



HKEx Stock Code: 0588
SSE Stock Code: 601588

2020 INTERIM REPORT



INTERIM REPORT

For the six months ended 30 June 2020

- Revenue was RMB3,348,745,000, representing a decrease of 60.83% over the same period last year
- Operating profit was RMB584,223,000, representing a decrease of 81.02% over the same period last year
- Profit attributable to the ordinary shareholders of the Company was RMB3,137,000, representing a decrease of 99.77% over the same period last year. Among others, the after-tax core operating results of the Company's principal business (excluding losses arising from the changes in fair value) were RMB125,116,000, representing a decrease of 90.12% over the same period last year. Profit attributable to the owners of the Company was RMB235,160,000 (excluding losses arising from the changes in fair value), representing a decrease of 82.61% over the same period last year. During the Period, the losses (after taxation) on changes in fair value of investment properties was RMB121,979,000
- Earnings per share were RMB0.0009, and earnings per share in the same period last year were RMB0.3987
- The board of directors (the "Board") resolved that no interim dividend would be declared in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: nil)



Interim Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	7	320,467	333,799
Investment properties	7	14,858,834	15,025,176
Property, plant and equipment	7	2,080,657	2,125,927
Investments accounted for using the equity method		598,405	463,981
Deferred income tax assets		1,353,239	1,340,213
Other receivables and prepayments	9	373,350	299,963
		<u>19,584,952</u>	<u>19,589,059</u>
Current assets			
Properties under development	8	55,484,761	55,341,162
Completed properties held for sale		6,785,491	5,342,597
Other inventories		47,002	49,528
Trade and other receivables and prepayments	9	5,945,950	7,304,766
Restricted bank deposits		2,773,198	3,035,938
Cash and cash equivalents		12,556,343	11,775,741
		<u>83,592,745</u>	<u>82,849,732</u>
Total assets		<u><u>103,177,697</u></u>	<u><u>102,438,791</u></u>

Interim Condensed Consolidated Balance Sheet (Continued)

	<i>Note</i>	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	13	22,554,535	22,046,678
Loans from other parties	12	2,336,522	1,434,826
Employee termination benefit obligations		115,082	125,671
Deferred income tax liabilities		2,135,352	2,156,777
Lease liabilities		27,615	31,483
Deferred income		1,943	1,943
		27,171,049	25,797,378
Current liabilities			
Trade and other payables	12	10,200,506	10,599,741
Loans/advances from other parties	12	5,031,663	4,524,262
Contract liabilities		25,274,492	24,287,096
Current income tax liabilities		2,536,470	3,028,096
Lease liabilities		20,250	25,744
Current portion of long-term borrowings	13	6,092,748	6,738,185
Short-term borrowings	13	800,000	900,000
		49,956,129	50,103,124
Total liabilities		77,127,178	75,900,502
Net assets		26,050,519	26,538,289
EQUITY			
Share capital	10	3,367,020	3,367,020
Other reserves		4,777,354	4,773,482
Retained earnings		12,565,595	13,067,511
Capital and reserves attributable to ordinary shareholders of the Company		20,709,969	21,208,013
Perpetual bond	11	2,596,894	2,630,380
Non-controlling interests		2,743,656	2,699,896
Total equity		26,050,519	26,538,289

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

Interim Condensed Consolidated Income Statement

		Unaudited Six months ended 30 June	
	Note	2020 RMB'000	2019 RMB'000
Continuing operation			
Revenue	6	3,348,745	8,548,956
Cost of sales		<u>(2,152,863)</u>	<u>(4,995,623)</u>
Gross profit		1,195,882	3,553,333
Selling and marketing expenses		(128,529)	(193,337)
Administrative expenses		(381,444)	(391,983)
Fair value (losses)/gains on investment properties	14	(162,639)	101,782
Net reversal of/(provision for) impairment losses on financial assets	14	3,166	(1,805)
Other income		6,553	2,167
Other gains – net	14	51,234	7,580
Operating profit		584,223	3,077,737
Finance income	15	40,709	46,515
Finance expenses	15	(205,811)	(248,271)
Finance expenses – net	15	(165,102)	(201,756)
Share of net profit of investments accounted for using the equity method		60,267	33,897
Profit before income tax	6	479,388	2,909,878
Income tax expenses	16	(355,743)	(1,319,880)
Profit from continuing operations		123,645	1,589,998
Loss from discontinued operation (attributable to ordinary shareholders of the Company)		(612)	(392)
Profit for the period		123,033	1,589,606
Attributable to:			
Ordinary shareholders of the Company		3,137	1,342,333
Holders of perpetual bond		110,044	86,430
Non-controlling interests		9,852	160,843
		123,033	1,589,606
Earnings per share attributable to ordinary shareholders of the Company during the period (expressed in RMB cents per share) (basic and diluted)			
From continuing operations	17	0.11	39.88
From discontinued operations	17	(0.02)	(0.01)

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

Interim Condensed Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit for the period	123,033	1,589,606
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of properties newly transferred to investment properties	–	275,353
Income tax relating to this item	–	(68,838)
	<u>–</u>	<u>206,515</u>
Other comprehensive income for the period, net of tax	–	206,515
Total comprehensive income for the period	123,033	1,796,121
Attributable to:		
Ordinary shareholders of the Company	3,137	1,548,848
Holders of perpetual bond	110,044	86,430
Non-controlling interests	9,852	160,843
	<u>123,033</u>	<u>1,796,121</u>
Total comprehensive income for the period attributable to ordinary shareholders of the Company arises from:		
Continuing operations	3,749	1,549,240
Discontinued operations	(612)	(392)
	<u>3,137</u>	<u>1,548,848</u>

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

Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited							
	Note	Attributable to ordinary shareholders of the Company			Total	Perpetual bond	Non- controlling interests	Total equity
		Share capital	Other reserves	Retained earnings				
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2020								
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 period		-	-	3,137	3,137	110,044	9,852	123,033
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the period		-	-	3,137	3,137	110,044	9,852	123,033
Transactions with owners, recognised directly in equity								
2019 final dividends	18	-	-	(505,053)	(505,053)	-	-	(505,053)
Capital injection from non-controlling interests		-	3,872	-	3,872	-	58,908	62,780
Distribution to holders of perpetual bond		-	-	-	-	(143,530)	-	(143,530)
Dividends provided for or paid to non-controlling interests		-	-	-	-	-	(25,000)	(25,000)
Total transactions with owners, recognised directly in equity		-	3,872	(505,053)	(501,181)	(143,530)	33,908	(610,803)
Balance at 30 June 2020		3,367,020	4,777,354	12,565,595	20,709,969	2,596,894	2,743,656	26,050,519
Six months ended 30 June 2019								
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 period		-	-	1,342,333	1,342,333	86,430	160,843	1,589,606
Other comprehensive income		-	206,515	-	206,515	-	-	206,515
Total comprehensive income for the period		-	206,515	1,342,333	1,548,848	86,430	160,843	1,796,121
Transactions with owners, recognised directly in equity								
2018 final dividends		-	-	(404,042)	(404,042)	-	-	(404,042)
Distribution to holders of perpetual bond		-	-	-	-	(93,056)	-	(93,056)
Issuance of perpetual bond		-	-	-	-	991,600	-	991,600
Total transactions with owners, recognised directly in equity		-	-	(404,042)	(404,042)	898,544	-	494,502
Balance at 30 June 2019		3,367,020	4,708,117	12,685,881	20,761,018	2,598,425	1,787,365	25,146,808

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

Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations		310,586	896,204
Interest received		40,749	44,347
Interest paid		(1,168,280)	(1,235,082)
Income tax paid		(736,906)	(1,722,264)
Net cash used in operating activities		(1,553,851)	(2,016,795)
Cash flows from investing activities			
Payments for property, plant and equipment and investment properties		(44,288)	(70,657)
Loans granted to related parties	22(iv)	(89,818)	–
Loan repayments from related parties		957,100	181,789
Interests received on loans granted		6,391	2,933
Proceeds from sale of property, plant and equipment		305	583
Disposal of a subsidiary		(16,969)	–
Payment for acquisition of an associate		(48,531)	–
Net cash generated from investing activities		764,190	114,648
Cash flows from financing activities			
Proceeds from borrowings and issuance of bonds	13(f)	3,637,998	6,062,168
Proceeds from borrowings from Beijing North Star Industrial Group Limited Liabilities Company (“BNSIGC”)	22(ii)	500,000	–
Proceeds from issuance of perpetual bond		–	991,600
Repayments of borrowings and bonds	13(f)	(3,879,504)	(5,240,428)
Repayments of commercial mortgage backed securities issued by a subsidiary of the Company (“CMBS”)		(8,000)	(7,000)
Proceeds from loans from non-controlling interests		1,494,464	655,846
Proceeds from advances from associates and joint ventures	22(vi)	240,000	321,809
Proceeds from capital injection from non-controlling interests		62,780	–
Repayments of loans/advances to non-controlling interests		(105,120)	(395,279)
Repayment of advances from related parties		(43,850)	(54,450)
Dividends paid to the ordinary shareholders of the Company	18	(224,850)	(319,200)
Dividends paid to the non-controlling interests		(41,000)	–
Dividends paid to the holders of perpetual bond		(52,000)	–
Principal elements of lease payments		(13,111)	–
Proceeds from loans from a third party contractor		60,346	–
Repayments of loans from a third party contractor		(50,000)	–
Net increase in deposits for obtaining borrowings		(7,890)	–
Net cash generated from financing activities		1,570,263	2,015,066
Net increase in cash and cash equivalents		780,602	112,919
Cash and cash equivalents at 1 January		11,775,741	11,851,788
Cash and cash equivalents at 30 June		12,556,343	11,964,707

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Interim Financial Information

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 reorganisation (the “Reorganisation”) of a state-owned enterprise known as BNSIGC.

Pursuant to the Reorganisation 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 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 six months ended 30 June 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 impaired adversely and hence the income as generated from the operations of these properties has also be 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.

This condensed consolidated interim financial information is presented in Renminbi, unless otherwise stated. This condensed consolidated interim financial information was approved by the Board of Director of the Company for issue on 26 August 2020.

This condensed consolidated interim financial information has been reviewed, not audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 (the “interim financial information”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 ‘Interim financial reporting’. The interim financial information does not include all the notes of the type normally included in an annual financial statements. Accordingly, this interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019 and any public announcements made by the Company during the interim reporting period.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

Below new and amended standards and interpretations became effective for annual reporting periods commencing on or after 1 January 2020 and adopted by the Group for the first time in 2020 interim condensed consolidated financial information:

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

The amended standards listed above did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments. The Group has not early adopted any other new or amended standards and annual improvements that are not yet effective for the current accounting period.

4. ESTIMATES

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31 December 2019.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5. FINANCIAL RISK MANAGEMENT

5.1. Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

This interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

There have been no changes in the risk management policies since year end.

5.2. Liquidity risk

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 30 June 2020 (Unaudited)					
Borrowings (including interests)	8,757,035	6,252,282	15,991,795	3,858,961	34,860,073
Trade and other payables (including interests) (i)	14,734,475	1,306,153	434,769	1,334,672	17,810,069
Lease liabilities (including interest)	22,318	11,901	16,986	–	51,205
	<u>23,513,828</u>	<u>7,570,336</u>	<u>16,443,550</u>	<u>5,193,633</u>	<u>52,721,347</u>
At 31 December 2019 (Audited)					
Borrowings (including interests)	9,282,811	8,406,973	13,128,505	3,923,860	34,742,149
Trade and other payables (including interests) (i)	14,484,063	538,708	221,273	1,420,374	16,664,418
Lease liabilities (including interest)	27,572	14,674	23,159	–	65,405
	<u>23,794,446</u>	<u>8,960,355</u>	<u>13,372,937</u>	<u>5,344,234</u>	<u>51,471,972</u>

Notes:

- (i) Excluding staff welfare benefits payable, other taxes 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 19 to this interim financial information.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. 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).

At 30 June 2020 and 31 December 2019, the Group has no assets that are carried at fair value, except for the investment properties.

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

There were no transfers between different levels during the period.

There were no changes in valuation techniques during the period.

5.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of borrowings are as follows:

	Unaudited 30 June 2020 <i>RMB'000</i>	Audited 31 December 2019 <i>RMB'000</i>
Non-current	22,638,464	21,980,855
Current	6,892,748	7,638,185
	29,531,212	29,619,040

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Restricted bank deposits
- Trade and other payables
- Loans/advances from other parties
- Lease liabilities

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6. SEGMENT INFORMATION

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

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

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

The Board assesses the performance of the operating segments based on a measure of adjusted profit before income tax based on assumptions that investment properties are measured at cost less accumulated depreciation. This measurement basis mainly excludes the loss from discontinued segment and 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 condensed consolidated interim financial information.

