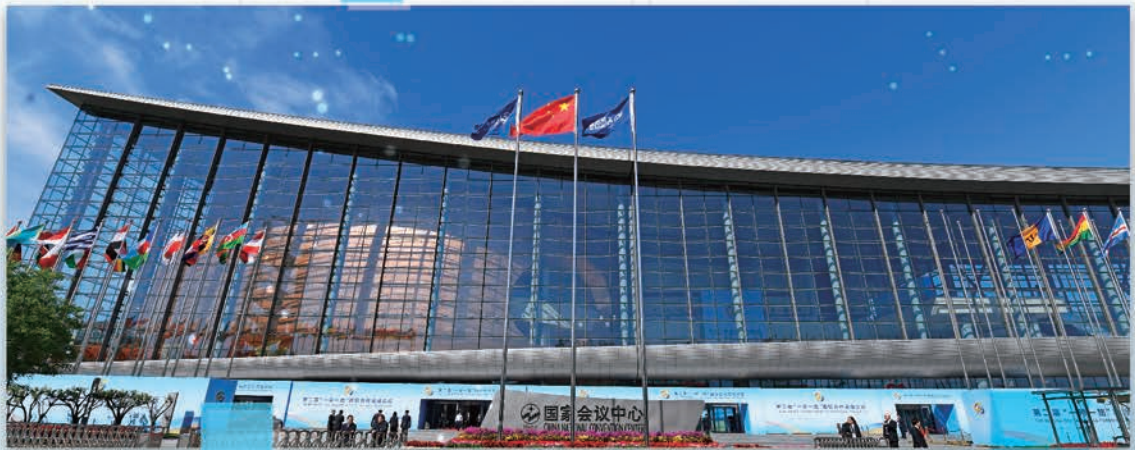


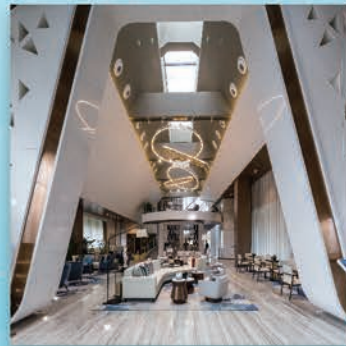


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HKEx Stock Code: 0588
SSE Stock Code: 601588



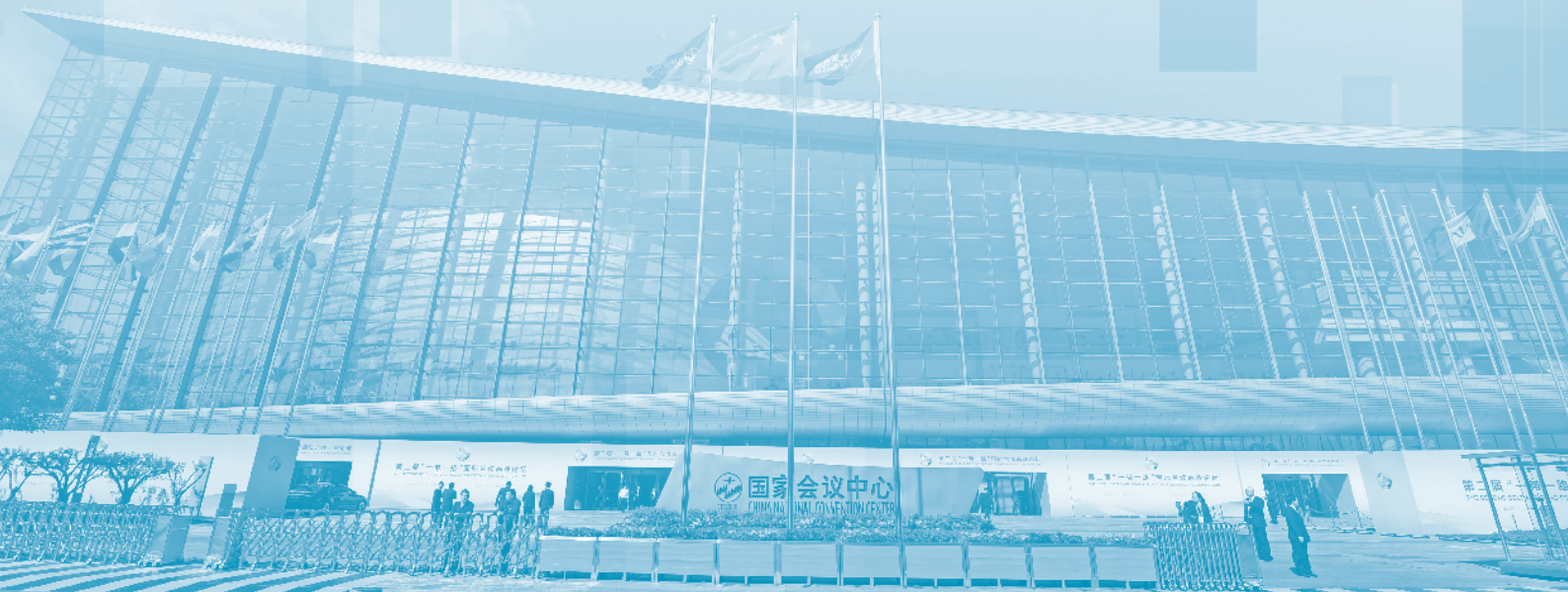
2019 INTERIM REPORT



INTERIM REPORT

For the six months ended 30 June 2019

- Revenue was RMB8,548,956,000, representing an increase of 56.39% over the same period last year
- Operating profit was RMB3,077,737,000, representing an increase of 88.12% over the same period last year
- Profit attributable to the ordinary shareholders of the Company was RMB1,342,333,000, representing an increase of 76.85% over the same period last year. Among others, the after-tax core operating results of the principal business (excluding gains arising from the changes in fair value) were RMB1,265,997,000, representing an increase of 79.13% over the same period last year, and the gains (after taxation) on changes in fair value of investment properties was RMB76,336,000
- Earnings per share was RMB0.3987, earnings per share in the same period last year was RMB0.2254
- The board of directors (the "Board") resolved that no interim dividend would be declared in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: nil)



Interim Condensed Consolidated Balance Sheet

| | Note | Unaudited 30 June 2019 RMB'000 | Audited 31 December 2018 RMB'000 |
|---|------|--------------------------------------|--|
| ASSETS | | | |
| Non-current assets | | | |
| Right-of-use assets | 7 | 290,186 | – |
| Land use rights | 7 | – | 294,514 |
| Investment properties | 7 | 13,313,500 | 12,867,800 |
| Property, plant and equipment | 7 | 2,185,030 | 2,324,215 |
| Investments accounted for using the equity method | | 330,437 | 327,773 |
| Deferred income tax assets | | 1,103,961 | 864,640 |
| Other receivables and prepayments | 9 | 265,750 | 254,952 |
| | | <u>17,488,864</u> | <u>16,933,894</u> |
| Current assets | | | |
| Properties under development | 8 | 58,562,509 | 51,244,333 |
| Completed properties held for sale | | 6,197,055 | 9,102,815 |
| Other inventories | | 46,487 | 47,552 |
| Trade and other receivables and prepayments | 9 | 7,252,856 | 8,825,465 |
| Restricted bank deposits | | 2,132,383 | 1,904,818 |
| Cash and cash equivalents | | 11,964,707 | 11,851,788 |
| | | <u>86,155,997</u> | <u>82,976,771</u> |
| Total assets | | <u><u>103,644,861</u></u> | <u><u>99,910,665</u></u> |

Interim Condensed Consolidated Balance Sheet (Continued)

| | Note | Unaudited 30 June 2019 RMB'000 | Audited 31 December 2018 RMB'000 |
|--|------|--------------------------------------|--|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long-term borrowings | 13 | 20,666,788 | 19,768,944 |
| Trade and other payables and loans from other parties | 12 | 4,628,682 | 5,031,574 |
| Employee termination benefit obligations | | 130,162 | 137,127 |
| Deferred income tax liabilities | | 2,120,917 | 2,004,066 |
| | | <u>27,546,549</u> | <u>26,941,711</u> |
| Current liabilities | | | |
| Trade and other payables and loans from other parties | 12 | 12,807,467 | 10,848,489 |
| Contract liabilities | | 27,360,609 | 28,444,766 |
| Current income tax liabilities | | 2,363,288 | 2,327,896 |
| Current portion of long-term borrowings | 13 | 7,420,140 | 7,391,618 |
| Short-term borrowings | 13 | 1,000,000 | 1,100,000 |
| | | <u>50,951,504</u> | <u>50,112,769</u> |
| Total liabilities | | <u>78,498,053</u> | <u>77,054,480</u> |
| EQUITY | | | |
| Share capital | 10 | 3,367,020 | 3,367,020 |
| Other reserves | | 4,708,117 | 4,501,602 |
| Retained earnings | | 12,685,881 | 11,747,590 |
| Capital and reserves attributable to ordinary shareholders of the Company | | <u>20,761,018</u> | <u>19,616,212</u> |
| Perpetual bond | 11 | 2,598,425 | 1,613,451 |
| Non-controlling interests | | <u>1,787,365</u> | <u>1,626,522</u> |
| Total equity | | <u>25,146,808</u> | <u>22,856,185</u> |
| Total equity and liabilities | | <u>103,644,861</u> | <u>99,910,665</u> |

