNSIGC (rental income)	900	900
Beijing North Star Exhibition Investment Co., Ltd. (“BNSEIC”) (rental income)	4,893	4,039
BNSEIC (internet service income)	890	943
Beijing International Exhibition Center (rental income)	1,827	–
BNSIGC (brand royalty fee)	10	10
XZHK (project management consulting service fee)	–	6,606
SHXZ (project construction service fee)	–	28,528
Beijing Asia Olympic Technology Co.,Ltd (“KCYA”) (purchases of various goods and services)	13,161	11,280
HFXH (project management consulting service fee)	10,943	–
	32,624	64,626

- (a) As at 31 December 2020, certain of the Group’s investment properties and hotel properties with carrying amounts of RMB865,096,000 (2019: RMB791,053,000) are erected on a piece of land (located in Beijing, the PRC) (the “Land”) as leased from BNSIGC (as the legal owner of the Land) (the “Leases”) at an annual rental of RMB16 million pursuant to the long-term lease agreement and a supplemental lease agreement as entered into between the Company and BNSIGC dated 18 April 1997 and 28 July 2003 respectively (collectively the “Lease Agreements”). The Lease Agreements were deemed as expired on 30 September 2019 based on the PRC Contract Law (effective 1 October 1999).

On 27 September 2019, the Company and BNSIGC have entered into an Asset Transfer Agreement pursuant to which the Company will acquire the Land from BNSIGC at a preliminary transfer price of approximately RMB4,739 million (tax exclusive) (which will be adjusted to the final transfer price as determined by reference to a valuation of the Land to be conducted by a qualified independent assets appraiser and to be approved by State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality (“Beijing SASAC”)) (the “Proposed Land Acquisition”).

Notes to the Consolidated Financial Statement (Continued)

36. RELATED PARTY TRANSACTIONS (CONTINUED)

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

As of the date of these consolidated financial statements, the Proposed Land Acquisition has not yet been completed, BNSIGC and the Company are seeking other solutions through negotiations and the final proposed solution has to be approved by the independent shareholders of the Company.

Prior to the shareholders' approval on the final proposed solutions, BNSIGC is obliged to continue leasing the Land to the Group at the same annual rental amount as set out in the Lease Agreements. On the condition that the aforesaid necessary approvals could be obtained, the directors of the Company estimated that execution of the proposed final solution can be completed prior to 31 December 2021 (the "Expected Completion Date"). Considering the Group will continue to lease the Land till the Expected Completion Date, for the year ended 31 December 2020, the Group has recognised a right-of-use asset of approximately RMB29,667,000(2019: RMB11,450,000) based on the requirements as set out in HKFRS 16. For the year ended 31 December 2020, the Group has paid rental of RMB 16,098,000 to BNSIGC for the use of the land.

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

(ii) Loans from BNSIGC and balance due to BNSIGC

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
At 1 January	–	–
Proceeds from loans	1,000,000	–
Interest accrued	12,581	–
Interest paid	(11,349)	–
At 31 December	1,001,232	–

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

As at 28 June 2020, the Company obtained a loan of RMB300,000,000 from BNSIGC, which is unsecured, bears interests at a fixed interest rate of 4.35% per annum, and is repayable on 27 June 2021.

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

Notes to the Consolidated Financial Statement (Continued)

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Advances to BNSEIC

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January	2,658	–
Advances during the year	1,141	2,658
Repayments	(3,799)	–
At 31 December	–	2,658

(iv) Project cooperation funds to associate and joint venture

The Group has provided project cooperation funds to its joint venture, WHJCYC and its associate, Guangzhou Guangyue Real Estate Co., Limited (“GZGY”) (2019: provided to its joint venture, WXSJ and its associate, WXCW).

Year ended 31 December 2020	WHJCYC (a) <i>RMB'000</i>	GZGY (b) <i>RMB'000</i>	Total <i>RMB'000</i>
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
	WXSJ	WXCW	Total
Year ended 31 December 2019	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2019	74,881	107,545	182,426
Repayments of project cooperation funds	(74,508)	(107,283)	(181,791)
Interest income accrued	931	976	1,907
Interest income received	(1,304)	(1,238)	(2,542)
At 31 December 2019	–	–	–

(a) As described in Note 26, the Group has deemed disposal of WHJCYC as at 30 April 2020, and the funds to WHJCYC were unsecured, bore interests at fixed rate of 6.5% per annum and were originally repayable by installments prior to December 2021. During the year ended 31 December 2020, WHJCYC has early repaid all of the remaining amount of the funds.