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

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

The Group's revenue consists of sales from developed properties and revenue generated from the operation of investment properties and hotels. Revenues recognised during the six months ended 30 June 2020 and 2019 are as follows:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	<i>RMB'000</i>
Revenue		
Properties development segment	2,644,166	7,195,212
Investment properties and hotels segment	660,396	1,310,116
	3,304,562	8,505,328
Other segments	44,183	43,628
	3,348,745	8,548,956

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6. SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2020 and 2019, the Group derives revenue from the transfer of properties, goods and services over time and at a point in time from the following segments:

	At a point in time	Over time
For the six months ended 30 June 2020		
Properties development segments	2,257,424	386,742
Investment properties and hotels segments*	51,937	42,903
Other segments	11,177	33,006
	<u>2,320,538</u>	<u>462,651</u>
For the six months ended 30 June 2019		
Properties development segments	6,940,959	254,253
Investment properties and hotels segments*	172,787	192,597
Other segments	13,404	30,224
	<u>7,127,150</u>	<u>477,074</u>

* Rental income from investment properties is recognised on a straight-line basis over the term of the lease and has not been included in the above analysis. For the six months ended 30 June 2020 and 2019, rental income from investment properties amounted to RMB565,556,000 (2019: RMB944,732,000).

Other segments of the Group mainly comprise property management, restaurant and recreation operations, 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 interim condensed consolidated income statement.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Board for the reportable segments for the six months ended 30 June 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>
Six months ended 30 June 2020				
(Unaudited)				
Total segment revenues	2,644,166	680,611	67,912	3,392,689
Inter-segment revenues	–	(20,215)	(23,729)	(43,944)
Revenues from external customers	2,644,166	660,396	44,183	3,348,745
Adjusted profit/(loss) before income tax	516,992	8,687	(37,933)	487,746
Six months ended 30 June 2019				
(Unaudited)				
Total segment revenues	7,195,212	1,343,410	63,676	8,602,298
Inter-segment revenues	–	(33,294)	(20,048)	(53,342)
Revenues from external customers	7,195,212	1,310,116	43,628	8,548,956
Adjusted profit/(loss) before income tax	1,841,788	423,914	(12,345)	2,253,357

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6. SEGMENT INFORMATION (CONTINUED)

The segment information as at 30 June 2020 and 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>
As at 30 June 2020 (Unaudited)				
Total segments' assets	76,917,799	7,215,501	109,306	84,242,606
Total segments' assets include:				
Investments accounted for using the equity method	598,405	–	–	598,405
Additions to non-current assets (other than deferred income tax assets)	4,749	29,908	7,867	42,524
Total segments' liabilities	66,561,332	1,237,788	112,567	67,911,687
Contract liabilities	25,144,307	122,545	7,640	25,274,492
As at 31 December 2019 (Audited)				
Total segments' assets	78,568,330	7,297,195	83,582	85,949,107
Total segments' assets include:				
Investments accounted for using the equity method	463,981	–	–	463,981
Additions to non-current assets (other than deferred income tax assets)	49,809	133,359	5,528	188,696
Total segments' liabilities	65,213,870	1,317,491	104,744	66,636,105
Contract liabilities	24,145,579	133,303	8,214	24,287,096

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

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

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

	Unaudited Six months ended 30 June	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Development properties	2,280,773	2,558,401
Investment properties and hotels	30,293	64,870
All other segments	48,114	30,173
	<u>2,359,180</u>	<u>2,653,444</u>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6. SEGMENT INFORMATION (CONTINUED)

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit before income tax for reportable segments	487,746	2,253,357
Corporate overheads	(51,636)	(89,118)
Corporate finance expenses	(157,252)	(228,475)
Corporate finance income	5,170	13,302
Other income	6,553	1,799
Other gains	3,201	
Fair value (losses)/gains on investment properties (Note 14)	(162,639)	101,782
Reversal of depreciation of investment properties	76,936	90,269
Land appreciation tax (Note 16)	271,309	766,962
	479,388	2,909,878

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

	Unaudited	Audited
	As at	As at
	30 June 2020	31 December 2019
	RMB'000	RMB'000
Total segments' assets	84,242,606	85,949,107
Deferred income tax assets at corporate level	800,064	818,673
Corporate cash	9,446,227	7,034,814
Accumulated fair value gains on investment properties	6,058,185	6,220,824
Reversal of accumulated depreciation of investment properties	2,483,226	2,406,290
Assets of discontinued segment	8,583	9,083
Corporate investment in a joint venture and corporate loan advanced to an associate	108,130	-
Corporate non-current assets	12,000	-
Other corporate current assets	18,676	-
	103,177,697	102,438,791

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6. SEGMENT INFORMATION (CONTINUED)

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

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Total segments' liabilities	67,911,687	66,636,105
Deferred income tax liabilities at corporate level	2,135,352	2,156,777
Corporate borrowings	5,294,799	6,372,133
Other corporate liabilities	1,772,479	721,516
Liabilities of discontinued segment	12,861	13,971
Total liabilities per balance sheet	77,127,178	75,900,502

The Company and its subsidiaries were domiciled in the PRC and all the revenue from external customers of the Group for the six months ended 30 June 2020 and 2019 are derived in the PRC.

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

At 30 June 2020 and 31 December 2019, all the Group's non-current assets other than deferred income tax assets were located in the PRC.

The Group has a large number of customers, and there was no significant revenue derived from any specific external customers during the six months ended 30 June 2020 and 2019.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

7. RIGHT-OF-USE ASSETS, PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTIES

	Right-of-use assets <i>RMB'000</i>	Unaudited Property, plant and equipment <i>RMB'000</i>	Investment properties <i>RMB'000</i>
Six months ended 30 June 2020			
Opening net book amount as at 1 January 2020	333,799	2,125,927	15,025,176
Fair value losses charged to profit or loss (<i>Note 14</i>)	–	–	(162,639)
Additions	933	20,629	20,721
Disposals	–	(3,280)	–
Others (<i>ii</i>)	–	–	(24,424)
Amortisation/depreciation	(14,265)	(62,619)	–
Closing net book amount as at 30 June 2020	<u>320,467</u>	<u>2,080,657</u>	<u>14,858,834</u>
At 1 January 2019	294,514	2,324,215	12,867,800
Fair value gains charged to profit or loss (<i>Note 14</i>)	–	–	101,782
Fair value gains charged to other comprehensive income (<i>iii</i>)	–	–	275,353
Additions	–	25,330	36,058
Disposals	–	(1,960)	(140)
Transfer to investment properties	–	(32,647)	32,647
Transfer to completed properties held for sale	–	(61,762)	–
Amortisation/depreciation	(4,328)	(68,146)	–
Closing net book amount as at 30 June 2019	<u>290,186</u>	<u>2,185,030</u>	<u>13,313,500</u>

Notes :

- (i) The investment properties at 30 June 2020 and 31 December 2019 were revalued by an independent and qualified valuer, Greater China Appraisal Limited (“GCAL”).
- (ii) Others represent the amounts adjusted for the differences between the final settled costs and the estimated costs as originally recognised based on the budgeted completion costs of the related assets.
- (iii) During the six months ended 30 June 2019, certain properties as previously included in property, plant and equipment were transferred to investment properties, and the related revaluation gain as recognized upon the transfer of RMB275,353,000 had been charged to other comprehensive income.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

7. RIGHT-OF-USE ASSETS, PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value hierarchy

The fair value measurement information for the investment properties in accordance with HKFRS 13 are given below.

	Fair value measurements using significant unobservable inputs (Level 3)	
	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Recurring fair value measurements		
Investment properties:		
Office units	6,358,500	6,412,600
Apartments	1,940,490	1,943,200
Convention centers	3,609,000	3,712,000
Shopping malls	2,945,200	2,948,800
Others	5,644	8,576
	14,858,834	15,025,176

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

(b) Valuation processes of the Group

The Group's investment properties were valued on 30 June 2020 by the GCAL who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the chief financial officer ("CFO"). Discussions of valuation processes and results are held between the CFO, the valuation team and the valuer at least once every six months, in line with the Group's interim and annual reporting dates. As at 30 June 2020 and 31 December 2019, the fair values of the investment properties have been determined by GCAL.

At each reporting dates, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses 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.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

7. RIGHT-OF-USE ASSETS, PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTIES (CONTINUED)

(c) 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 input include:

Future rental cash inflows	Based on the actual location, type and quality of the properties and supported by the terms of any existing leases, other contracts and external evidence such as current market rents or room rates for similar properties;
Discount rates	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
Estimated vacancy rates	Based on current and expected future market conditions after expiry of any current lease;
Maintenance costs	Including necessary investments to maintain functionality of the property for its expected useful life;
Capitalisation rates	Based on actual location, size and quality of the properties and taking into account market data at the valuation date;
Terminal value	Taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

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

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

There were no changes to the valuation techniques during the period.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

8. PROPERTIES UNDER DEVELOPMENT

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Land use rights	37,220,208	38,168,362
Development costs and capitalised expenditure	12,996,697	12,438,434
Finance expenses capitalised	5,267,856	4,734,366
	<u>55,484,761</u>	<u>55,341,162</u>

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited As at 30 June 2020			Audited As at 31 December 2019		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Trade and other receivables (a)	2,653,192	260,216	2,913,408	4,034,519	170,483	4,205,002
Prepayments	3,292,758	113,134	3,405,892	3,270,247	129,480	3,399,727
	<u>5,945,950</u>	<u>373,350</u>	<u>6,319,300</u>	<u>7,304,766</u>	<u>299,963</u>	<u>7,604,729</u>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade and other receivables

	Unaudited As at 30 June 2020			Audited As at 31 December 2019		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Trade receivables (i)	99,416	–	99,416	94,485	–	94,485
Less: provision for impairment of trade receivables	(40,907)	–	(40,907)	(39,244)	–	(39,244)
Trade receivables – net	58,509	–	58,509	55,241	–	55,241
Receivables due from related parties (Note 22(vii))	741	89,818	90,559	2,658	–	2,658
Receivables due from subsidiaries of CIFI Holdings (Group) Co., Ltd. ("CIFI") (Note 22(vii))	1,265,900	–	1,265,900	1,255,900	–	1,255,900
Receivables due from non-controlling interests	1,032,863	–	1,032,863	1,713,426	–	1,713,426
Deposits paid to local government authority for land bidding	–	–	–	758,110	–	758,110
Other receivables	313,521	171,345	484,866	271,812	171,340	443,152
	2,613,025	261,163	2,874,188	4,001,906	171,340	4,173,246
Less: provision for impairment of other receivable	(18,342)	(947)	(19,289)	(22,628)	(857)	(23,485)
Other receivables – net	2,594,683	260,216	2,854,899	3,979,278	170,483	4,149,761
	2,653,192	260,216	2,913,408	4,034,519	170,483	4,205,002

Notes to the Condensed Consolidated Interim Financial Information (Continued)

9. 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. As at 30 June 2020 and 31 December 2019, the ageing analysis of the trade receivables at the end of reporting period is as follows:

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Trade receivables		
0 – 30 days	56,385	26,792
31 – 90 days	858	27,435
Over 90 days	42,173	40,258
	99,416	94,485

10. SHARE CAPITAL

	Audited As at 31 December 2019 RMB'000	Movement during the period RMB'000	Unaudited As at 30 June 2020 RMB'000
Registered, issued and fully paid	3,367,020	–	3,367,020

11. PERPETUAL BOND

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 amounts as at 30 June 2020 included the accrued distribution payments.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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

	Unaudited As at 30 June 2020			Audited As at 31 December 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)	10,200,506	–	10,200,506	10,599,741	–	10,599,741
Loans/advances from other parties (b)	5,031,663	2,336,522	7,368,185	4,524,262	1,434,826	5,959,088
	15,232,169	2,336,522	17,568,691	15,124,003	1,434,826	16,558,829

(a) Trade and other payables

	Unaudited As at 30 June 2020			Audited As at 31 December 2019		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Trade payables	5,929,370	–	5,929,370	6,682,732	–	6,682,732
Prepaid rental income from tenants	227,186	–	227,186	239,102	–	239,102
Dividends payable to non-controlling interests of subsidiaries	1,162	–	1,162	17,162	–	17,162
Dividends payable to ordinary shareholders of the Company	280,203	–	280,203	–	–	–
Accrued interests of perpetual bonds	91,530	–	91,530	–	–	–
Accrued interests	235,934	–	235,934	306,072	–	306,072
Amounts due to subsidiaries of CIFI (Note 22 (vii))	75,581	–	75,581	98,123	–	98,123
Amounts due to a related party (Note 22 (vii))	10,751	–	10,751	5,780	–	5,780
Employee termination benefit obligations-current portion	7,859	–	7,859	6,981	–	6,981
Other payables	3,340,930	–	3,340,930	3,243,789	–	3,243,789
	10,200,506	–	10,200,506	10,599,741	–	10,599,741

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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

(b) Loans/advances from other parties

	Unaudited As at 30 June 2020			Audited As at 31 December 2019		
	Current	Non-current	Total	Current	Non-current	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans from non-controlling interests (i)	2,920,496	1,296,818	4,217,314	3,047,121	465,826	3,512,947
Loans from a third party contractor (ii)	651,298	60,346	711,644	701,298	–	701,298
Loan from a third party (iii)	–	18,358	18,358	18,358	–	18,358
Loans from BNSIGC (Note 22 (vii))	500,000	–	500,000	–	–	–
Commercial mortgage backed securities ("CMBS") issued by a subsidiary of the Company (iv)	16,000	961,000	977,000	16,000	969,000	985,000
Advances from non-controlling interests	148,709	–	148,709	152,475	–	152,475
Advances from related parties (Note 22 (vii))	795,160	–	795,160	589,010	–	589,010
	5,031,663	2,336,522	7,368,185	4,524,262	1,434,826	5,959,088

- (i) Loans from non-controlling interests of subsidiaries ("non-controlling interests") are all unsecured loans. Except for loan amounts of RMB104,810,000 (At 31 December 2019: RMB104,810,000) which have no fixed terms of repayment, the loans from non-controlling interests are all repayable by installments within two years from the dates of grant of the respective loan amounts.