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

Interim Condensed Consolidated Income Statement

| | Note | Unaudited Six months ended 30 June | |
|---|------|---------------------------------------|-----------------|
| | | 2019 RMB'000 | 2018 RMB'000 |
| Continuing operation | | | |
| Revenue | 6 | 8,548,956 | 5,466,299 |
| Cost of sales | | (4,995,623) | (3,376,404) |
| Gross profit | | 3,553,333 | 2,089,895 |
| Selling and marketing expenses | | (193,337) | (209,266) |
| Administrative expenses | | (391,983) | (320,995) |
| Fair value gains on investment properties | 14 | 101,782 | 69,684 |
| Net impairment losses on financial assets | | (1,805) | – |
| Other income | | 2,167 | – |
| Other gains – net | | 7,580 | 6,718 |
| Operating profit | | 3,077,737 | 1,636,036 |
| Finance income | 15 | 46,515 | 101,192 |
| Finance expenses | 15 | (248,271) | (341,676) |
| Finance expenses – net | 15 | (201,756) | (240,484) |
| Share of net profit of investments accounted for using the equity method | | 33,897 | 84,598 |
| Profit before income tax | 6 | 2,909,878 | 1,480,150 |
| Income tax expenses | 16 | (1,319,880) | (499,829) |
| Profit from continuing operations | | 1,589,998 | 980,321 |
| Loss from discontinued operation (attributable to ordinary shareholders of the Company) | | (392) | (6,779) |
| Profit for the period | | 1,589,606 | 973,542 |
| Attributable to: | | | |
| Ordinary shareholders of the Company | | 1,342,333 | 759,015 |
| Holders of perpetual bond | | 86,430 | – |
| Non-controlling interests | | 160,843 | 214,527 |
| | | 1,589,606 | 973,542 |
| 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 | | 39.88 | 22.74 |
| From discontinued operations | | (0.01) | (0.20) |

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 | |
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| Profit for the period | 1,589,606 | 973,542 |
| <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) | – |
| Other comprehensive income for the period, net of tax | 206,515 | – |
| Total comprehensive income for the period | 1,796,121 | 973,542 |
| Attributable to: | | |
| Ordinary shareholders of the Company | 1,548,848 | 759,015 |
| Holders of perpetual bond | 86,430 | – |
| Non-controlling interests | 160,843 | 214,527 |
| | 1,796,121 | 973,542 |
| Total comprehensive income for the period attributable to ordinary shareholders of the Company arises from: | | |
| Continuing operations | 1,549,240 | 765,794 |
| Discontinued operations | (392) | (6,779) |
| | 1,548,848 | 759,015 |

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 | | | | Perpetual bond | Non- controlling interests | Total equity |
| | | Share capital | Other reserves | Retained earnings | Total | | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| Balance at 1 January 2019 | | 3,367,020 | 4,501,602 | 11,747,590 | 19,616,212 | 1,613,451 | 1,626,522 | 22,856,185 |
| Profit for the 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 ended 30 June 2019 | | - | 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 | 17 | - | - | (404,042) | (404,042) | - | - | (404,042) |
| Distribution to holders of perpetual bond | | - | - | - | - | (93,056) | - | (93,056) |
| Issuance of perpetual bond | 11 | - | - | - | - | 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 |
| Balance at 1 January 2018 | | 3,367,020 | 4,432,663 | 10,590,512 | 18,390,195 | - | 763,040 | 19,153,235 |
| Adjustment on adoption of HKFRS15, net of tax | | - | 1,632 | 195,171 | 196,803 | - | 27,102 | 223,905 |
| Restated balance at 1 January 2018 | | 3,367,020 | 4,434,295 | 10,785,683 | 18,586,998 | - | 790,142 | 19,377,140 |
| Profit for the period | | - | - | 759,015 | 759,015 | - | 214,527 | 973,542 |
| Other comprehensive income | | - | - | - | - | - | - | - |
| Total comprehensive income for the period ended 30 June 2018 | | - | - | 759,015 | 759,015 | - | 214,527 | 973,542 |
| Transactions with owners, recognised directly in equity | | | | | | | | |
| 2017 final dividends | | - | - | (370,372) | (370,372) | - | - | (370,372) |
| Proceeds from injection from non-controlling interests | | - | - | - | - | - | 24,250 | 24,250 |
| Total transactions with owners, recognised directly in equity | | - | - | (370,372) | (370,372) | - | 24,250 | (346,122) |
| Balance at 30 June 2018 | | 3,367,020 | 4,434,295 | 11,174,326 | 18,975,641 | - | 1,028,919 | 20,004,560 |

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

| | | Unaudited | |
|---|-------------|---------------------------------|--------------------|
| | | Six months ended 30 June | |
| | <i>Note</i> | 2019 | 2018 |
| | | RMB'000 | RMB'000 |
| Cash flows from operating activities | | | |
| Cash generated from operations | | 896,204 | 971,608 |
| Interest received | | 44,347 | 101,359 |
| Interest paid | | (1,235,082) | (1,178,406) |
| Income tax paid | | (1,722,264) | (1,197,309) |
| | | <u>(2,016,795)</u> | <u>(1,302,748)</u> |
| Net cash used in operating activities | | | |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment and investment properties | | (70,657) | (46,994) |
| Loan repayments from associates and joint ventures | 21(ii) | 181,789 | 495,600 |
| Interests received on loans granted | | 2,933 | 27,266 |
| Proceeds from sale of property, plant and equipment | | 583 | 1,922 |
| | | <u>114,648</u> | <u>477,794</u> |
| Net cash generated from investing activities | | | |
| Cash flows from financing activities | | | |
| Proceeds from borrowings and issuance of bonds | 13(d) | 6,062,168 | 2,469,187 |
| Proceeds from issuance of perpetual bond | 11 | 991,600 | – |
| Repayments of borrowings and bonds | 13(d) | (5,240,428) | (5,222,140) |
| Repayments of commercial mortgage backed securities issued by a subsidiary of the Company | | (7,000) | – |
| Proceeds from loans from non-controlling interests | | 655,846 | 4,519,919 |
| Proceeds from capital injection from non-controlling interests | | – | 24,250 |
| Proceeds from advances from associates and joint ventures | 21(iv) | 321,809 | 329,500 |
| Repayments of loans/advances to non-controlling interests | | (395,279) | (1,450,684) |
| Repayment of advances to associates and joint ventures | | (54,450) | (59,500) |
| Dividends paid to Company's ordinary shareholders | 17 | (319,200) | (292,421) |
| | | <u>2,015,066</u> | <u>318,111</u> |
| Net cash generated from financing activities | | | |
| Net increase/(decrease) in cash and cash equivalents | | 112,919 | (506,843) |
| Cash and cash equivalents at 1 January | | 11,851,788 | 9,846,708 |
| Cash and cash equivalents at 30 June | | <u>11,964,707</u> | <u>9,339,865</u> |

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 Beijing North Star Industrial Group Limited Liabilities Company (“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”.

This condensed consolidated interim financial information is presented in Renminbi, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 21 August 2019.

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 2019 (the “interim report”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 ‘Interim financial reporting’. The interim report does not include all the notes of the type normally included in an annual financial statements. Accordingly, this interim report is to be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018 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 applied are consistent with those of the annual financial statements for the year ended 31 December 2018, 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

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies as a result of adopting the leasing standard, and the other standards did not have any impact on the Group's accounting policies.

HKFRS 16 'Leases'

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

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics ;
- reliance on previous assessments on whether leases are onerous ;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 in determining whether an arrangement contains a lease.

The adoption of HKFRS 16 did not have any material impact on the Group's consolidated financial information and did not require any retrospective adjustments or adjustments on the opening retained earnings as at 1 January 2019.

The only impact as recognised upon the adoption of HKFRS 16 is to redesignate the Group's land use rights (which were previously presented as a separate item in the consolidated balance sheet) as "right-of-use assets" with effect from 1 January 2019 (Note 7).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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 consolidated financial statements for the year ended 31 December 2018.

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 report 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 as at 31 December 2018.