(b) The funds to GZGY are unsecured, bear interests at fixed rate of 6.5% per annum and are repayable by installments prior to June 2022.

Notes to the Consolidated Financial Statement (Continued)

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(v) Funds advanced to subsidiaries of CIFI

	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

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

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

(vi) 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”), WXSJ, and its associates, WXCW and Hangzhou Xufa Real Estate Co., Limited (“HZXF”).

	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

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

The funds advanced from 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)

- (vii) During the year ended 31 December 2020, the dividends payable to non-controlling interests XZHK and HFXH of RMB100,000,000 and RMB196,000,000 have been offset against the advances due from the non-controlling interests XZHK and HFXH, respectively.
- (viii) The Group's joint venture, HZJH, has declared a dividend of RMB700,000,000 on 21 December 2020, among which dividend of RMB175,000,000 is entitled by the Group and has been offset against the amounts due to the joint venture.

(ix) Key management compensation

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Salaries and other short-term employee benefits	16,689	16,955
Post-employment benefit	748	1,613
	17,437	18,568

(x) Balances arising from purchases of services and investment

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Trade and other receivables from related parties and subsidiaries of CIFI		
XZHK	705,000	805,000
HFXH	25,000	201,000
NJNK	249,900	249,900
GZGY	161,521	–
BNSEIC	–	2,658
	1,141,421	1,258,558
Trade and other payables to related parties and subsidiaries of CIFI		
BNSIGC	1,001,232	–
WHML	42,000	58,000
HZJH	137,500	312,500
HZCX	58,160	76,010
WXSJ	380,000	20,000
WXCW	147,000	122,500
NJNK	17,262	29,153
SHXZ	12,249	34,546
XZHK	25,413	34,424
KCYA	4,449	5,780
	1,825,265	692,913

Notes to the Consolidated Financial Statement (Continued)

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(xi) Lease liabilities

	As at 31 December	
	2020	2019
	RMB'000	<i>RMB'000</i>
BNSIGC (lease liability in respect of the Land <i>(Note 36(i) (a))</i>)	15,070	11,389

(xii) Accept financial guarantee

Pursuant to the agreements as entered into between BNSIGC and the Group, BNSIGC provides joint liability counter-guarantee for the Group's borrowings from Beijing Rural Commercial Bank, Beijing International Trust Company Limited and Industrial and Commercial Bank of China, which amounted to RMB812,000,000, RMB996,000,000 and RMB2,083,333,000 as at 31 December 2020 (2019: RMB1,086,000,000, RMB998,000,000 and RMB2,194,444,000), respectively.

(xiii) Provide financial guarantee

Pursuant to an agreement signed by the Company dated 24 May 2019, the Company provides joint liability counter-guarantee for the syndicated borrowings as drawdown by the joint venture, WXSJ, from Construction Bank of China and Bank of Jiangsu, which amounted to RMB211,800,000 as at 31 December 2020 (2019: 226,000,000).

Notes to the Consolidated Financial Statement (Continued)

37. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

<i>Note</i>	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS		
Non-current assets		
Loans to subsidiaries	12,490,989	17,118,867
Right-of-use assets	20,023	17,414
Investment properties	13,188,534	13,366,971
Property, plant and equipment	1,146,397	1,087,410
Investments in subsidiaries	6,591,197	6,515,697
Investments accounted for using the equity method	18,105	–
Deferred income tax assets	227,801	271,274
Other receivables and prepayment	172,983	–
	33,856,029	38,377,633
Current assets		
Loans to subsidiaries	11,764,782	8,391,783
Completed properties held for sale	969,085	1,232,871
Other inventories	37,275	45,057
Trade and other receivables and prepayments	265,912	166,897
Restricted bank deposits	9,873	9,860
Cash and cash equivalents	7,494,496	7,094,713
	20,541,423	16,941,181
Total assets	54,397,452	55,318,814