Loans from non-controlling interests of RMB3,585,844,000, RMB526,660,000 and RMB104,810,000 (At 31 December 2019: RMB2,793,277,000, RMB614,860,000 and RMB104,810,000) bear interests at fixed rates of 6.5%, 7% and 10.5% (At 31 December 2019: 6.5%, 7% and 10.5%) per annum respectively.

- (ii) As at 30 June 2020 and 31 December 2019, the loans from a third party contractor are unsecured and bear interests of a fixed rate of 6.5% per annum.

In November 2019, the repayment date of loan amounts of RMB701,298,000 has been extended by the third party contractor to November 2020 (originally repayable in November 2019). During the six months ended 30 June 2020, the Group has early repaid part of these loans of RMB50,000,000 to the third party contractor. In addition, the Group has also drawn down an additional loan of RMB60,346,000 from the third party contractor which is wholly repayable in June 2022.

- (iii) The loan from a third party is unsecured, bears interests of a fixed rate of 7.0% per annum, and is originally repayable in April 2020. In April 2020, the repayment date has been subsequently extended to April 2022.

- (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. During the six months ended 30 June 2020, the Group repaid CMBS of RMB8,000,000 according to the payment schedule (six months ended 30 June 2019: RMB7,000,000).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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

As at 30 June 2020 and 31 December 2019, the ageing analysis of the trade payables based on date of services/goods received at the end of reporting period is as follows:

	Unaudited As at 30 June 2020 <i>RMB'000</i>	Audited As at 31 December 2019 <i>RMB'000</i>
Trade payables		
0 – 180 days	3,079,561	3,210,242
181 – 365 days	744,553	814,286
Over 365 days	2,105,256	2,658,204
	5,929,370	6,682,732

Notes to the Condensed Consolidated Interim Financial Information (Continued)

13. BORROWINGS

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Non-current		
Long-term borrowings		
– Secured or guaranteed borrowings	23,477,804	23,551,983
– Unsecured bank borrowings	213,850	274,950
– 5 year bonds of 2014 (a)	–	600,022
– 7 year bonds of 2014 (a)	1,493,938	1,494,971
– 5 year bonds of 2016 (b)	357,943	356,668
– 5 year medium term note of 2017 (c)	1,315,625	1,314,638
– 5 year bonds of 2019 (d)	1,192,518	1,191,631
– 5 year bonds of 2020 (e)	595,605	–
	28,647,283	28,784,863
Less: current portion of long-term borrowings	(6,092,748)	(6,738,185)
	22,554,535	22,046,678
Current		
Short-term borrowings		
– Secured borrowings	–	100,000
– Unsecured borrowings	800,000	800,000
Current portion of long-term borrowings	6,092,748	6,738,185
	6,892,748	7,638,185
Total borrowings	29,447,283	29,684,863

- (a) 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.
- (b) On 21 April 2016, the Company issued corporate bonds with an aggregate principal amount of RMB1,500,000,000, which 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 are payable annually and the principal is fully repayable on 21 April 2021.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

13. BORROWINGS (CONTINUED)

- (c) On 18 September 2017, the Company issued medium term note with an aggregate principal amount of RMB1,320,000,000, which has a term of 5 years, carries a coupon rate of 5.14% per annum, and also embedded a put option at the end the third year. The net proceeds of this medium term note were RMB1,310,100,000 (net of issuance costs of RMB9,900,000). The interests on this medium term note is payable annually and the principal is fully repayable on 20 September 2022.
- (d) On 16 April 2019, the Company issued corporate bonds with an aggregate principal amount of RMB1,200,000,000, which has a term of 5 years, carry 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 are payable annually and the principal is fully repayable on 16 April 2024.
- (e) On 13 January 2020, the Company issued corporate bonds with an aggregate principal amount of RMB600,000,000. Which has a term of 5 years, carry 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 are payable annually and the principal is fully repayable on 13 January 2025.
- (f) Movements in borrowings are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Opening amount as at 1 January	29,684,863	28,260,562
Addition of borrowings	3,042,798	4,871,768
Addition of bonds	595,200	1,190,400
Repayment of borrowings	(3,278,077)	(4,100,428)
Repayment of bonds	(601,427)	(1,140,000)
Amortisation of issuance costs of bonds	3,926	4,626
Closing amount as at 30 June	29,447,283	29,086,928

Notes to the Condensed Consolidated Interim Financial Information (Continued)

14. OPERATING PROFIT

The following items have been credited/(charged) to the operating profit during the period:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Fair value (losses)/gains on investment properties charged to profit or loss (<i>Note 7</i>)	(162,639)	101,782
Provision of impairment for properties under development and completed properties held-for-sale	(85,919)	–
Net reversal of/(provision for) impairment losses on financial assets	3,166	(1,805)
Gain on deemed disposal of a subsidiary (<i>note</i>)	45,811	–
Loss on disposal of property, plant and equipment and investment properties	(2,941)	(1,516)
Government grants	6,628	9,144
Penalty and compensation and others	1,736	(132)
	–	–

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 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 absolute 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 six months ended 30 June 2020.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

14. OPERATING PROFIT (CONTINUED)

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

	As at 30 April 2020 <i>RMB'000</i>
Cash and cash equivalents	195,187
Trade and other receivables and prepayments	17,599
Properties under development	1,018,782
Property, plant and equipment	34
Deferred income tax assets	1,608
Trade and other payables	(10,418)
Contract liabilities	(285,876)
Loans from a related party	(957,100)
Net liabilities derecognised	<u><u>(20,184)</u></u>

The Group has no non-financial assets that have an indefinite life during the period.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. No impairment is charged or reversed for the six months ended 30 June 2020 and 2019.

During the six months ended 30 June 2020, the Company has written off other inventories amounting to RMB550,000 (2019: Nil); and no properties under development, completed properties held for sale and other inventories were written off during the current period (2019: Nil).

15. FINANCE INCOME AND EXPENSES

	Unaudited Six months ended 30 June	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest expenses	(1,100,553)	(1,118,333)
Less: amounts capitalised in properties under development at a capitalisation rate of 6.25% (2019: 6.14%) per annum	<u>896,628</u>	<u>871,508</u>
Finance expenses	(203,925)	(246,825)
Bank charges and others	(1,886)	(1,446)
Finance income	(205,811)	(248,271)
– Interest income	<u>40,709</u>	<u>46,515</u>
Net finance expenses	<u><u>(165,102)</u></u>	<u><u>(201,756)</u></u>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

16. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits in Hong Kong for the six months ended 30 June 2020 and 2019. The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate for the six months ended 30 June 2020 and 2019 was 25%.

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current income tax		
– PRC enterprise income tax	141,860	744,226
– PRC land appreciation tax	271,309	766,962
Deferred income tax credit	(57,426)	(191,308)
	355,743	1,319,880

17. EARNING PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the number of shares in issue during the six months ended 30 June 2020 and 2019.

Diluted earnings per share is equal to the basic earnings per share since the Company has no potential dilutive ordinary shares during the six months ended 30 June 2020 and 2019.

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Profit attributable to ordinary shareholders of the Company	3,137	1,342,333
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>)	0.09	39.87
From continuing operations	0.11	39.88
From discontinued operations	(0.02)	(0.01)

18. DIVIDENDS

The final dividend that relates to the year ended 31 December 2019 (the "2019 final dividend") amounting to RMB505,053,000 was approved at the annual general meeting in June 2020 (Final dividend related to the year ended 31 December 2018 of RMB404,042,000 was approved at the annual general meeting in May 2019). Total 2019 final dividend which were paid by the Group to the ordinary shareholders of the Company during the six months ended 30 June 2020 amounted to RMB224,850,000. The remaining 2019 final dividend was paid in full in July 2020.

The Board resolved that no interim dividend will be declared in respect of the six months ended 30 June 2020 (2019: Nil).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

19. PLEDGED ASSETS

As at 30 June 2020, certain investment properties with fair value of RMB12,280,490,000 (31 December 2019: RMB12,437,200,000), right-of-use assets with net book value of RMB280,730,000 (31 December 2019: RMB285,042,000), property, plant and equipment with net book value of RMB1,134,729,000 (31 December 2019: RMB1,529,853,000), properties under development with carrying amount of RMB23,378,979,000 (31 December 2019: RMB21,480,428,000) were pledged by the Group as securities for borrowings of RMB15,264,604,000 (31 December 2019: RMB15,737,585,000).

20. 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 RMB19,049,063,000 as at 30 June 2020 (31 December 2019: RMB18,439,722,000).

Such guarantees terminate upon: (i) 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 properties to its purchasers; (ii) completion of mortgage registration; and (iii) 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.

21. COMMITMENTS

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

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Properties under development		
– Contracted but not provided for	11,116,216	10,390,505
– Authorised but not contracted for	10,975,017	12,023,029
	22,091,233	22,413,534
Investment properties and hotel properties		
– Contracted but not provided for	543,645	105,516
– Authorised but not contracted for	492,426	763,519
	1,036,071	869,035

Notes to the Condensed Consolidated Interim Financial Information (Continued)

21. COMMITMENTS (CONTINUED)

- (b) At 30 June 2020 and 31 December 2019, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as lessor as follows:

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Rental receivables in respect of investment properties		
Not later than one year	756,210	844,818
Later than one year and not later than five years	858,359	951,637
Later than five years	655,400	690,766
	269,969	2,487,221

22. 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 six months ended 30 June 2019 and 2020, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government (collectively the "government controlled entities") mainly include the drawdown of bank borrowings and purchases of certain goods and services from these government controlled entities. The transactions with the government controlled entities are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

For the purpose of related party transaction disclosures, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are government controlled entities (including state-owned enterprises). Many government controlled entities have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatization programmes. Due to the pervasiveness of the Group's properties development, 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 six months ended 30 June 2020, CIFI (a non-controlling shareholder of certain subsidiaries of the Group) has significant influence over the related subsidiaries which are material to the Group and hence is deemed as a related party of the Group for the purpose of this related party transaction disclosure note. Nanjing Ningkang Investment Management Co., Ltd. ("NJNK"), Hefei Xuhui Business Management Co., Ltd ("HFXH"), Xu Zhao (HK) Co., Ltd. ("XZHK"), and Shanghai Xinzhi Construction Engineering Co., Ltd. ("SHXZ") are subsidiaries of CIFI (collectively the "subsidiaries of CIFI") and hence their transactions with the Group are also considered as related party transactions for the purpose of this disclosure note.