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 2019 (Unaudited) | | | | | |
| Borrowings (including interests) | 10,025,910 | 9,711,310 | 10,157,022 | 4,354,990 | 34,249,232 |
| Trade and other payables (including interests) (<i>note i</i>) | <u>12,436,955</u> | <u>3,669,202</u> | <u>219,845</u> | <u>1,068,378</u> | <u>17,394,380</u> |
| | <u>22,462,865</u> | <u>13,380,512</u> | <u>10,376,867</u> | <u>5,423,368</u> | <u>51,643,612</u> |
| At 31 December 2018 (Audited) | | | | | |
| Borrowings (including interests) | 9,923,591 | 9,901,369 | 8,024,716 | 5,255,615 | 33,105,291 |
| Trade and other payables (including interests) (<i>note i</i>) | <u>10,419,934</u> | <u>4,187,806</u> | <u>218,232</u> | <u>1,495,154</u> | <u>16,321,126</u> |
| | <u>20,343,525</u> | <u>14,089,175</u> | <u>8,242,948</u> | <u>6,750,769</u> | <u>49,426,417</u> |

Notes:

- (i) Excluding staff welfare benefit payable, other tax payable and prepaid rental income from tenants.
- (ii) The table above does not include any potential liabilities which may be arising from the financial guarantee as disclosed in Note 19 to this interim report.

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 2019 and 31 December 2018, 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 2019 <i>RMB'000</i> | Audited 31 December 2018 <i>RMB'000</i> |
|-------------|---|---|
| Non-current | 20,739,064 | 19,784,968 |
| Current | 8,420,140 | 8,491,618 |
| | 29,159,204 | 28,276,586 |

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

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 apartment, office building, conference center, and hotels.

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

The Board assesses the performance of the operating segments based on a measure of adjusted profit before income tax based on assumptions that investment properties are measured at cost less accumulated depreciation. This measurement basis mainly excludes the fair value gains 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 interim report.

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.

Revenue consists of sales from developed properties and revenue generated from investment properties and hotels. Revenues recognised during the six months ended 30 June 2019 and 30 June 2018 are as follows:

| | Unaudited | |
|--|---------------------------------|-----------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| Revenue | | |
| Properties development segment | 7,195,212 | 4,149,023 |
| Investment properties and hotels segment | 1,310,116 | 1,274,384 |
| | 8,505,328 | 5,423,407 |
| Other segments | 43,628 | 42,892 |
| | 8,548,956 | 5,466,299 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6. SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 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 |
|-----------------------------------|--------------------|----------------|
| Properties development | 6,940,959 | 254,253 |
| Investment properties and hotels* | 172,787 | 192,597 |
| Other segments | 7,371 | 30,224 |
| | <u>7,121,117</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.

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.

| 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 2019 (Unaudited) | | | | |
| Total segment revenue | 7,195,212 | 1,343,410 | 63,676 | 8,602,298 |
| Inter-segment revenue | – | (33,294) | (20,048) | (53,342) |
| Revenue from external customers | <u>7,195,212</u> | <u>1,310,116</u> | <u>43,628</u> | <u>8,548,956</u> |
| Adjusted profit/(loss) before income tax | <u>1,841,788</u> | <u>423,914</u> | <u>(12,345)</u> | <u>2,253,357</u> |
| Six months ended 30 June 2018 (Unaudited) | | | | |
| Total segment revenue | 4,149,023 | 1,287,731 | 58,429 | 5,495,183 |
| Inter-segment revenue | – | (13,347) | (15,537) | (28,884) |
| Revenue from external customers | <u>4,149,023</u> | <u>1,274,384</u> | <u>42,892</u> | <u>5,466,299</u> |
| Adjusted profit/(loss) before income tax | <u>986,693</u> | <u>424,705</u> | <u>(8,471)</u> | <u>1,402,927</u> |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6. SEGMENT INFORMATION (CONTINUED)

| 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 2019 (Unaudited) | | | | |
| Total segments' assets | 80,229,701 | 7,514,450 | 88,010 | 87,832,161 |
| Total segments' assets include: | | | | |
| Investments accounted for using the equity method | 330,437 | – | – | 330,437 |
| Additions to non-current assets (other than deferred income tax assets) | 6,837 | 52,851 | 1,279 | 60,967 |
| Total segments' liabilities | 67,303,826 | 1,320,136 | 160,237 | 68,784,199 |
| Contract liabilities | 27,249,257 | 77,751 | 6,232 | 27,333,240 |
| As at 31 December 2018 (Audited) | | | | |
| Total segments' assets | 77,978,639 | 7,188,818 | 90,223 | 85,257,680 |
| Total segments' assets include: | | | | |
| Investments accounted for using the equity method | 327,773 | – | – | 327,773 |
| Additions to non-current assets (other than deferred income tax assets) | 18,227 | 123,682 | 15,311 | 157,220 |
| Total segments' liabilities | 66,236,832 | 1,342,924 | 190,042 | 67,769,798 |
| Contract liabilities | 28,329,022 | 85,173 | 2,742 | 28,416,937 |

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 | |
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Adjusted profit before income tax for reportable segments | 2,253,357 | 1,402,927 |
| Corporate overheads | (89,118) | (36,596) |
| Corporate finance expenses | (228,475) | (306,184) |
| Corporate finance income | 13,302 | 70,473 |
| Other income | 1,799 | – |
| Fair value gains on investment properties (<i>Note 14</i>) | 101,782 | 69,684 |
| Reversal of depreciation of investment properties | 90,269 | 91,972 |
| Land appreciation tax (<i>Note 16</i>) | 766,962 | 187,874 |
| Profit before income tax | 2,909,878 | 1,480,150 |

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

| | Unaudited | Audited |
|---|--------------------|------------------|
| | As at | As at |
| | 30 June 2019 | 31 December 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Total segments' assets | 87,832,161 | 85,257,680 |
| Deferred income tax assets at corporate level | 670,131 | 573,430 |
| Corporate cash | 6,631,968 | 6,034,756 |
| Accumulated fair value gains on investment properties | 6,170,949 | 5,793,814 |
| Reversal of accumulated depreciation of investment properties | 2,312,723 | 2,222,454 |
| Assets of discontinued segment | 26,929 | 28,531 |
| Total assets per balance sheet | 103,644,861 | 99,910,665 |

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 2019 RMB'000 | Audited As at 31 December 2018 <i>RMB'000</i> |
|--|---|--|
| Total segments' liabilities | 68,784,199 | 67,769,798 |
| Deferred income tax liabilities at corporate level | 2,120,917 | 2,004,066 |
| Corporate borrowings | 6,302,409 | 6,247,383 |
| Other corporate liabilities | 1,276,435 | 1,006,230 |
| Liabilities of discontinued segment | 14,093 | 27,003 |
| Total liabilities per balance sheet | 78,498,053 | 77,054,480 |

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 2019 and 2018 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 2019 and 31 December 2018, 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 2019 and 2018.

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 Land use rights <i>RMB'000</i> | Property, plant and equipment <i>RMB'000</i> | Investment properties <i>RMB'000</i> |
|---|--|---|--|--|
| Six months ended 30 June 2019 | | | | |
| Opening net book amount as at 1 January 2019 | – | 294,514 | 2,324,215 | 12,867,800 |
| Redesignation upon the adoption of HKFRS 16 | 294,514 | (294,514) | – | – |
| Fair value gains charged to profit or loss (<i>Note 14</i>) | – | – | – | 101,782 |
| Fair value gains charged to other comprehensive income (<i>Note i</i>) | – | – | – | 275,353 |
| Additions | – | – | 25,330 | 36,058 |
| Disposals | – | – | (1,960) | (140) |
| Transfer to investment properties (<i>Note i</i>) | – | – | (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 | 290,186 | – | 2,185,030 | 13,313,500 |
| Six months ended 30 June 2018 | | | | |
| Opening net book amount as at 1 January 2018 | – | 303,166 | 2,305,110 | 12,753,600 |
| Fair value gains charged into income statement (<i>Note 14</i>) | – | – | – | 69,684 |
| Additions | – | – | 46,674 | 316 |
| Disposals | – | – | (2,500) | – |
| Amortisation/depreciation | – | (4,328) | (64,318) | – |
| Closing net book amount as at 30 June 2018 | – | 298,838 | 2,284,966 | 12,823,600 |

Notes :

- (i) During the six months ended 30 June 2019, certain properties with carrying amount of RMB32,647,000 (2018: Nil) has been transferred to investment properties due to the changes in the uses of the related properties. The related properties have been revalued and the fair value gains at the date of transfer of RMB275,353,000 (2018: not applicable) has been charged to other comprehensive income for the current period.
- (ii) The investment properties were revalued at 30 June 2019 and 30 June 2018 by an independent and qualified valuer, Greater China Appraisal Limited (“GCAL”).