Notes to the Consolidated Financial Statement (Continued)

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

	<i>Note</i>	As at 31 December 2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Long term borrowings		14,773,129	12,523,516
Lease liabilities		9,244	10,855
Loans from other parties		500,000	–
Employee termination benefit obligations		114,240	125,671
Deferred income tax liabilities		2,072,237	2,103,027
		17,468,850	14,763,069
Current liabilities			
Trade and other payables		13,686,360	11,980,450
Advances from other parties		230,728	589,010
Contract liabilities		368,596	701,931
Current income tax liabilities		486,793	646,579
Lease liabilities		22,614	15,495
Current portion of long term borrowings		2,821,326	6,036,990
Short term borrowings		–	900,000
		17,616,417	20,870,455
Total liabilities		35,085,267	35,633,524
Net assets		19,312,185	19,685,290
EQUITY			
Equity attributable to owners of the Company			
Share capital		3,367,020	3,367,020
Other reserves		4,873,178	4,833,133
Retained earnings		8,441,607	8,854,757
Equity attributable to ordinary shareholders of the Company		16,681,805	17,054,910
Perpetual bond		2,630,380	2,630,380
Total equity		19,312,185	19,685,290

The balance sheet of the Company was approved by the Board of Directors on 24 March 2021 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 2019	8,482,902	4,561,253
Profit for the year	840,643	–
Dividends relating to 2018	(404,042)	–
Appropriation of statutory reserves	(64,746)	64,746
Other comprehensive income	–	207,134
At 31 December 2019	8,854,757	4,833,133
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)	35,895
Other comprehensive income	–	3,623
At 31 December 2020	8,441,607	4,872,651

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 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>
Executive directors:					
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
Non-executive directors:					
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.

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 2019:

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

39. EVENTS AFTER THE BALANCE SHEET DATE

- (a)** On 24 March 2021, the Board has resolved to recommend the payment of a final dividend of RMB0.03 per share for the year ended 31 December 2020 (2019: RMB0.15 per share).

Supplemental information

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the year ended 31 December 2020 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	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
As stated in accordance with CAS	270,975	1,653,949	17,049,146	17,368,058
Impact of HKFRS adjustments				
1. Reversal of depreciation of investment properties under CAS	115,052	137,877	1,919,769	1,804,717
2. Fair value adjustment of investment properties under HKFRS	(220,839)	113,742	4,444,779	4,665,618
As stated in accordance with HKFRS	165,188	1,905,568	23,413,694	23,838,393

Directors' Proposal on the Appropriation of Profit for the Year of 2020

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 24 March 2021, proposed that the appropriation of profit of the Company for the year of 2020 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 RMB0.03 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 Thursday, 27 May 2021. If the proposal is approved by the shareholders at the 2020 annual general meeting, the final dividend is expected to be paid on or before Friday, 23 July 2021. 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 2020 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:	Secretariat of the Board

COMPANY INFORMATION ENQUIRY

Address:	12th Floor, Tower A, Hui Xin Building No. 8 Bei Chen Dong Road Chao Yang District, Beijing, the PRC
Postal code:	100101
Telephone:	(8610) 6499 1277
Fax:	(8610) 6499 1352
Website:	www.beijingns.com.cn

Corporate Information (Continued)

REGISTRATION

Date and place of first registration:	2 April 1997, Beijing, the PRC
Creditability code	91110000633791930G

AUDITORS

<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
Address:	22/F, Prince's Building Central, Hong Kong
Telephone:	(852) 2289 8888
Fax:	(852) 2810 9888

Corporate Information (Continued)

LEGAL ADVISERS

<i>PRC lawyer:</i>	Beijing Da Cheng Solicitors Office
Address:	7th Floor, Building D Parkview Green FangCaoDi No. 9 Dongdaqiao Road Chaoyang District, Beijing the PRC
Postal code:	100020
Telephone:	(8610) 5813 7799
Fax:	(8610) 5813 7788
<i>Hong Kong lawyer:</i>	Woo Kwan Lee & Lo
Address:	26/F, Jardine House, 1 Connaught Place Central, Hong Kong
Telephone:	(852) 2847 7999
Fax:	(852) 2845 9225