In addition to the above-mentioned transactions with the government controlled entities and the related party information shown elsewhere in the condensed consolidated interim financial information, 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 period and balances arising from related party transactions at the end of the period indicated below:

Notes to the Condensed Consolidated Interim Financial Information (Continued)

22. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
BNSIGC (operating lease expenses in respect of land) (<i>Note a</i>)	–	7,100
BNSIGC (brand loyalty fee)	5	5
BNSIGC (right-of-use assets in respect of the Land) (<i>Note a</i>)	3,719	–
BNSIGC (office lease acceptance)	450	450
SHXZ (project construction service fee)	–	19,385
XZHK (project management consulting fee)	–	9,218
Beijing Asia Olympic Technology Co.,Ltd (“KCYA”) (purchases of various goods and services)	8,837	5,599
Beijing North Star Exhibition Investment Co.,Ltd. (“BNSEIC”) (internet service income)	472	79
BNSEIC (rental income)	2,524	1,540
Beijing International exhibition center (“BIEC”) (rental income)	866	–
	16,873	43,376

- (a) As at 30 June 2020, certain of the Group's investment properties and hotel properties with carrying amounts of RMB797,995,000 (As at 31 December 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 approved by State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality (“Beijing SASAC”)) (the “Proposed Land Acquisition”).

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

Prior to the completion of the aforesaid Proposed Land Acquisition, BNSIGC is obliged to continue leasing the Land to the Group at the same annual rental amount as set out in the Lease Agreements. On the condition that the aforesaid necessary approvals could be obtained, considering the impact of the COVID-19 outbreak in 2020, the directors of the Company estimated that the Proposed Land Acquisition could be completed prior to 31 December 2020 (the “Expected Completion Date”). Considering the Group will continue to lease the Land till the Expected Completion Date, the Group has recognised a right-of-use asset and lease liability of approximately RMB3,719,000 and RMB3,719,000 (As at 31 December 2019: RMB11,450,000 and RMB11,389,000) respectively based on the requirements as set out in HKFRS 16. For the six months ended 30 June 2020, the Group has paid rental of RMB7,100,000 to BNSIGC for the use of the Land.

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

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Loans From BNSIGC

	Unaudited 2020 RMB'000	Audited 2019 RMB'000
At 1 January	–	–
Proceeds from loans	500,000	–
Interest accrued	791	–
Interest paid	(791)	–
At 30 June	500,000	–

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.

(iii) Advances to BNSEIC

	Unaudited 2020 RMB'000	Audited 2019 RMB'000
At 1 January	2,658	–
Advances during the six month	493	–
Repayments	(2,655)	–
At 30 June	496	–

Notes to the Condensed Consolidated Interim Financial Information (Continued)

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) Project cooperation funds to joint ventures and associates

The Group has provided project cooperation funds to its joint ventures, WHJCYC and Wuxi Shengyang Real Estate Co., Limited (“WXSJ”), and its associates, Guangzhou Guangyue Real Estate Co., Limited (“GZGY”) and Wuxi Chenwan Real Estate Co., Limited (“WXCW”).

Six months ended at 30 June 2020 (Unaudited)	WHJCYC (a) RMB'000	GZGY (b) RMB'000	Total RMB'000
At 1 January 2020	1,020,130	–	1,020,130
Project cooperation funds granted	–	89,818	89,818
Repayments of project cooperation funds	(988,100)	–	(988,100)
Interest income accrued	20,812	407	21,219
Interest income received	(52,842)	(245)	(53,087)
At 30 June 2020	–	89,980	89,980

Six months ended at 30 June 2019 (Unaudited)	WXSJ RMB'000	WXCW RMB'000	Total RMB'000
At 1 January 2019	74,880	107,544	182,424
Repayments of project cooperation funds	(74,507)	(107,282)	(181,789)
Interest income accrued	931	976	1,907
Interest income received	(1,304)	(1,238)	(2,542)
At 30 June 2019	–	–	–

- (a) The funds to WHJCYC were unsecured, bore interests at fixed rate of 6.5% per annum and were originally repayable by instalments prior to December 2021. During the six months ended 30 June 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 instalments prior to June 2022.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(v) Funds to subsidiaries of CIFI

Six months ended 30 June 2020 (Unaudited)	XZHK RMB'000	NJNK RMB'000	HFXH RMB'000	Total RMB'000
At 1 January 2020	805,000	249,900	201,000	1,255,900
Funds granted	–	–	10,000	10,000
Repayment of funds	–	–	–	–
At 30 June 2020	<u>805,000</u>	<u>249,900</u>	<u>211,000</u>	<u>1,265,900</u>

Six months ended 30 June 2019 (Unaudited)	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	–	145,000	–	12,098	157,098
Repayment of funds	(170,000)	–	(58,800)	(12,098)	(240,898)
At 30 June 2019	<u>845,000</u>	<u>170,000</u>	<u>274,400</u>	<u>–</u>	<u>1,289,400</u>

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

(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”).

Six months ended 30 June 2020 (Unaudited)	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 obtained	–	–	–	240,000	–	240,000
Repayment of funds	(16,000)	–	(17,850)	–	–	(33,850)
At 30 June 2020	<u>42,000</u>	<u>312,500</u>	<u>58,160</u>	<u>260,000</u>	<u>122,500</u>	<u>795,160</u>

Six months ended 30 June 2019 (Unaudited)	WHML RMB'000	HZJH RMB'000	HZXF RMB'000	HZCX RMB'000	WXSJ RMB'000	Total RMB'000
At 1 January 2019	68,000	312,500	76,886	96,201	–	553,587
Funds granted	–	–	–	21,809	300,000	321,809
Repayment of funds	(10,000)	–	(19,950)	(24,500)	–	(54,450)
At 30 June 2019	<u>58,000</u>	<u>312,500</u>	<u>56,936</u>	<u>93,510</u>	<u>300,000</u>	<u>820,946</u>

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

22. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Trade and other receivables from related parties and subsidiaries of CIFI		
–XZHK	805,000	805,000
–HFXH	211,000	201,000
–NJNK	249,900	249,900
–GZGY	89,980	–
–BNSEIC	579	2,658
	<u>1,356,459</u>	<u>1,258,558</u>
Trade and other payables to related parties and subsidiaries of CIFI		
–NJNK	29,153	29,153
–SHXZ	12,004	34,546
–KCYA	10,751	5,780
–XZHK	34,424	34,424
	<u>86,332</u>	<u>103,903</u>
Loans/advances from related parties		
–BNSIGC	500,000	–
–HZJH	312,500	312,500
–HZCX	58,160	76,010
–WHML	42,000	58,000
–WXSJ	260,000	20,000
–WXCW	122,500	122,500
	<u>1,295,160</u>	<u>589,010</u>
	<u>1,381,492</u>	<u>692,913</u>

At 30 June 2020 and 31 December 2019, no provisions for impairment of receivables from related parties and subsidiaries of CIFI have been recognised as the directors of the Company considered that all these receivables are fully recoverable.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(viii) Key management compensation

	Unaudited	
	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other short-term employee benefits	5,542	6,194
Post-employment benefits	382	827
	<u>5,924</u>	<u>7,021</u>

(ix) Lease liabilities

	Unaudited	Audited
	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
BNSIGC (lease liability in respect of the Land <i>(Note 22 (i) (a))</i>)	<u>8,260</u>	<u>11,389</u>

(x) Accept financial guarantee

Pursuant to the agreements as entered into between BNSIGC and the Group, BNSIGC provides joint liability counter-guarantee for the Group's borrowings from Beijing Rural Commercial Bank, Beijing International Trust Company Limited and Industrial and Commercial Bank of China, which amounted to RMB899,000,000, RMB997,000,000 and RMB2,138,889,000 as at 30 June 2020 (At 31 December 2019: RMB1,086,000,000, RMB998,000,000 and RMB2,194,444,000), respectively.

(xi) Provide financial guarantee

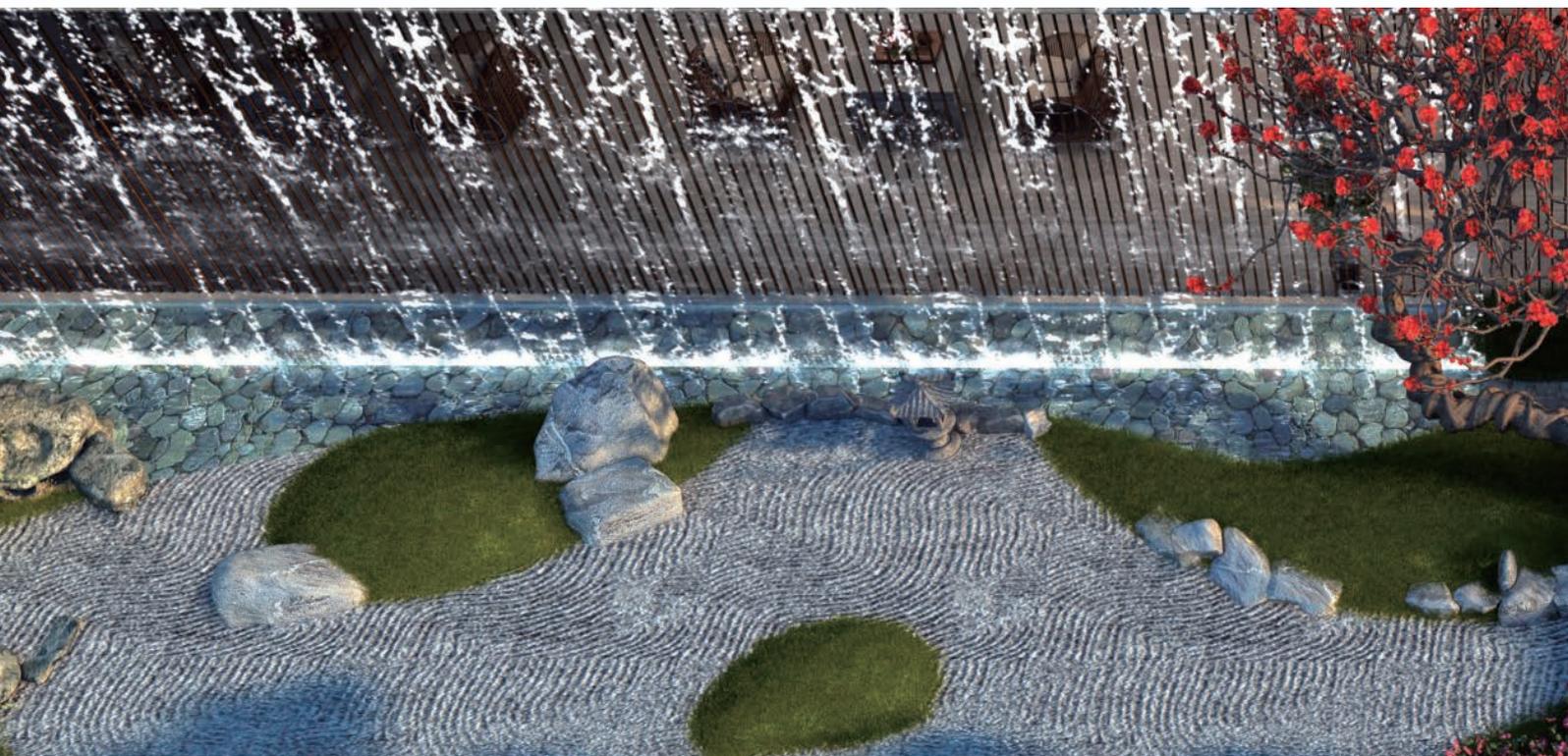
Pursuant to an agreement signed by the Company dated 24 May 2019, the Company provides joint liability counter-guarantee for the syndicated borrowings as drawdown by the joint venture, WXSJ, from Construction Bank of China and Bank of Jiangsu, which amounted to RMB241,080,000 as at 30 June 2020 (At 31 December 2019: RMB226,000,000).