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 these investment properties in accordance with HKFRS 13 are given below.

| | Fair value measurements using significant unobservable inputs (Level 3) | |
|--|---|---|
| | Unaudited As at 30 June 2019 RMB'000 | Audited As at 31 December 2018 RMB'000 |
| Recurring fair value measurements Investment properties: | | |
| Office units | 6,471,600 | 6,086,900 |
| Apartments | 1,902,000 | 1,891,000 |
| Convention centers | 3,637,000 | 3,599,000 |
| Shopping malls | 1,302,900 | 1,290,900 |
| | 13,313,500 | 12,867,800 |

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 2019 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 2019 and 31 December 2018, 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 and shopping malls, the valuations were based on income capitalisation approach (term and reversionary method) which largely used observable 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, the valuation was determined using discounted cash flow projections based on significant unobservable inputs. These inputs include:

| | |
|----------------------------|--|
| Future rental cash inflows | Based on the actual location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents 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 investment 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. |

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

8. PROPERTIES UNDER DEVELOPMENT

| | Unaudited As at 30 June 2019 RMB'000 | Audited As at 31 December 2018 RMB'000 |
|---|---|---|
| Land use rights | 43,228,717 | 37,749,631 |
| Development costs and capitalised expenditure | 10,360,349 | 9,382,153 |
| Finance expenses capitalised | 4,973,443 | 4,112,549 |
| | <u>58,562,509</u> | <u>51,244,333</u> |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | Unaudited as at 30 June 2019 | | | Audited as at 31 December 2018 | | |
|---------------------------------|------------------------------|------------------------|------------------|--------------------------------|------------------------|------------------|
| | 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) | 3,487,127 | 129,248 | 3,616,375 | 3,478,934 | 110,319 | 3,589,253 |
| Prepayments | 3,765,729 | 136,502 | 3,902,231 | 5,346,531 | 144,633 | 5,491,164 |
| | <u>7,252,856</u> | <u>265,750</u> | <u>7,518,606</u> | <u>8,825,465</u> | <u>254,952</u> | <u>9,080,417</u> |

(a) Trade and other receivables

| | Unaudited as at 30 June 2019 | | | Audited as at 31 December 2018 | | |
|--|------------------------------|------------------------|------------------|--------------------------------|------------------------|------------------|
| | Current RMB'000 | Non-current RMB'000 | Total RMB'000 | Current RMB'000 | Non-current RMB'000 | Total RMB'000 |
| Trade receivables | 165,917 | – | 165,917 | 85,798 | – | 85,798 |
| Less: provision for impairment of trade receivables | (16,789) | – | (16,789) | (15,623) | – | (15,623) |
| Trade receivables – net | 149,128 | – | 149,128 | 70,175 | – | 70,175 |
| Receivables due from related parties (Note 21(vi)) | 31,232 | – | 31,232 | 107,917 | 74,507 | 182,424 |
| Receivables due from subsidiaries of CIFI Holdings (Group) Co., Ltd. ("CIFI") (Note 21(vi)) | 1,289,400 | – | 1,289,400 | 1,373,200 | – | 1,373,200 |
| Receivables due from non-controlling interests | 1,753,964 | – | 1,753,964 | 1,742,853 | – | 1,742,853 |
| Other receivables | 282,364 | 129,897 | 412,261 | 203,505 | 36,067 | 239,572 |
| Less: provision for impairment of other receivable | (18,961) | (649) | (19,610) | (18,716) | (255) | (18,971) |
| Other receivables – net | 3,337,999 | 129,248 | 3,467,247 | 3,408,759 | 110,319 | 3,519,078 |
| | <u>3,487,127</u> | <u>129,248</u> | <u>3,616,375</u> | <u>3,478,934</u> | <u>110,319</u> | <u>3,589,253</u> |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

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 2019 and 31 December 2018, the ageing analysis of the trade receivables at the end of reporting period is as follows:

| | Unaudited As at 30 June 2019 RMB'000 | Audited As at 31 December 2018 RMB'000 |
|-------------------|---|---|
| Trade receivables | | |
| 0 – 30 days | 69,901 | 44,856 |
| 31 – 90 days | 60,546 | 1,620 |
| Over 90 days | 35,470 | 39,322 |
| | 165,917 | 85,798 |

10. SHARE CAPITAL

| | Audited As at 31 December 2018 RMB'000 | Movement during the period RMB'000 | Unaudited As at 30 June 2019 RMB'000 |
|-----------------------------------|---|--|---|
| Registered, issued and fully paid | 3,367,020 | – | 3,367,020 |

- (a) Pursuant to the document titled "Implementation Measure for Transfer of Part of the State-owned Shares in Domestic Securities Market to the National Social Security Fund"(Cai Qi [2010] No.94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企(2010)94號)) and announcement No.63 of 2010 jointly issued by the Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and the National Council for Social Security Fund ("NCSSF"), a total of 150,000,000 shares in the Company held by BNSIGC should be transferred to NCSSF. On 30 October 2015, BNSIGC issued a letter of commitment to NCSSF, claimed to pay an equivalent amount of RMB360,000,000 to NCSSF instead of transferring the relevant shares. As at 25 January 2018, BNSIGC has paid fully RMB360,000,000, the relevant shares are not subjected to sales restriction, and shares held by BNSIGC expired, and all these shares were available for trading.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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 2019 included the accrued distribution payments.

12. TRADE AND OTHER PAYABLES AND LOANS FROM OTHER PARTIES

| | Unaudited as at 30 June 2019 | | | Audited as at 31 December 2018 | | |
|---------------------------------------|------------------------------|------------------------|-------------------|--------------------------------|------------------------|-------------------|
| | 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) | 10,237,970 | – | 10,237,970 | 9,130,120 | – | 9,130,120 |
| Loans/advances from other parties (b) | 2,569,497 | 4,628,682 | 7,198,179 | 1,718,369 | 5,031,574 | 6,749,943 |
| | 12,807,467 | 4,628,682 | 17,436,149 | 10,848,489 | 5,031,574 | 15,880,063 |

(a) Trade and other payables

| | Unaudited as at 30 June 2019 | | | Audited as at 31 December 2018 | | |
|--|------------------------------|------------------------|-------------------|--------------------------------|------------------------|------------------|
| | Current RMB'000 | Non-current RMB'000 | Total RMB'000 | Current RMB'000 | Non-current RMB'000 | Total RMB'000 |
| Prepaid rental income from tenants | 296,857 | – | 296,857 | 276,385 | – | 276,385 |
| Trade payables | 5,491,955 | – | 5,491,955 | 6,659,150 | – | 6,659,150 |
| Dividends payable to non-controlling interests of subsidiaries | 17,162 | – | 17,162 | 17,162 | – | 17,162 |
| Dividends payable to ordinary shareholders of the Company | 84,842 | – | 84,842 | – | – | – |
| Accrued interests of perpetual bonds | 93,056 | – | 93,056 | – | – | – |
| Accrued interests | 362,756 | – | 362,756 | 484,131 | – | 484,131 |
| Amounts due to subsidiaries of CIFI (Note 21(vi)) | 54,445 | – | 54,445 | 132,788 | – | 132,788 |
| Employee termination benefit obligations-current portion | 15,024 | – | 15,024 | 8,059 | – | 8,059 |
| Other payables | 3,821,873 | – | 3,821,873 | 1,552,445 | – | 1,552,445 |
| | 10,237,970 | – | 10,237,970 | 9,130,120 | – | 9,130,120 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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

(b) Loans/advances from other parties

| | Unaudited as at 30 June 2019 | | | Audited as at 31 December 2018 | | |
|---|------------------------------|------------------------|------------------|--------------------------------|------------------------|------------------|
| | Current RMB'000 | Non-current RMB'000 | Total RMB'000 | Current RMB'000 | Non-current RMB'000 | Total RMB'000 |
| Loans from non-controlling interests | 843,028 | 3,651,682 | 4,494,710 | 260,810 | 4,046,574 | 4,307,384 |
| Loans from a third party contractor | 701,298 | – | 701,298 | 701,298 | – | 701,298 |
| Commercial mortgage backed securities issued by a subsidiary of the Company | 16,000 | 977,000 | 993,000 | 15,000 | 985,000 | 1,000,000 |
| Advances from non-controlling interests | 188,225 | – | 188,225 | 187,674 | – | 187,674 |
| Advances from related parties (Note 21(vi)) | 820,946 | – | 820,946 | 553,587 | – | 553,587 |
| | 2,569,497 | 4,628,682 | 7,198,179 | 1,718,369 | 5,031,574 | 6,749,943 |

As at 30 June 2019 and 31 December 2018, 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 2019 RMB'000 | Audited As at 31 December 2018 RMB'000 |
|----------------|---|---|
| Trade payables | | |
| 0 – 180 days | 3,241,186 | 4,182,195 |
| 181 – 365 days | 240,419 | 336,843 |
| Over 365 days | 2,010,350 | 2,140,112 |
| | 5,491,955 | 6,659,150 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

13. BORROWINGS

| | Unaudited As at 30 June 2019 RMB'000 | Audited As at 31 December 2018 RMB'000 |
|---|---|---|
| Non-current | | |
| Long-term borrowings | | |
| – Secured or guaranteed borrowings (Note 21 (viii)) | 23,134,519 | 22,263,179 |
| – 5 year bonds of 2014 (a) | 598,909 | 597,802 |
| – 7 year bonds of 2014 (a) | 1,493,839 | 1,492,715 |
| – 5 year bonds of 2016 (b) | 355,418 | 1,494,322 |
| – 5 year medium term note of 2017 (c) | 1,313,481 | 1,312,544 |
| – 5 year bonds of 2019 (d) | 1,190,762 | – |
| | <u>28,086,928</u> | <u>27,160,562</u> |
| Less: current portion of long-term borrowings | <u>(7,420,140)</u> | <u>(7,391,618)</u> |
| | <u>20,666,788</u> | <u>19,768,944</u> |
| Current | | |
| Short-term borrowings | | |
| – Secured borrowings | 200,000 | 300,000 |
| – Unsecured borrowings | 800,000 | 800,000 |
| Current portion of long-term borrowings | <u>7,420,140</u> | <u>7,391,618</u> |
| | <u>8,420,140</u> | <u>8,491,618</u> |
| Total borrowings | <u><u>29,086,928</u></u> | <u><u>28,260,562</u></u> |

- (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”), carries 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 carries an interest rate of 5.65% per annum. Corporate bonds of RMB1,500,000,000 has a term of 7 years (“7 year bonds”), carries an interest rate of 5.2% per annum and also embedded a put option at the end the fifth year. The interests on these 5 year bonds and 7 year bonds would be paid annually and the principals are fully repayable on 20 January 2020 and 20 January 2022, respectively.
- (b) On 21 April 2016, the Company issued corporate bonds with an aggregate principal amount of RMB1,500,000,000. It has a term of 5 years, carries a coupon rate of 4.48% per annum and also embedded a put option at the end of the third year. The net proceeds of this bond were RMB1,488,000,000 (net of issuance costs of RMB12,000,000). On 22 April 2019, the investors put to sell back bonds of RMB1,140,000,000 to the Company and the remaining bonds carries an interest rate of 4.48% per annum. The interest on these bonds were paid annually and the principal is fully repayable on 21 April 2021.
- (c) On 18 September 2017, the Company issued medium term note with an aggregate principal amount of RMB1,320,000,000. It has a term of 5 years, carries a coupon rate of 5.14% per annum, and also embedded a put option at the end the third year. 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 were paid annually and the principal is fully repayable on 20 September 2022.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

13. BORROWINGS (CONTINUED)

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

Movements in borrowings are analysed as follows:

| | Unaudited | |
|---|--------------------------|----------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Opening amount as at 1 January | 28,260,562 | 31,897,276 |
| Addition of borrowings | 4,871,768 | 2,469,187 |
| Addition of bonds | 1,190,400 | – |
| Repayment of borrowings | (4,100,428) | (4,821,342) |
| Repayment of bonds | (1,140,000) | (400,798) |
| Amortisation of issuance costs of bonds | 4,626 | 5,120 |
| Closing amount as at 30 June | 29,086,928 | 29,149,443 |

The Group has the following undrawn borrowing facilities:

| | Unaudited | Audited |
|---------------------------------------|-----------------------|---------------------------|
| | As at 30 June 2019 | As at 31 December 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Floating rate: | | |
| – expiring within one year | 577,104 | 1,244,692 |
| – expiring between one and five years | 3,351,699 | 3,640,899 |
| – expiring beyond five years | 2,611,255 | 2,611,255 |
| | 6,540,058 | 7,496,846 |

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 | |
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| Investment properties at fair value through profit or loss: | | |
| – fair value gains charged to profit or loss (<i>Note 7</i>) | <u>101,782</u> | 69,684 |
| Net impairment losses on financial assets | (1,805) | (100) |
| Loss on disposal of property, plant and equipment and investment properties | <u>(1,516)</u> | <u>(579)</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 2019 and 2018.

No properties under development, completed properties held for sale and other inventories were written off at 30 June 2019 (31 December 2018: Nil).

15. FINANCE INCOME AND EXPENSES

| | Unaudited | |
|---|---------------------------------|------------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| Interest expenses | (1,118,333) | (1,064,399) |
| Less: amounts capitalised in properties under development at a capitalisation rate of 6.14% per annum (2018: 6.11%) | <u>871,508</u> | 724,873 |
| Finance expenses | (246,825) | (339,526) |
| Bank charges and others | <u>(1,446)</u> | (2,150) |
| | (248,271) | (341,676) |
| Finance income | | |
| – Interest income | <u>46,515</u> | 101,192 |
| Net finance expenses | <u>(201,756)</u> | <u>(240,484)</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 assessable profits in Hong Kong for the six months ended 30 June 2019 and 2018. 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 2019 and 2018 was 25%.

| | Unaudited | |
|-----------------------------|--------------------------|----------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Current income tax | | |
| – PRC enterprise income tax | 744,226 | 301,583 |
| – PRC land appreciation tax | 766,962 | 187,874 |
| Deferred income tax | (191,308) | 10,372 |
| | 1,319,880 | 499,829 |

17. DIVIDENDS

The final dividend that relates to the year ended 31 December 2018 (the “2018 final dividend”) amounting to RMB404,042,000 was approved at the annual general meeting in May 2019 (Final dividend related to the year ended 31 December 2017 of RMB370,372,000 was approved at the annual general meeting in May 2018). Total 2018 final dividend which were paid by the Group to the ordinary shareholders of the Company during the six months ended 30 June 2019 amounted to RMB319,200,000. The remaining 2018 final dividend was paid in full in July 2019.

The Board resolved that no interim dividend will be declared in respect of the six months ended 30 June 2019 (Six months ended 30 June 2018: Nil).

18. PLEDGED ASSETS

As at 30 June 2019, certain investment properties with fair value of RMB12,810,900,000 (31 December 2018: RMB12,672,900,000), right-of-use assets with net book value of RMB289,351,000 (31 December 2018: land use rights with net book value of RMB293,662,000), property plant and equipment with net book value of RMB1,558,009,000 (31 December 2018: RMB1,641,952,000), properties under development with net book value of RMB16,786,513,000 (31 December 2018: RMB18,107,317,000) were pledged by the Group as securities for borrowings of RMB18,336,519,000 (31 December 2018: RMB21,563,179,000).

19. 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 RMB18,470,742,000 as at 30 June 2019 (31 December 2018: RMB19,118,450,000).

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.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

20. COMMITMENTS

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

| | Unaudited As at 30 June 2019 RMB'000 | Audited As at 31 December 2018 RMB'000 |
|-------------------------------------|---|---|
| Properties under development | | |
| – Contracted but not provided for | 12,121,130 | 8,526,083 |
| – Authorised but not contracted for | 11,620,345 | 14,099,937 |
| | 23,741,475 | 22,626,020 |

- (b) At 30 June 2019 and 31 December 2018, the Group had future aggregate minimum rental receivables and payables under non-cancellable operating leases as follows:

| | Unaudited As at 30 June 2019 RMB'000 | Audited As at 31 December 2018 RMB'000 |
|---|---|---|
| As lessor: | | |
| Rental receivables in respect of Investment properties | | |
| Not later than one year | 1,130,912 | 970,951 |
| Later than one year and not later than five years | 1,003,691 | 1,174,457 |
| Later than five years | 725,500 | 784,518 |
| | 2,860,103 | 2,929,926 |
| As lessee: | | |
| Rental payables in respect of land use rights and buildings | | |
| Not later than one year | 12,653 | 23,048 |
| Later than one year and not later than five years | 22,768 | 69,153 |
| Later than five years | – | 185,808 |
| | 35,421 | 278,009 |

Notes to the Condensed Consolidated Interim Financial Information (Continued)

21. 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 2018 and 2019, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government (collectively the "government controlled entities") mainly include the drawdown of bank borrowings and purchases of certain goods and services from these government controlled entities. The transactions with the government controlled entities are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

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

For the six months ended 30 June 2019, CIFI (a non-controlling shareholder of certain subsidiaries of the Group) has significant influence over the related subsidiaries which are material to the Group and hence is deemed as a related party of the Group for the purpose of this related party transaction disclosure note. Nanjing Ningkang Investment Management Co., Ltd. ("NJNK"), Hefei Xuhui Business Management Co., Ltd ("HFXH"), Xu Zhao (HK) Co., Ltd. ("XZHK"), and Shanghai Xinzhi Construction Engineering Co., Ltd. ("SHXZ") are subsidiaries of CIFI (collectively the "subsidiaries of CIFI") and hence their transactions with the Group are also considered as related party transactions for the purpose of this disclose 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:

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

| | Unaudited Six months ended 30 June | |
|--|---------------------------------------|-----------------|
| | 2019 RMB'000 | 2018 RMB'000 |
| BNSIGC (operating lease expenses in respect of land)* | 7,100 | 7,100 |
| BNSIGC (brand loyalty fee) | 5 | 5 |
| SHXZ (project construction service fee) | 19,385 | 83,696 |
| XZHK (project management consulting fee) | 9,218 | 15,205 |
| Beijing North Star Exhibition Investment Co.,Ltd. ("BNSEIC") (internet service fee) | 79 | – |
| BNSIGC (rental income) | 450 | 450 |
| BNSEIC (rental income) | 1,540 | – |

* According to the relevant provisions under the Contract Law of the People's Republic of China, the State-owned Land Use Rights Lease Contract entered into between the Group and BNSIGC shall lapse after the 20-year term expires on 30 September 2019.