Supplementary Information

RECONCILIATION OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Group has prepared a separate set of consolidated interim financial information for the six months ended 30 June 2020 in accordance with Basic Standard and 38 specific Standards of the China Accounting Standards for Business Enterprises issued by Ministry of Finance of the PRC on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter ("CAS"). The differences between the financial information prepared under the CAS and HKFRS are summarised as follows:

	Profit attributable to owners of the Company		Capital and reserves attributable to owners of the Company	
	For the six months ended 30 June		As at	As at
	2020	2019	30 June 2020	31 December 2019
	RMB'000	RMB'000	RMB'000	RMB'000
As stated in accordance with CAS	177,458	1,284,725	16,900,805	17,368,058
Impact of HKFRS adjustments:				
1. Reversal of depreciation of investment properties under CAS	57,702	67,702	1,862,419	1,804,717
2. Fair value adjustment of investment properties under HKFRS	(121,979)	76,336	4,543,639	4,665,618
As stated in accordance with HKFRS (including those attributable to both ordinary shareholders of the Company and holders of perpetual bond)	113,181	1,428,763	23,306,863	23,838,393



Management Discussion and Analysis

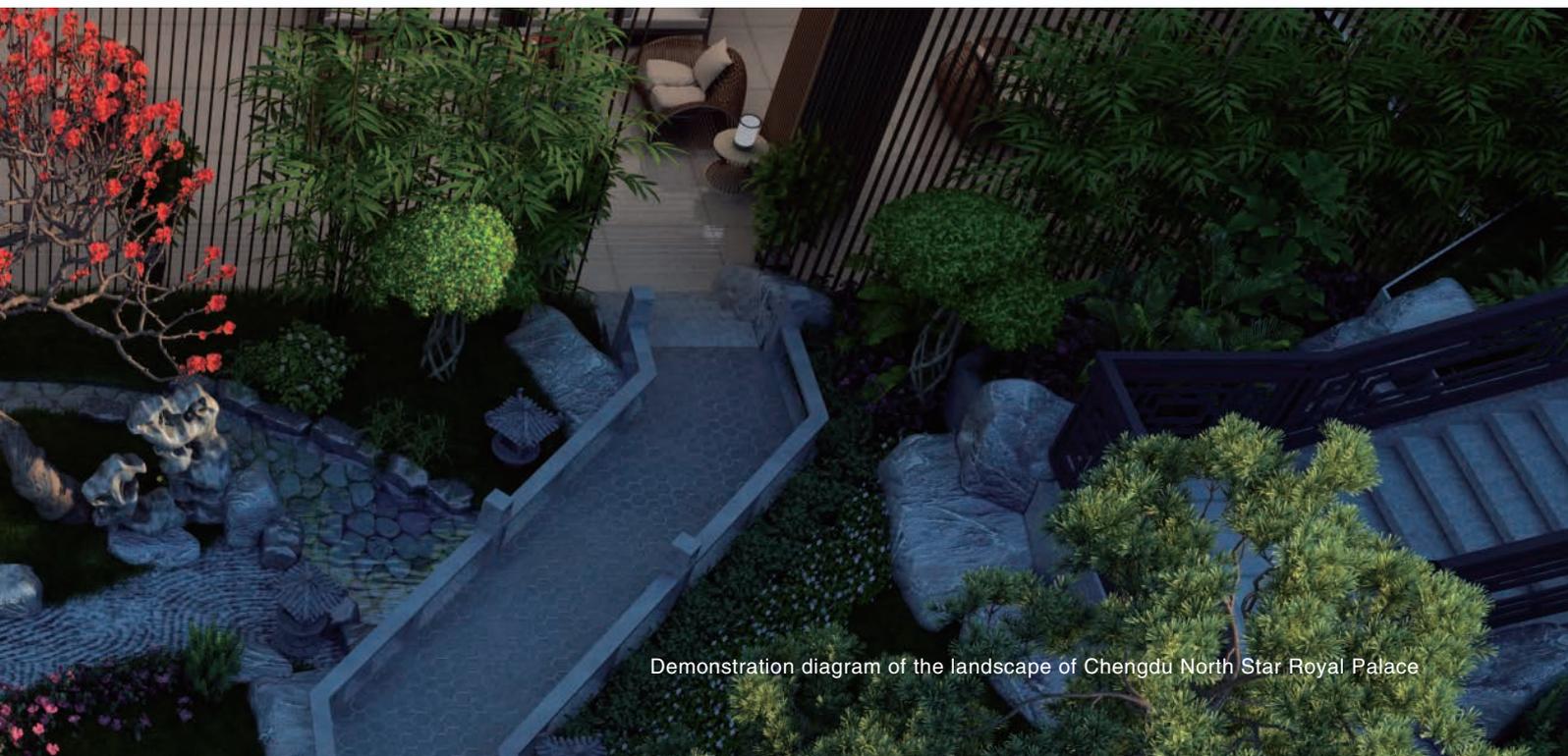
I. REVIEW OF THE OPERATING ENVIRONMENT DURING THE REPORTING PERIOD

In the first half of 2020, the sudden outbreak of COVID-19 pandemic has brought an unprecedented impact on the economic and social development of China and the world. The Chinese government has taken a holistic approach to promote pandemic prevention and control, and seized every opportunity to boost the resumption of work and production. Thus the economic and social operations have gradually returned to normal, and the restoration of order in production and life has been accelerated. The economy of China has shown strong resilience and great potential. The response to the pandemic has spawned and promoted the rapid development of many new industries and new forms of business. In the first half of the year, GDP fell by 1.6% year on year, among which, the first quarter saw a 6.8% decline and the second quarter saw a 3.2% growth. The economy of China is gradually recovering from the impact of the pandemic.

1. Development Properties

In the first half of 2020, the central government adhered to the positioning of “housing properties for accommodation, not speculation”, and the financial supervision of the real estate sector remained strict. In response to the impact of the pandemic, local governments have implemented real estate policies according to the actual situation in different areas to promote the smooth operation of the real estate market on the basis of adhering to “purchase restriction” and “loan restriction”. In general, the transaction scale of commodity housing decreased as compared to the corresponding period last year and the average transaction price increased slightly in the first half of the year. In addition, the scale of residential land transactions decreased slightly, the floor price of transactions increased obviously as compared to the corresponding period last year, and the premium rate decreased slightly. According to the statistics provided by the National Bureau of Statistics (the same applied hereinafter), commodity housing sales area in the real estate market of the PRC in the first half of 2020 was 611,190,000 square meters, representing a decrease of 7.6% as compared to the corresponding period last year, and the average sales price of commodity housing was RMB9,757 per square meter, representing an increase of 5.3% as compared to the corresponding period last year.

In particular, among the first-tier cities, the transaction volume of the commodity housing market in Beijing and Guangzhou decreased significantly as compared with the same period last year, the average transaction price increased slightly, the overall supply exceeded demand, and the inventory rose. The average transaction price of commodity housing in second and third-tier cities increased at different degrees, and the scale of transactions decreased significantly.



Demonstration diagram of the landscape of Chengdu North Star Royal Palace

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	213	-35.7	951	-31.3	44,559	6.8
Changsha	818	1.3	734	13.3	8,967	11.9
Wuhan	577	-61.9	814	-59.8	14,103	5.5
Hangzhou	662	17.2	1,892	34.4	28,578	14.7
Suzhou	1,082	15.3	1,870	14.6	17,283	-0.6
Ningbo	719	0.1	1,219	8.0	16,963	7.8
Nanjing	526	-1.5	1,217	32.1	23,148	34.2
Hefei	532	-6.5	884	12.4	16,605	20.2
Chengdu	1,227	4.8	1,522	20.1	12,404	14.7
Chongqing	2,111	-21.5	1,788	-21.5	8,469	0.0
Langfang	225	31.6	295	50.4	13,150	14.3
Wuxi	606	6.3	920	21.8	15,168	14.6
Haikou	124	-24.6	210	-18.0	16,942	8.7
Guangzhou	373	-28.1	1,007	-19.8	27,018	11.5
Meishan	299	21.7	243	22.2	8,130	0.4
Yuyao	84	33.4	101	36.7	12,110	2.5

Sources: CREIS China Index Database.

2. Investment Properties (Including Hotels)

Affected by the pandemic, the performance of the investment properties (including hotels) market was under pressure. In particular, due to the cancellation or postponement of many large-scale exhibition activities 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 exhibition enterprises actively carried out online business and a series of online conferences and exhibitions arose at an opportune time. As for the office buildings and the apartment market in Beijing, there was lack of impetus for new lease and lease expansion, resulting in escalating vacancy rate.



Founding meeting of Cultural Tourism Cooperation Alliance of Jiaodong Economic Zone held in Qingdao International Convention Center

Management Discussion and Analysis (Continued)

II. BUSINESS REVIEW DURING THE REPORTING PERIOD

In the first half of 2020, facing the severe challenges brought by the outbreak of the pandemic, the Company coordinated the advance of pandemic prevention and control, strictly controlled cost expenses and adjusted the focus of operation according to the current situation; however, the pandemic still exerted great impact on the overall operating results of the Company. During the Reporting Period, the Company recorded an operating revenue of RMB3,348,745,000, representing a year-on-year decrease of 60.83%. The Company's profit before tax and profit attributable to ordinary shareholders decreased by 83.53% and 99.77% to RMB479,388,000 and RMB3,137,000, respectively. In particular, the after-tax core operating results of the Company's principal business (excluding losses arising from the changes in fair value) were RMB125,116,000, representing a year-on-year decrease of 90.12%. Losses (after tax) arising from the changes in fair value of investment properties for the period were RMB121,979,000. Earnings per share were RMB0.0009.

1. Development Properties

Affected by various factors such as the pandemic, strict policy control, market recession and credit tightening, the demands of house-purchase in the short term was restrained to a certain degree. The overall project construction period of the Company was extended, which resulted in a significant pullback of the signing rate.

In the first half of 2020, due to the impact of the development cycle, the areas to be settled of development properties decreased year-on-year, the operating revenue was RMB2,644,166,000 (including parking spaces), representing a year-on-year decrease of 63.25%, and the profit before tax was RMB516,992,000, representing a year-on-year decrease of 71.93%. During the Reporting Period, the new and resumed construction area of development properties was 7.03 million square meters; the completed area was 0.39 million square meters; and the contracted sales amount and the sales area achieved RMB4.9 billion (including parking spaces) and 0.28 million square meters, respectively.

Facing the severe market situation, the Company took various measures to actively promote operation and work. After the mitigation of the pandemic, the Company timely promoted resumption of work and production in a safe way and meticulously formulated and optimized the development plan in order to minimize the impact on the process of development caused by the pandemic. A plenty of marketing measures were implemented to strengthen the construction of sales team and a rational incentive plan was utilized to swiftly advance the inventory digestion. The Company continued improving the level of customer services and steadfastly promoted the building of brand image. In the first half of 2020, we expanded our land reserve in a science and meticulous way and obtained two new lands, which located in Langfang and Yuyao, Ningbo, respectively. As at the end of the Reporting Period, we managed to expand our business to fifteen cities including Beijing, Changsha, Wuhan, Hangzhou, Chengdu, Nanjing, Suzhou, Hefei, Langfang, Chongqing, Ningbo, Wuxi, Haikou, Meishan and Guangzhou, with a total land reserve of 7.27 million square meters.



Wuhan North Star Guangguli



Demonstration diagram of North Star & BBMG Jinchen Mansion



Interior of high-rise residence of North Star Mansion in Haikou



Changsha North Star Delta

Management Discussion and Analysis (Continued)

Table 2: Real Estate Projects during the Reporting Period

Unit: RMB100 million, square meter

No.	Project name	Location	Operating state	Project status	Project interests	Project investment	Total investment	Actual investment amount during the Reporting Period	Project area	Total floor area	Planned plot ratio based on gross floor area	Equity area	Land area held for development	New construction area during the Reporting Period	Accumulated development area	Floor area under construction during the Reporting Period	Completed area during the Reporting Period	Saleable area during the Reporting Period	Contracted area during the Reporting Period	
1	Beijing North Star Xianglu	Haidian, Beijing	Residence	Completed	100%	26.59	-	142,400	312,100	230,000	-	-	-	-	312,100	-	-	6,873	-	
2	Beijing North Star Red Oak Villa	Changping, Beijing	Villa	Under Construction	100%	34.00	0.43	287,500	213,700	150,000	-	-	-	-	213,700	40,200	-	173,500	36,131	606
3	Beijing Modern Beichen (ue MOMA)	Shunyi, Beijing	Owner occupied commercial housing and housing of two limits	Under Construction	50%	23.47	-	52,800	132,500	109,300	54,700	-	-	-	132,500	1,400	-	131,100	4,903	-
4	Beijing North Star • Villa 1900	Shunyi, Beijing	Residence	Completed	100%	24.45	-	101,200	213,300	140,000	-	-	-	-	213,300	-	-	213,300	34,461	-
5	Beijing Jinchun Mansion	Changping, Beijing	Residence	Under Construction	51%	47.48	1.75	86,600	280,100	170,400	86,900	-	-	-	280,100	280,100	-	-	190,508	21,386
6	Changsha North Star Delta	Changsha, Hunan	Residence, commercial and office building	Under Construction	100%	345.39	7.28	780,000	5,200,000	3,820,000	-	416,700	-	-	4,783,300	873,500	-	3,909,800	146,993	50,540
7	Changsha North Star Central Park	Changsha, Hunan	Residence	Under Construction	51%	24.48	2.38	336,300	927,100	720,000	367,200	-	-	-	927,100	366,100	-	561,000	59,789	17,580
8	Changsha North Star Shuijiangli	Changsha, Hunan	Residence and commercial	Under Construction	100%	13.07	0.45	27,700	145,400	107,900	-	-	-	-	145,400	145,400	-	-	31,065	20,081
9	Wuhan North Star Contemporary Best+	Wuhan, Hubei	Residence and commercial	Completed	45%	21.00	0.16	104,700	313,300	241,100	106,500	-	-	-	313,300	-	-	313,300	3,207	-
10	Wuhan North Star Guangguili	Wuhan, Hubei	Commercial Service	Under Construction	51%	17.31	1.12	84,200	492,000	337,000	171,900	134,800	-	-	367,200	367,200	199,900	199,900	51,462	1,207
11	Wuhan Blue City	Wuhan, Hubei	Residence and commercial	Under Construction	100%	86.63	4.36	358,000	980,100	716,000	-	234,700	-	-	745,400	506,000	192,500	430,000	46,686	2,783
12	Wuhan Gemdale • North Star • China City	Wuhan, Hubei	Residence	Under Construction	51%	12.18	0.71	41,800	178,900	127,000	64,900	-	-	-	178,900	178,900	-	-	38,780	6,579
13	Wuhan North Star Peacock Street	Wuhan, Hubei	Residence	Under Construction	60%	7.78	0.32	75,200	220,400	172,800	103,700	-	-	-	220,400	220,400	-	-	52,189	1,625