The above transactions with related parties are all carried out in accordance with the terms as mutually agreed between the parties in concern.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Project cooperation funds to joint venture and associate

The Group has provided project cooperation funds to its joint venture, Wuxi Shengyang Real Estate Co., Limited (“WXSJ”), and its associate, Wuxi Chenwan Real Estate Co., Limited (“WXCW”).

| Six months ended at 30 June 2019 (Unaudited) | WXSJ (a) RMB'000 | WXCW (b) RMB'000 | Total RMB'000 |
|---|---------------------|---------------------|------------------|
| At 1 January | 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 | – | – | – |
| Six months ended at 30 June 2018 (Unaudited) | WXSJ (a) RMB'000 | WXCW (b) RMB'000 | Total RMB'000 |
| At 1 January | 728,262 | 746,101 | 1,474,363 |
| Repayments of project cooperation funds | (280,000) | (215,600) | (495,600) |
| Interest income accrued | 27,865 | 26,622 | 54,487 |
| Interest income received | – | (27,266) | (27,266) |
| At 30 June | 476,127 | 529,857 | 1,005,984 |

- (a) The funds to WXSJ was unsecured, carried interests at a fixed rate of 9% per annum, and repayable within one year. As of 30 June 2019, the receivable has been collected in full.
- (b) The funds to WXCW was unsecured, carried interests at a fixed rate of 8% per annum, and repayable within one year. As of 30 June 2019, the receivable has been collected in full.

(iii) Funds to subsidiaries of CIFJ

| Six months ended at 30 June 2019 (Unaudited) | XZHK RMB'000 | NJNK RMB'000 | SHXZ RMB'000 | HFXH RMB'000 | Total RMB'000 |
|---|-----------------|-----------------|-----------------|-----------------|------------------|
| At 1 January 2019 | 1,015,000 | 333,200 | – | 25,000 | 1,373,200 |
| Funds granted | – | – | 12,098 | 145,000 | 157,098 |
| Repayment of funds | (170,000) | (58,800) | (12,098) | – | (240,898) |
| At 30 June 2019 | 845,000 | 274,400 | – | 170,000 | 1,289,400 |

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) 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") and WXSJ, and its associate, Hangzhou Xufa Real Estate Co., Limited ("HZXF").

| Six months ended at 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 obtained | – | – | – | 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 interest free, unsecured and have no fixed repayment terms.

- (v) The Group's associate, HZXF, has declared a dividend of RMB89,236,000 in 28 June 2019, among which dividend of RMB31,232,000 is entitled by the Group.

(vi) Balances arising from purchases of services, investment and funds

| | Unaudited As at 30 June 2019 RMB'000 | Audited As at 31 December 2018 RMB'000 |
|---|---|---|
| Trade and other receivables from related parties and subsidiaries of CIFI | | |
| –XZHK | 845,000 | 1,015,000 |
| –NJNK | 274,400 | 333,200 |
| –HFXH | 170,000 | 25,000 |
| –HZXF | 31,232 | – |
| –WXCW | – | 107,544 |
| –WXSJ | – | 74,880 |
| | <u>1,320,632</u> | <u>1,555,624</u> |
| Trade and other payables to related parties and subsidiaries of CIFI | | |
| –WHML | 58,000 | 68,000 |
| –HZJH | 312,500 | 312,500 |
| –WXSJ | 300,000 | – |
| –HZXF | 56,936 | 76,886 |
| –HZCX | 93,510 | 96,201 |
| –NJNK | – | 31,787 |
| –SHXZ | 19,385 | 65,785 |
| –XZHK | 35,060 | 35,216 |
| | <u>875,391</u> | <u>686,375</u> |

At 30 June 2019 and 31 December 2018, 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)

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(vii) Key management compensation

| | Unaudited Six months ended 30 June | |
|---|------------------------------------|-----------------|
| | 2019 RMB'000 | 2018 RMB'000 |
| Salaries and other short-term employee benefits | 6,194 | 5,327 |
| Post-employment benefits | 827 | 782 |
| | <u>7,021</u> | <u>6,109</u> |

(viii) 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 RMB1,274,827,423, RMB1,001,247,750 and RMB2,253,062,498 as at 30 June 2019 (As at 31 December 2018: RMB1,460,000,000, RMB1,000,000,000 and RMB2,305,555,554), respectively.

(ix) Provide financial guarantee

Pursuant to an agreement signed by the Company dated 9 February 2018, the Company provides joint liability counter-guarantee for the borrowings as drawdown by WXSJ from Agricultural Bank of China which amounted to RMB482,142,000 as at 30 June 2019 (As at 31 December 2018: RMB544,714,000).

Pursuant to an agreement signed by the Company dated 9 February 2019, the Company provides joint liability counter-guarantee for the borrowings as drawdown by WXSJ from Construction Bank of China which amounted to RMB96,000,000 as at 30 June 2019 (As at 31 December 2018: Nil).

Supplementary Information

RECONCILIATION OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Group has prepared a separate set of consolidated interim financial statements for the six months ended 30 June 2019 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 issued by the HKICPA 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 | |
| | 2019 | 2018 | 30 June 2019 | 31 December 2018 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As stated in accordance with CAS | 1,284,725 | 637,773 | 16,996,689 | 15,217,462 |
| Impact of HKFRS adjustments: | | | | |
| 1. Reversal of depreciation of investment properties under CAS | 67,702 | 68,979 | 1,734,542 | 1,666,840 |
| 2. Fair value adjustment of investment properties under HKFRS | 76,336 | 52,263 | 4,628,212 | 4,345,361 |
| As stated in accordance with HKFRS (including those attributable to both ordinary shareholders of the Company and holders of perpetual bond) | 1,428,763 | 759,015 | 23,359,443 | 21,229,663 |

Management Discussion and Analysis

I. DISCUSSION AND ANALYSIS ON OPERATION

In the first half of 2019, against the complicated situation with significantly increased overseas and domestic risks and challenges, Chinese government adhered to the general working guidelines of making progress while maintaining stability and proceeded to promote the supply-side structural reform to give impetus to high-quality development and deepen reform and open-up continually. As a result, in the first half of the year, the economy continued the development momentum of general stability and making progress while maintaining stability, major macro-economic indicators remained within a reasonable range and the GDP growth rate reached 6.3%.

1. Development Properties

In the first half of 2019, the central government reiterated the keynote policy of “housing properties for accommodation, not speculation” and upheld the regulating and control target of “stabilizing land price, housing price and expectations”; the local governments continued the relentless effort on implementing city-specific policies and category-based guidance in a consistent manner. In general, in the first half of the year, the commodity housing sales maintained stable despite the slight decline, the average transaction price plateaued on the whole, the real estate market kept running smoothly, and the performance of markets in cities at different tiers demonstrated an increasingly prominent diverging trend. In addition, residential land sales increased slightly, the accommodation price grew substantially, and the premium rate remained at high level. 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 2019 was 661,810,000 square metres, representing a decrease of 1.0 % over the corresponding period last year and the corresponding average sales price of commodity housing was RMB9,269 per square metre, representing an increase of 9.5 % over the corresponding period last year.

To be specific, in the first-tier cities, the average commodity housing price maintained stable at a high level and the sales area increased substantially as compared to the corresponding period last year; in the second-tier cities, the average transaction price of commodity housing experienced a modest rise, the transaction volume remained flat on the whole as compared to the corresponding period last year, and the differentiation in cities sustained. The third and fourth tier cities suffered the most serious drop in sales volume among cities at all tiers, though the average transaction price of commodity housing rose slightly while maintaining stability.



Royal Oak Villa



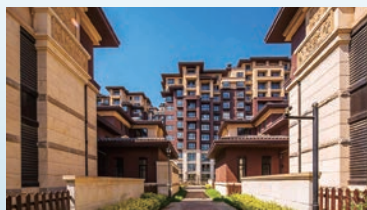
Design sketch of North Star Blue City in Wuhan



Design sketches of Block E and Block F2 of North Star Central Park in Changsha



Sales and exhibition center of North Star Mansion in Haikou



North Star Villa Yard 1900



Aerial view of North Star Mansion in Ningbo

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

Currency : RMB

| 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 | 332 | 105.6 | 1,384 | 120.0 | 41,715 | 7.0 |
| Changsha | 808 | -2.8 | 647 | 6.9 | 8,015 | 10.0 |
| Wuhan | 1,514 | -5.1 | 2,025 | 4.3 | 13,372 | 9.9 |
| Hangzhou | 565 | -11.7 | 1,408 | -8.1 | 24,919 | 4.2 |
| Suzhou | 938 | 19.7 | 1,631 | 33.4 | 17,390 | 11.5 |
| Ningbo | 718 | 1.2 | 1,130 | -5.0 | 15,729 | -6.1 |
| Nanjing | 534 | 5.1 | 921 | 3.5 | 17,254 | -1.5 |
| Hefei | 569 | 12.7 | 787 | 19.1 | 13,813 | 5.7 |
| Chengdu | 1,172 | -3.6 | 1,267 | 10.2 | 10,818 | 14.2 |
| Chongqing | 2,688 | -8.3 | 2,277 | -2.3 | 8,471 | 6.5 |
| Langfang | 171 | -7.3 | 196 | -1.8 | 11,506 | 6.0 |
| Wuxi | 570 | 4.2 | 755 | 16.3 | 13,239 | 11.5 |
| Haikou | 165 | -18.5 | 257 | 6.3 | 15,584 | 30.5 |
| Meishan | 245 | 14.9 | 199 | 8.0 | 8,098 | -6.0 |
| Guangzhou | 518 | 12.3 | 1,256 | 35.5 | 24,235 | 20.7 |

Sources: National Bureau of Statistics, CREIS China Index.

2. Investment Properties (Including Hotels)

The PRC devoted considerable efforts in adjusting economic structure and accelerating the development of modern service industry and determined the strategic positioning of its capital city. Under such background, the investment properties (including hotels) market showed a stable and positive tendency. Meanwhile, as driven by economic transformation of the PRC, the industrial innovation also gave rise to extra demand in investment properties market. In particular, as China's convention and exhibition industry has become increasingly specialized, market-oriented and internationalized in recent years, it has become an important platform for building a modern market system and an open economic system, and China is becoming a hard-core player in the global convention and exhibition industry. In the office building market in Beijing in the first half of 2019, the additional supply remained low, while the overall occupation rate and rent level in the market maintained stable. The number of accommodation received at the high-end hotels in Beijing decreased as compared to the corresponding period last year. With the continuous release of favourable policies in relation to the apartment market, and strong support provided by the government to the leasing market, especially long-term leasing, demand in the market was growing while supply was slightly inadequate in contrast.



Receiving and catering for the Beijing delegation of Canadian Olympic Committee for the 2022 Winter Olympic Games at the VIP building of Hui Yuan Apartment



North Star Hui Yuan Apartment



Catering for and receiving the CIFTIS at the National Convention Centre



Beijing Yanqi Lake International Convention & Exhibition Center



Banquet hall of Lianyungang Land Bridge International Convention Center



Hui Bin Building

Management Discussion and Analysis (Continued)

II. BUSINESS REVIEW DURING THE REPORTING PERIOD

In the first half of 2019, in virtue of the Company's proactive promotion of the three major strategies of brand expansion, low-cost expansion and capital expansion, it embraced rapider growth of development properties, robust operation of investment properties and inquiry-based progress in respect of innovative business. As a result, the Company recorded continuously growing assets, income and profit. During the Reporting Period, due to the sharp increase in settlement area of the Company's development properties, revenue from operations and profit before tax of the Company amounted to RMB8,548,956,000 and RMB2,909,878,000, representing an increase of 56.39% and 96.59% over the same period last year, respectively. Meanwhile, as most of the products carried forward were the projects in which the Company held 100% equity interests, profit attributable to ordinary shareholders amounted to RMB1,342,333,000, representing an increase of 76.85% over the same period last year. The after-tax core operating results of the principal businesses of the Company (excluding gains arising from the changes in fair value) were RMB1,265,997,000, representing a year-on-year increase of 79.13%. Earnings per share were RMB0.3987, representing an increase of 76.89% over the same period last year.

1. Development Properties

Upon thorough research of policy trend and judgment of market development preference, the Company upheld the operation goal of accelerating turnover rate, adopted targeted marketing approaches and has thus achieved substantial increase in its operating results. In the first half of 2019, as a result of the increase in the settlement area, revenue from development properties reached RMB7,195,212,000 (including parking spaces), representing a year-on-year increase of 73.42%, and the profit before tax was RMB1,841,788,000, representing a year-on-year increase of 86.66%. During the Reporting Period, the new and resumed construction area of development properties was 7,239,000 square metres; the completed area was 496,300 square metres; the contracted sales amount and the sales area were RMB10,035 million (including parking spaces) and 677,700 square metres, respectively.

Increasingly intensive marketing endeavors. Against the backdrop of relentless macro control endeavor and increasingly differentiated performance in different regions and cities, the Company responded flexibly and lay in wait for opportunities. During the Reporting Period, the rally of demands in certain urban hot regions drove up the transaction volume. Contracted sales recorded in Changsha, Wuhan, Ningbo and Wuxi amounted to RMB2,412 million, RMB1,807 million, RMB984 million and RMB2,067 million, respectively.



North Star Mansion in Ningbo



North Star Optical Valley in Wuhan



Initiating the sales of Section E7 of Changsha North Star Delta



Design sketch of Wuxi Time City

Management Discussion and Analysis (Continued)

Rational expansion of land reserve. Capitalizing on the opportunity of market cycle rotation, the Company continued to deepen its development in the first-tier and second-tier popular core cities to replenish land resources in well-developed economic zones such as Yangtze River Delta, Pearl River Delta and the pan-Bohai area, and made its debut in Guangzhou, a key city covered by the Guangdong-Hong Kong-Macao Greater Bay Area during the Reporting Period. As at the end of the Reporting Period, the Company already established presence in 15 cities, namely Beijing, Changsha, Wuhan, Hangzhou, Chengdu, Nanjing, Suzhou, Hefei, Langfang, Chongqing, Ningbo, Wuxi, Haikou, Meishan and Guangzhou, with a total land reserve of approximately 7,930,000 square meters, and possessed a total of 43 projects in the pipeline, under construction or for sale, with the planned total floor area of 19,320,000 square meters. Accordingly, the Company established a trans-regional layout covering North China, Central China, East China and the Southwest.

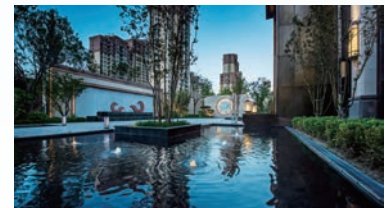
Continuous furtherance of systemic construction. In accordance with the three main principles of decision management, function management and business management, North Star Real Estate Group enhanced the institutional system construction. It comprehensively implemented information-based control, standardized the procedures of real estate development and construction and refined the product management standard so as to keep improving product quality and customers' satisfaction, and pursue continuous enhancement of overall scientific control.



Design sketch of Hangzhou North Star Lingchao Mansion



North Star Villa Yard 1900



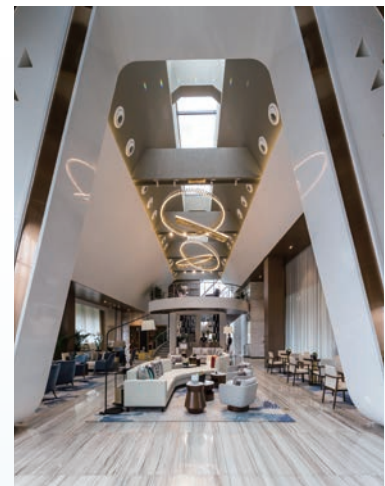
North Star Xianglu Sales Center in Langfang