Management Discussion and Analysis (Continued)

No.	Project name	Location	Operating state	Project status	Project interests	Total investment	Actual investment amount during the Reporting Period	Project area	Total floor area	Planned plot ratio based on gross floor area	Equity area	Land area held for development	New construction area during the Reporting Period	Accumulated development area	Floor area under construction during the Reporting Period	Completed area during the Reporting Period	Accumulated completed area	Saleable area during the Reporting Period	Contracted area during the Reporting Period	
																				Project interests
14	Wuhan Lot P067 Project	Wuhan, Hubei	Residence and commercial	Under Construction	100%	20.00	1.17	50,500	177,200	126,200	-	-	-	177,200	177,200	-	-	-	-	-
15	Wuhan Lot P068 Project	Wuhan, Hubei	Residence and commercial	Under Construction	100%	16.20	0.85	63,200	227,700	158,100	-	-	-	227,700	227,700	-	-	-	-	-
16	Wuhan North Star Jindiyang	Wuhan, Hubei	Residence and commercial	Under Construction	49%	16.72	0.69	50,500	212,100	151,400	74,200	-	-	212,100	212,100	-	-	-	50,156	8,585
	Time																			
17	Hangzhou North Star Shustan Project	Hangzhou, Zhejiang	Residence and commercial	Completed	80%	21.94	0.82	83,900	317,500	235,000	168,000	-	-	317,500	317,500	-	-	8,474	62	-
18	Hangzhou Honor Mansion Grand Lot	Hangzhou, Zhejiang	Residence and commercial	Completed	35%	14.85	-	41,900	108,400	75,000	26,300	-	-	108,400	108,400	-	-	-	-	-
19	Hangzhou Honor Mansion Small Lot	Hangzhou, Zhejiang	Residence and commercial	Completed	35%	4.90	-	13,400	32,600	25,000	8,100	-	-	32,600	32,600	-	-	-	-	-
20	Hangzhou Guzongtu	Hangzhou, Zhejiang	Residence	Completed	100%	16.06	0.51	21,900	69,900	46,200	-	-	-	69,900	69,900	-	-	717	185	
21	Hangzhou Jintu Art Villa of City	Hangzhou, Zhejiang	Residence and commercial	Completed	25%	5.50	0.93	57,400	209,700	144,000	36,000	-	-	209,700	209,700	-	-	111	111	
22	Hangzhou North Star Lingchao Mansion	Hangzhou, Zhejiang	Residence	Under Construction	100%	11.03	0.61	12,200	44,400	26,700	-	-	-	44,400	44,400	-	-	-	-	
23	Ningbo Beichenfu	Ningbo, Zhejiang	Residence	Completed	100%	42.39	2.43	47,300	193,700	137,400	-	-	-	169,700	169,700	-	-	46,179	10,329	
24	Ningbo Mansion • Jintian	Ningbo, Zhejiang	Residence and commercial	Completed	51%	30.34	1.47	133,000	404,600	292,500	149,200	-	-	404,600	404,600	-	-	2,712	878	
25	Ningbo Yujiao Project▲	Yujiao, Zhejiang	Residence	In the pipeline	100%	21.82	-	68,700	174,200	116,800	-	174,200	-	-	-	-	-	-	-	
26	Nanjing North Star CIFI Park Mansion • Jin Ling	Nanjing, Jiangsu	Residence	Completed	51%	15.16	0.10	25,300	105,000	70,700	36,100	-	-	105,000	105,000	-	-	-	-	
27	Suzhou North Star CIFI No. 1	Suzhou, Jiangsu	Residence and commercial	Completed	50%	11.47	0.21	118,700	273,900	180,500	90,300	-	-	273,900	273,900	-	-	2,464	233	

Continued

Management Discussion and Analysis (Continued)

No.	Project name	Location	Operating state	Project status	Project interests	Total investment	Actual investment amount during the Reporting Period	Project area	Total floor area	Planned plot ratio based on gross floor area	Equity area	Land area held for development	New construction		Floor area under construction		Completed area		Saleable area		Contracted area	
													Reporting Period	Period	Reporting Period	Period	Reporting Period	Period	Reporting Period	Period	Reporting Period	Period
28	Suzhou Guanlan Mansion	Suzhou, Jiangsu	Residence and commercial	Under Construction	100%	58.82	2.94	170,000	392,300	288.800	-	-	392,300	392,300	-	-	74,655	2,559	-	-	-	-
29	Wuxi Tianyujuzhu	Wuxi, Jiangsu	Residence	Under Construction	49%	28.60	0.63	88,000	255,400	195,000	96,000	-	255,400	129,000	-	126,500	534	914	-	-	-	-
30	Wuxi Times City	Wuxi, Jiangsu	Residence	Under Construction	40%	46.79	1.16	137,900	554,400	413,800	165,500	-	554,400	343,500	-	190,300	101,254	67,389	-	-	-	-
31	Chengdu North Star • Landsea Southern Gate Green Shire	Chengdu, Sichuan	Residence and commercial	Completed	40%	8.05	0.19	63,600	235,100	158,600	63,400	-	235,100	-	235,100	-	235,100	5,381	774	-	-	-
32	Chengdu North Star • Xianglu	Chengdu, Sichuan	Residence and commercial	Completed	100%	15.75	0.15	40,400	148,300	96,500	-	-	148,300	-	148,300	-	148,300	2,105	-	-	-	-
33	Chengdu North Star • South Lake Xianglu	Chengdu, Sichuan	Residence	Under Construction	100%	29.16	1.12	88,000	299,100	210,000	-	-	299,100	149,700	-	149,400	12,945	-	-	-	-	-
34	Chengdu North Star Royal Palace	Chengdu, Sichuan	Residence and commercial	Under Construction	100%	16.29	1.25	26,600	120,000	79,800	-	-	120,000	120,000	-	-	67,617	4,585	-	-	-	-
35	Chengdu North Star Luming Mansion	Chengdu, Sichuan	Residence and commercial	Under Construction	80%	26.51	0.99	80,100	227,100	160,300	-	-	227,100	227,100	-	-	30,724	12,883	-	-	-	-
36	Sichuan North Star Gusuogonglu	Meishan, Sichuan	Residence and commercial	Under Construction	100%	16.24	0.97	59,900	199,200	149,800	-	-	199,200	199,200	-	-	73,770	4,074	-	-	-	-
37	Sichuan Longdai	Meishan, Sichuan	Residence and commercial	In the pipeline	100%	10.94	-	69,900	137,300	84,000	-	137,300	-	-	-	-	-	-	-	-	-	-
38	Langfang North Star Xianglu	Langfang, Hebei	Residence and commercial	Under Construction	100%	25.73	1.52	140,700	357,700	296,800	-	-	357,700	357,700	-	-	50,849	5,654	-	-	-	-
39	Langfang Blue City	Langfang, Hebei	Residence	Under Construction	100%	25.31	1.29	82,500	241,600	164,800	-	147,900	93,700	93,700	-	-	-	-	-	-	-	-
40	Langfang Lot 2019-3 Project	Langfang, Hebei	Commercial	In the pipeline	100%	5.75	0.12	21,100	72,800	52,800	-	72,800	-	-	-	-	-	-	-	-	-	-
41	Langfang Lot 2024-5 Project▲	Langfang, Hebei	Residence	In the pipeline	100%	13.43	2.60	46,200	138,300	92,000	-	138,300	-	-	-	-	-	-	-	-	-	-
42	Hebei North Star CIFI Park Mansion • Luzhou	Hebei, Anhui	Residence and commercial	Under Construction	50%	21.07	0.77	141,700	356,200	239,000	119,500	-	356,200	55,400	-	202,700	22,160	4,805	-	-	-	-

Management Discussion and Analysis (Continued)

No.	Project name	Location	Operating state	Project status	Project interests	Total investment amount during the Reporting Period	Project area	Total floor area	Planned plot ratio-based gross floor area	Equity area development	Land area held for development	New construction		Floor area under construction		Completed area during the Reporting Period	Accumulated completed area	Saleable area during the Reporting Period	Contracted area during the Reporting Period	
												Reporting Period	Period	Reporting Period	Period					
43	Chongqing Yubei No.1	Yubei, Chongqing	Residence and commercial	Under Construction	100%	100.66	429,100	1,274,000	916,000	-	372,000	-	902,000	725,200	-	176,800	86,434	16,720	-	
44	Chongqing North Star Xianglu	Yubei, Chongqing	Residence	Under Construction	100%	21.93	68,200	150,400	102,200	-	-	150,400	150,400	150,400	-	-	-	-	-	
45	North Star Mansion in Haikou	Haikou, Hainan	Residence and commercial	Under Construction	100%	45.47	106,600	263,400	206,000	-	29,200	-	234,200	234,200	-	-	-	-	74,963	14,771
46	Guangzhou Zengcheng Lot 116 Project	Guangzhou, Guangdong	Residence and commercial	Under Construction	51%	17.66	25,900	112,800	77,800	-	-	112,800	112,800	112,800	-	-	-	-	-	-
47	Guangzhou Zengcheng Lot 114 Project▲	Guangzhou, Guangdong	Residence and commercial	Under Construction	49%	8.66	25,100	110,300	76,600	37,500	-	110,300	110,300	110,300	-	-	-	-	-	-
	Total	-	-	-	-	1479.05	5,238,000	17,602,300	12,870,000	2,047,900	1,857,700	801,500	15,944,500	7,033,700	392,400	9,184,600	1,401,288	276,824	-	

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 7,265,700 square meters; equity land reserve was 6,504,500 square meters and the newly added real estate reserve was 422,700 square meters;
New construction area was 801,500 square meters, representing a year-on-year increase of 79.71%; area for new and resumed construction was 7,033,700 square meters, representing a year-on-year decrease of 2.84%; the completed area was 392,400 square meters, representing a year-on-year decrease of 20.93%;
Sales area was 276,800 square meters, representing a year-on-year decrease of 59.16%; sales amount was RMB4,913,000,000, representing a year-on-year decrease of 51.04%; settlement area was 190,300 square meters, representing a year-on-year decrease of 60.70%; the settlement amount was RMB2,644,000,000, representing a year-on-year decrease of 63.25%.

Management Discussion and Analysis (Continued)

2. Investment Properties (Including Hotels)

Affected by the pandemic, a lot of meetings and exhibitions at home and abroad entered by the Company were postponed or cancelled, which resulted in a significant increase of vacancy rate of the office buildings and a sharp decrease of hotel-occupancy rate.

In the first half of 2020, the Company recorded an operating revenue from investment properties (including hotels) of RMB660,396,000, representing a year-on-year decrease of 49.59%. The profit before tax amounted to RMB8,687,000, representing a year-on-year decrease of 97.95%. The assessment impairment for the period was RMB162,639,000.

In face of the impact of pandemic, the Company considered the situation, shifted the business concept timely and advanced the resumption of work and production in a safety and orderly manner. Convention and exhibition business: On the premise of taking into account of the pandemic prevention and control, the Company gave full play to the aggregation effect of online exhibition to expand the coverage and influence of the exhibition. The Company signed a strategic agreement with Tencent and actively carried out the establishment of an online and offline integrated exhibition platform to further expand sales channels. In addition, seizing the time opportunities during the pandemic gap period, the Company accelerated the renovation and transformation in terms of certain regions with functional degeneration, so as to achieve an overall improvement in hardware facilities. Office building business: The Company assisted the middle and small-sized enterprises affected by the pandemic to reduce costs and tide over the difficult times through rent reductions and adjustment to lease areas, etc. The Company strove to retain the existing customers and secure new ones. Hotel and apartment business: The Company continued to explore and try new consumption models generated under the normalized situation of pandemic prevention and control, increased online sales, innovatively launched the outdoor dining area and developed thematic retail products in various types.

In terms of devotions to the operation and management of convention and exhibition venues as well as hotel branding, the Company has effectively responded to multiple risks and challenges under the pandemic, and launched a large-scale strategic layout across the country, which further cemented its influence in the industry. During the Reporting Period, North Star Events Group successfully entered into contracts in respect of entrusted management for 4 projects, namely Hangzhou Future Sci-Tech City Academic Exchange Center (杭州未來科技城學術交流中心), Nanjing Yangtze International Convention Center (南京揚子江國際會議中心), Zhuhai Nanguo Serviced Apartment (珠海南國酒店式公寓) and 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), and consultation for 6 projects located in Xiong'an, Jining, Shanghai, Hangzhou, Guangzhou and other key convention and exhibition cities. As at the end of the Reporting Period, North Star Events Group established presence in 25 cities across the country,

Management Discussion and Analysis (Continued)

and had a total of 15 contracted convention and exhibition venues under entrusted management covering a total floor area of 3.18 million square meters and 23 contracted hotels under entrusted management. North Star Events Group 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. In terms of the convention hosting and undertaking businesses, North Star Events Group accelerated the application of new technologies, new platforms and new models in the exhibition, 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, North Star Events Group made preparations actively for “2020 China (Chengdu) International Supply Chain and Logistics Technologies and Equipment Expo (2020成都國際供應鏈與物流技術裝備博覽會)”, “China Digital Creative Technology Exhibition and 2020CGF China Animation Comic Game Festival (中國數字創意科技展暨2020CGF中國遊戲節)” and “2020 Beijing International Art & Toys Exhibition (2020北京國際藝術設計玩具展覽會)”, and organized “2020 Beijing International Beauty Expo Online Exhibition (2020北京國際美博會線上展覽會)”. In terms of the convention and exhibition research and development business, the Company actively participated in the construction and research of regional convention and exhibition system platforms. During the Reporting Period, the Company successfully entered into contracts in respect of consultation for 3 projects, namely the Development Plan of the Convention and Exhibition Industry during the “14th Five-Year Plan” Period in Shunyi District (順義區“十四五”時期會展業發展規劃), the Strategic Study on Construction of an International Convention and Exhibition Gathering Area during the “14th Five-Year Plan” Period in Shunyi District (“十四五”時期順義區打造國際會展集聚區策略研究), and the Research of Conference, Convention and Exhibition Industry in Shenzhen Xiaomeisha Resort (深圳小梅沙會議會展產業研究), with a view that it provided more than 20 strong theoretical supports for Ministry of Commerce, Ministry of Public Security and other relevant government institutions and associations, and completed 12 research reports and 12 research projects.



Cloud signing ceremony for strategic cooperation with online and offline convention and exhibition

Management Discussion and Analysis (Continued)

Table 3: Operating and Leasing of Real Estate during the Reporting Period

Unit: 0'000 Currency: RMB

No.	Region	Project	Operation format	Construction area of the real estate leased (square meter)	Rental income of the real estate leased	Equity of (attributable to) the Company
1	No. 7 Tian Chen Dong Road, Chao Yang District, Beijing	National Convention Centre	Convention and exhibition	270,800	16,638	100%
2	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Beijing International Convention Centre	Convention and exhibition	58,000	3,519	100%
3	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Bin Offices	Office building	37,800	3,200	100%
4	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Xin Offices	Office building	40,900	2,634	100%
5	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	North Star Times Tower	Office building	131,300	7,184	100%
6	No. 8 Bei Chen Xi Road, Chao Yang District, Beijing	North Star Century Center	Office building	149,800	12,880	100%
7	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Zhen Building Property	Office building	8,400	901	100%
8	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Beijing Continental Grand Hotel	Hotel	42,000	1,208	100%
9	No. 8 Bei Chen Xi Road, Chao Yang District, Beijing	National Convention Centre Hotel	Hotel	42,900	731	100%
10	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	V-Continent Beijing Parkview Wuzhou Hotel	Hotel	60,200	1,195	100%
11	No. 8 Bei Chen Xi Road, Chao Yang District, Beijing	Intercontinental Beijing North Star Hotel	Hotel	60,000	1,642	100%
12	No. 1500, Xiang Jiang Bei Road, Kaifu District, Changsha, Hunan Province	Intercontinental Changsha	Hotel	79,200	4,637	100%
13	No. 8 Bei Chen Dong Road, Chao Yang District, Beijing	Hui Yuan Apartment	Apartment	184,300	7,243	100%
14	A13 Beiyuan Road, Chao Yang District, Beijing	B5 Commercial Area of North Star Green Garden	Commercial	49,700	842	100%

Management Discussion and Analysis (Continued)

Notes:

1. The B5 Commercial Area of North Star Green Garden has been leased to Beijing Shopin Retail Development Co., Ltd. (北京市上品商業發展有限責任公司) since August 2016.
2. Construction area of the real estate leased represents the total construction area of the project.
3. The rental income of real estate leased is the operating income of the projects.
4. Construction area and operating revenue of North Star Times Tower have included the construction area and operating revenue of the Xincheli Shopping Centre commercial project..
5. The above-mentioned properties items 2, 3, 7, 8, 10 and 13 are erected on land leased from BNSIGC. The rental for the first half of 2020 was RMB7,100,000, which would be subject to adjustment in the coming years.



Staff of Intercontinental Changsha playing their roles as usual during the pandemic period



Taking a mass pledge in the mobilization meeting of reception for CPPCC in V-Continent • Convention Centre



Beijing Cartoon Game Carnival held in International Convention Centre

Management Discussion and Analysis (Continued)

Chart 1: Distribution of entrusted management projects of the Company in the first half of 2020

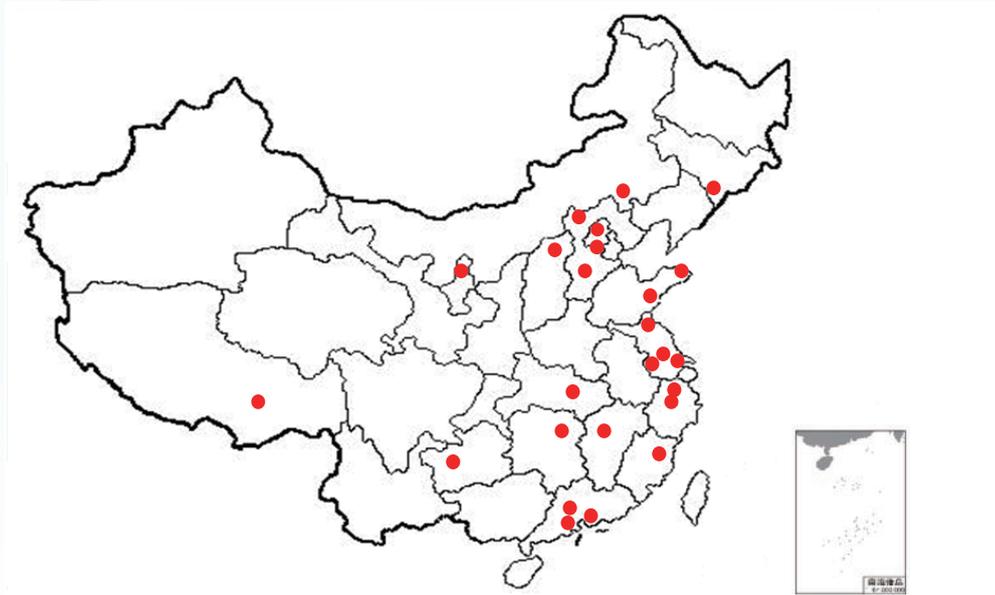


Table 4: Breakdown of entrusted management projects of the Company in the first half of 2020

No.	Convention center projects under entrusted management	Hotel projects under entrusted management
1	Zhuhai International Convention & Exhibition Center	V-Continent Nyingchi Hotel
2	Beijing Yanqi Lake International Convention & Exhibition Center	North Star V-Continent Huidong Executive Apartment
3	Lianyungang Land Bridge International Convention Center and ancillary hotels	Jiangxi Hongwei Continental Crown Hotel
4	Hangzhou International Expo Center	Zhangjiakou Continental Crown Hotel
5	Ningxia International Hall	North Star V-Continent Datong Executive Apartment
6	Taizhou China Medical City Exhibition Center	North Star V-Continent Yinfeng Hotel
7	Qingdao International Convention Center	North Star V-Continent Anshun Gardenstyle Hotel
8	Shijiazhuang International Convention & Exhibition Center	North Star V-Continent Chifeng Hotel
9	Deqing International Convention Center	North Star V-Continent Wanquan Hotel
10	Nantong International Convention & Exhibition Center	North Star V-Continent Huai'an Gardenstyle Hotel
11	Fuzhou Digital China Convention & Exhibition Center	Nanjing Wangyudao North Star V-Continent Garden-style Hotel
12	Chongli International Convention & Exhibition Center	North Star V-Continent Wuhan China Communications City Crown Hotel
13	Weihai International Economic and Trade Exchange Center	Zhuhai North Star V-Continent Crown Hotel
14	Hangzhou Future Sci-Tech City Academic Exchange Center	Hotel Project of Building A on Lot J of Guangzhou Greenland City (廣州綠地城J地塊A棟酒店項目)
15	Nanjing Yangtze International Convention Center	Tonghua Wanfeng North Star V-Continent Crown Hotel
16		Zhuhai Nanguo Serviced Apartment (珠海南國酒店式公寓)
17		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)
18		Hangzhou International Expo Center Hotel
19		Land Bridge Crown Business Hotel
20		Nantong V-Continent Gardenstyle Hotel
21		Lianyungang Land Bridge International Convention Center and ancillary hotels
22		Chongli V-Continent Gardenstyle Hotel
23		Weihai International Economic and Trade Exchange Center and ancillary hotels

Management Discussion and Analysis (Continued)

3. Nurturing Business

The Company's first health and elderly care project, North Star ORPEA International Elderly Nursing Center (北辰歐葆庭國際頤養中心) in Changsha, continued to conduct its businesses to high standards and provide high-quality services. Despite of the outbreak of the pandemic which had adverse impact on the occupancy rates to some extent, the Company stepped up its efforts in marketing and promotion and started the operation of the sections designed specifically for seniors with complete or partial disability or dementia at appropriate time with the gradual lift of lockdown measures against the pandemic. Currently, the number of elders who live in the Center has been generally restored to the level before the outbreak of the pandemic, even with a steady growth.



North Star ORPEA Elderly Nursing Center

4. Financing Work

Taking into overall consideration of factors such as policy environment, interest rate levels, asset-liability structure, etc., as well as flexibly adopting diversified financing models including the "headquarters financing", the Company successfully issued 2020 non-public corporate bonds (first tranche) amounting to RMB600 million during the Reporting Period, which has not only optimized the capital structure of the Company, but also provided stable funding source for the development of the businesses of the Company in the future.

Table 5: Financing of the Company during the Reporting Period

Unit: 0'000 Currency: RMB

Total financing amount at the end of the period	Overall average financing cost (%)	Interest capitalised
3,042,428	6.06	89,663

Management Discussion and Analysis (Continued)

III. INDUSTRY LANDSCAPE AND TREND

In the second half of 2020, China will, based on the general principle of making progress while ensuring the stability and its main task of the supply-side structural reform, building on the impetus brought by reform and opening-up, carry on with the new development philosophy, work for high-quality development, strive for the success of the “Three critical battles” (namely the prevention and mitigation of major risks, precise poverty alleviation and pollution prevention), double its efforts in “Six Stabilities” (namely to stabilize the employment, finance, foreign trade, foreign investment, investment and expectations), with the view to safeguarding the economic development and social stability.

As for development properties, during the second half of 2020, China will deepen the construction of new urbanization. Under the general key notes of “housing properties for accommodation, not speculation”, China will continue to implement real estate policies according to the actual situation in different cities, accelerate the establishment of a housing system with multiple house suppliers, various security channels, and houses for rent and purchase, and gradually develop a package of policy instruments covering finance, land, finance and taxation, housing security, and market management, and create a good environment for the long-term and stable development of the real estate industry.

As for investment properties, as the domestic pandemic has been fully controlled, companies have actively resumed work and production, and people's lives have become normal. Economic activities have steadily resumed. Based on the support of relevant national policies, the investment property business such as exhibitions, hotels and office buildings will have broader room for development and new opportunities.

IV. DEVELOPMENT STRATEGY OF THE COMPANY

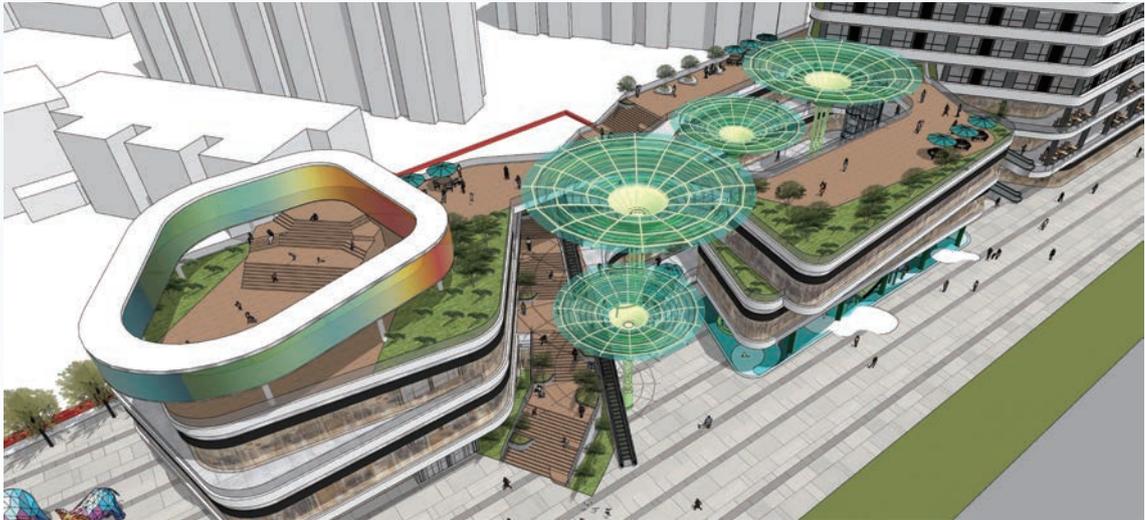
In the face of the current situation where the pandemic prevention and control situation continues to improve, the Company will continue to be guided by “expansion at low cost, operation with light assets, support by new economy and development of high-end service industry”, with greater determination, safer prevention and control and more powerful measures, quickly promote the resumption of work and production and gradually recover from the staged impact of the pandemic on production and operation to ensure the various business activities of the Company to return to normal levels.

1. Development Properties

In respect of development strategies, on the basis of its position of existing regions, the Company will pay close attention to the opportunities in key regions such as Beijing-Tianjin-Hebei Area, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, the City Clusters of the Middle Reaches of the Yangtze River and Chengdu-Chongqing Metropolitan Area, scientifically study the current situation of urban development, pinpoint market entry points, select opportunities to obtain high-quality land resources so as to make full preparations for the subsequent market recovery. In terms of project operation, the Company will pay close attention to the return of market demand, grasp the possible rebound in demand after the pandemic, proactively prepare for various works, expand online and offline multi-channel marketing, and combine with new media platform resources to strengthen project value output, promote transaction conversion and speed up capital turnover efficiency.

Management Discussion and Analysis (Continued)

In the second half of 2020, it is expected that the new construction area is 280,000 square meters, the resumed construction area is 7,140,000 square meters and the completed area is 2,090,000 square meters. The Company strives to realize sales area of 980,000 square meters and contracted sales amount of RMB18,100 million (including parking spaces).



Demonstration diagram of Langfang North Star Blue City Commercial Project

2. Investment Properties (Including Hotels)

While normalizing the prevention and control of the pandemic, on the one hand, the Company will promote the digital integration of the convention and exhibition economy, strengthen the coverage of online convention and exhibitions, establish an efficient and intelligent digital service platform and explore new booth live broadcast models to extend exhibition effects, enhance user experience, improve operational efficiency and drive business innovation. On the other hand, the Company will continue to stimulate the inherent development potential of various business ends in the industry chain such as entrusted management of convention and exhibition venues, hosting and undertaking of exhibitions and researches on convention and exhibition, etc., as well as to seize opportunities in the economic recovery after the pandemic.



High quality service of North Star Convention and Exhibition

Management Discussion and Analysis (Continued)

3. Nurturing Business

The Company will make more efforts to carry out promotion work for North Star ORPEA International Elderly Nursing Center (北辰歐葆庭國際頤養中心) in Changsha, raise the level of care for elderly residents, proactively expand service category and strive for the fulfilment of the established annual working targets. In addition, on the basis of ensuring the safe and steady operation of the implemented projects, the Company will, from a perspective of professionalization, actively further the study on the development orientation of the health and elderly care industry, expand new product lines and create a sustainable mode of elderly care development.

4. Financing and Capital Expenditure

The Company will gain a deep knowledge of companies' financing demands after the work and production resumption, give full play to the advantages of the "headquarters financing" mode, effectively take advantage of financial institutions' supporting policies for helping fulfill companies' financing demands, and practically strengthen the high efficiency of the Company's capital utilization and the diversification of financial resources. Furthermore, the Company will keep a careful calculation and strict budgeting and work hard to improve economic benefit, so as to provide strong support for its steady operation and market expansion.

In the second half of 2020, the Company's investment in fixed assets is expected to be RMB570 million, which will be paid according to project progress and funded by internal resources.

V. POTENTIAL RISKS FACED BY THE COMPANY

1. Risks in relation to the COVID-19 pandemic

In 2020, the outbreak of the COVID-19 pandemic has caused relatively material impacts on the economy of China in the first half of this year. All industries including the real estate industry and service industry have been subject to impact of different levels. Due to the outbreak of the COVID-19 pandemic and the implementation of relevant prevention and control measures, the construction area and sales area of the real estate development business, and occupancy rate and lodging rate of investment properties and hotels of the Company would be affected in the certain term.

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

2. Policy Risks in Development Properties

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

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

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 to increase selling price, the profit margin is likely to be narrowed, which will impose certain risks on enterprises in finance and capital position as well as operational stability.

To tackle the aforesaid risks, the Company will pay close attention to the development trend of the market, enhance the evaluation on the newly entered cities, and select cities and regions in which market is mature with favorable investment atmosphere, a net inflow of population and a relatively rational housing-price-to-income ratio. The Company will continue to adhere to the idea of low-cost expansion, expand new land acquisition methods, and reduce funding pressure. At the same time, the Company is committed to strengthening professional management, shortening the development cycle and accelerating the turnover rate, and improving the cash recovery rate and avoiding market risks.

4. Risks of Talent Reserve

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

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

DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE

Financial Resources and Liquidity

As at 30 June 2020, the equity attributable to ordinary shareholders of the Company decreased by 2.35% compared with 31 December 2019.

The Group's bank and other borrowings (excluding bonds) as at 30 June 2020 amounted to RMB24,491,654,000. At the end of the Period, net values of the Group's 5-year corporate bonds, 7-year corporate bonds and 5-year medium term notes were RMB2,146,066,000, RMB1,493,938,000 and RMB1,315,625,000, respectively; and the asset-backed securities were RMB977,000,000.

Current assets of the Group, which mainly comprise cash at bank and on hand, completed properties held for sale and properties under development, amounted to RMB83,592,745,000, whereas the current liabilities amounted to RMB49,956,129,000. As at 30 June 2020, the balance of cash at bank and on hand amounted to RMB12,556,343,000 (excluding restricted bank deposits) and none of the bonds in issue were exposed to redemption and payment risks. During the Period, the Company did not engage in any transaction on financial products or derivative instruments.

As at 30 June 2020, the Group had secured borrowings from banks and other financial institutions of RMB15,264,604,000 with certain investment properties, hotels, properties under development and completed properties held for sale as the collaterals. The asset-liability ratio calculated by total liabilities divided by total assets for the Group was 75% as at the end of the Reporting Period (31 December 2019: 74%).

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

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The above mentioned financial guarantees provided in phases have no material impact on the financial position of the Group. As at 30 June 2020, the outstanding amount of financial guarantees provided in phases was RMB19,049,063,000 (31 December 2019: RMB18,439,722,000).

Management Discussion and Analysis (Continued)

SHARE CAPITAL AND SHAREHOLDERS

Share Capital

The Company's registered capital as at 30 June 2020 totalled 3,367,020,000 shares in issue, comprising:

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

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, the following person, other than a director, supervisor or chief executive of the Company, had 5% or more interests or short positions in the shares and underlying shares of the relevant class of issued share capital of the Company as recorded in the register of interests in the shares and short positions required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance ("SFO"):

Interests and Short Positions in Shares of the Company

Name of shareholder	Nature of interest	Capacity	Class of shares	Number of shares held	Percentage of the relevant class of share capital	Percentage of total share capital
Beijing North Star Industrial Group Limited Liabilities Company ("BNSIGC")	Corporate interest	Beneficial owner	A shares	1,161,000,031	43.65%	34.48%

Save as disclosed above, based on the register required to be kept under Section 336 of Part XV of the SFO, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 30 June 2020.

INTERESTS OF DIRECTORS AND SUPERVISORS OF THE COMPANY

As at 30 June 2020, none of the directors, supervisors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code").

CORPORATE GOVERNANCE

The Company has strived to maintain and establish a high level of corporate governance, and save as disclosed below, the Company has fully complied with all code provisions set out in the "Corporate Governance Code" contained in Appendix 14 of the Listing Rules during the Period:

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.

Management Discussion and Analysis (Continued)

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code. 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 six months ended 30 June 2020.

AUDIT COMMITTEE

The Audit Committee has been established by the Company to review and supervise the financial reporting process and internal control measures of the Company. The Group's unaudited interim results for the six months ended 30 June 2020 have been reviewed by the Audit Committee and the Board. The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. FU Yiu-Man, Mr. DONG An-Sheng and Mr. WU Ge.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CONTINUING DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

DESIGNATED DEPOSITS AND DUE FIXED DEPOSITS

As at 30 June 2020, the Group had no designated deposits that were placed with financial institutions in the PRC. All of the Group's cash deposits have been placed with commercial banks in the PRC in compliance with relevant laws and regulations. The Group has not experienced any incidents of not being able to withdraw bank deposits when due.

EMPLOYEES

As at 30 June 2020, the Company had 5,293 employees. Adjustments of employees' remuneration will be made according to the Company's results and profitability and are determined by assessing the correlation between the total salary paid to employees and the economic efficiency of the Company. The policy contributes to the management of the Company's remuneration expenses while employees will be motivated to work hard for good results and development of the Company. Save for the remuneration policies disclosed above, the Company does not maintain any share option scheme for its employees and the employees do not enjoy bonus. The Company regularly provides administrative personnel with trainings on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws, in different forms, such as seminars, site visits and study tours.

Management Discussion and Analysis (Continued)

STAFF QUARTERS

During the Period, the Company did not provide any staff quarters to its staff.

PUBLICATION OF INTERIM REPORT

The Company's 2020 interim report which sets out all the information required by the Listing Rules will be published on the designated website of the Stock Exchange at <http://www.hkexnews.hk> and on the website of the Company at <http://www.beijings.com.cn> in due course.

DOCUMENT FOR INSPECTION

The original copy of the 2020 interim report, signed by the Chairman, will be available for inspection at the Secretariat of the Board, of which the address is:

Beijing North Star Company Limited
12th Floor, Tower A, Hui Xin Building
No. 8 Bei Chen Dong Road
Chao Yang District
Beijing
the PRC

Beijing, the PRC
26 August 2020

By order of the Board
Beijing North Star Company Limited
LI Wei-Dong
Chairman

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:	12/F, 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
Company information enquiry unit:	Secretariat of the Board

COMPANY INFORMATION ENQUIRY

Address:	12/F, Tower A Hui Xin Building No. 8 Bei Chen Dong Road Chao Yang District, Beijing the PRC
Postal code:	100101
Telephone:	86 (10) 6499 1277
Fax:	86 (10) 6499 1352
Website:	www.beijingns.com.cn

REGISTRATION

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

AUDITOR

Name of the auditor:	PricewaterhouseCoopers Certified Public Accountant 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

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Telephone:	86 (10) 5813 7799
Fax:	86 (10) 5813 7788
Hong Kong lawyer:	Woo Kwan Lee & Lo
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HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

H share:	0588
A share:	601588