North Star Yuelai No. 1 marketing center in Chongqing



Suzhou North Star Xuhui Yard No. 1



Sales and exhibition center of North Star Mansion in Haikou

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 | Total investment | Actual investment amount during the Reporting Period | Project area | Total floor area | Planned plot ratio-based 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 | |
|-----|--|--------------------|---|--------------------|-------------------|------------------|--|--------------|------------------|---|-------------|--------------------------------|---|------------------------------|---|--|----------------------------|---|---|---------|
| | | | | | | | | | | | | | | | | | | | | area |
| 1 | Beijing North Star Red Oak Villa | Changping, Beijing | Villa | Under Construction | 100% | 34.00 | 0.31 | 287,500 | 213,600 | 150,000 | - | - | - | 213,600 | 69,500 | 29,300 | 173,600 | 11,712 | 222 | |
| 2 | Beijing Modern Bachenyue MONA | Shunyi, Beijing | Owner occupied commercial housing and housing of two limits | Under Construction | 50% | 23.47 | 0.02 | 52,800 | 132,500 | 109,300 | 54,700 | - | - | 132,500 | 1,400 | - | 131,100 | 4,802 | - | |
| 3 | Beijing North Star • Villa 1900 | Shunyi, Beijing | Residence | Completed | 100% | 24.45 | - | 101,200 | 213,300 | 140,000 | - | - | - | 213,300 | 5,400 | - | 207,900 | 47,228 | 12,425 | |
| 4 | Beijing Jinchun Mansion | Changping, Beijing | Residence | Under Construction | 51% | 39.09 | 6.88 | 86,600 | 280,100 | 170,400 | 87,000 | - | 280,100 | 280,100 | 280,100 | - | - | - | 195,667 | - |
| 5 | Changshia North Star Delta | Changshia, Hunan | Residence, commercial and office building | Under Construction | 100% | 330.00 | 8.22 | 780,000 | 5,200,000 | 3,820,000 | - | 751,000 | - | 4,449,000 | 939,000 | - | - | 3,510,000 | 321,865 | 143,785 |
| 6 | Changshia North Star Central Park | Changshia, Hunan | Residence | Under Construction | 51% | 48.00 | 1.06 | 336,300 | 906,300 | 720,000 | 367,200 | 141,100 | - | 765,200 | 310,200 | - | 455,000 | 108,279 | 64,791 | |
| 7 | Changshia North Star Shiguangli | Changshia, Hunan | Residence and commercial | In the pipeline | 100% | 13.07 | 2.29 | 27,700 | 146,000 | 107,900 | - | 146,000 | - | - | - | - | - | - | - | - |
| 8 | Wuhan North Star Contemporary Best+ | Wuhan, Hubei | Residence and commercial | Completed | 45% | 21.00 | 0.47 | 104,700 | 313,800 | 241,100 | 108,500 | - | - | 313,800 | - | - | 313,800 | 5,212 | 447 | |
| 9 | Wuhan North Star Guangguli | Wuhan, Hubei | Commercial Service | Under Construction | 51% | 33.94 | 1.08 | 84,200 | 492,000 | 337,000 | 171,900 | 134,800 | - | 367,200 | 367,200 | - | - | 70,251 | 9,352 | |
| 10 | Wuhan Blue City | Wuhan, Hubei | Residence and commercial | Under Construction | 100% | 86.63 | 54.44 | 358,000 | 976,000 | 716,000 | - | 230,600 | 121,500 | 745,400 | 745,400 | 216,900 | 216,900 | 127,403 | 80,285 | |
| 11 | Wuhan North Star • Gemdale • China One | Wuhan, Hubei | Residence | Under Construction | 51% | 22.83 | 8.77 | 41,800 | 182,000 | 127,000 | 64,900 | - | - | 182,000 | 182,000 | - | - | 34,912 | 30,469 | |
| 12 | Wuhan North Star Peacock Shou | Wuhan, Hubei | Residence | Under Construction | 60% | 12.97 | 4.59 | 75,200 | 220,000 | 172,800 | 103,700 | - | - | 220,000 | 220,000 | - | - | 35,945 | 30,473 | |
| 13 | Wuhan Lot 067 Project | Wuhan, Hubei | Residence and commercial | In the pipeline | 100% | 20.00 | 5.48 | 50,500 | 177,200 | 126,200 | - | 177,200 | - | - | - | - | - | - | - | - |
| 14 | Wuhan Lot 068 Project | Wuhan, Hubei | Residence and commercial | In the pipeline | 100% | 16.20 | 6.79 | 63,200 | 223,700 | 158,100 | - | 223,700 | - | - | - | - | - | - | - | - |
| 15 | Wuhan Lot P164 Project | Wuhan, Hubei | Residence and commercial | In the pipeline | 100% | 18.72 | 8.63 | 50,500 | 213,800 | 151,400 | - | 213,800 | - | - | - | - | - | - | - | - |
| 16 | Hangzhou North Star Shubian Project | Hangzhou, Zhejiang | Residence and commercial | Completed | 80% | 26.78 | 0.93 | 83,900 | 317,500 | 235,000 | 168,000 | - | - | 317,500 | - | - | 317,500 | 12,677 | 2,359 | |

Management Discussion and Analysis (Continued)

| No. | Project name | Location | Operating state | Project status | Project interests | Project investment | Actual investment amount during the Reporting Period | Project area | Project floor area | Total floor area | Planned plot ratio-based gross floor area | Equity area | 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 | |
|-----|--|--------------------|--------------------------|--------------------|-------------------|--------------------|--|--------------|--------------------|------------------|---|-------------|--------------------------------|----------------------------------|----------------------|--|----------------------|--|----------------------------|---|---|-------|
| | | | | | | | | | | | | | | area during the Reporting Period | the Reporting Period | construction during the Reporting Period | the Reporting Period | | | | | |
| 17 | Hangzhou Honor Mansion | Hangzhou, Zhejiang | Residence and commercial | Completed | 35% | 14.85 | 0.09 | 41,900 | 108,400 | 108,400 | 75,000 | 26,300 | - | - | - | - | 108,400 | - | 108,400 | - | - | |
| 18 | Hangzhou Scenery Mansion | Hangzhou, Zhejiang | Residence and commercial | Completed | 35% | 4.90 | 0.05 | 13,400 | 32,600 | 32,600 | 23,000 | 8,100 | - | - | - | - | 32,600 | - | 32,600 | - | - | |
| 19 | Hangzhou Gussonglu | Hangzhou, Zhejiang | Residence | Under Construction | 100% | 16.06 | 0.94 | 21,900 | 69,900 | 69,900 | 48,200 | - | - | - | - | 69,900 | - | - | - | 5,127 | 4,041 | |
| 20 | Hangzhou Jinnu Art Villa of City | Hangzhou, Zhejiang | Residence and commercial | Completed | 25% | 5.50 | 0.27 | 57,400 | 206,700 | 206,700 | 144,000 | 36,000 | - | - | - | 206,700 | 206,700 | 206,700 | 206,700 | 1,366 | 599 | |
| 21 | Hangzhou North Star Lingchao Mansion | Hangzhou, Zhejiang | Residence | Under Construction | 100% | 11.03 | 0.55 | 12,200 | 44,400 | 44,400 | 25,700 | - | - | 44,400 | - | 44,400 | - | - | - | - | - | |
| 22 | Ningbo Beichentu | Ningbo, Zhejiang | Residence | Under Construction | 100% | 41.71 | 2.44 | 47,300 | 189,700 | 189,700 | 137,400 | - | - | - | - | 189,700 | - | - | - | 101,637 | 23,814 | |
| 23 | Ningbo Marson • Jintan | Ningbo, Zhejiang | Residence and commercial | Under Construction | 51% | 59.50 | 1.16 | 133,000 | 404,800 | 404,800 | 292,500 | 149,200 | - | - | - | 404,800 | - | - | - | - | 12,281 | 7,983 |
| 24 | Nanjing North Star Off Park Marson • Jin Ling | Nanjing, Jiangsu | Residence | Completed | 51% | 29.76 | 0.73 | 25,300 | 105,000 | 105,000 | 70,700 | 36,100 | - | - | - | 105,000 | - | - | 105,000 | 157 | - | |
| 25 | Suzhou North Star Off No. 1 Courtyard | Suzhou, Jiangsu | Residence and commercial | Completed | 50% | 28.78 | 0.45 | 178,700 | 272,400 | 272,400 | 180,500 | 90,300 | - | - | - | 272,400 | - | - | 272,400 | 2,464 | - | |
| 26 | Suzhou Guantian Mansion | Suzhou, Jiangsu | Residence and commercial | Under Construction | 100% | 58.82 | 2.27 | 170,000 | 392,900 | 392,900 | 268,800 | - | - | - | - | 392,900 | - | - | - | 36,319 | 11,922 | |
| 27 | Wuxi Tianyi Juzhu | Wuxi, Jiangsu | Residence | Under Construction | 49% | 28.60 | 0.44 | 88,000 | 255,400 | 255,400 | 196,000 | 96,000 | - | - | - | 255,400 | - | - | - | 66,727 | 46,679 | |
| 28 | Wuxi Times City | Wuxi, Jiangsu | Residence | Under Construction | 40% | 46.79 | 0.92 | 137,900 | 532,600 | 532,600 | 413,800 | 165,500 | - | - | - | 532,600 | - | - | - | 152,802 | 84,881 | |
| 29 | Chengdu North Star • Larissa Southern Gate Green Strie | Chengdu, Sichuan | Residence and commercial | Under Construction | 40% | 20.04 | 0.33 | 63,600 | 236,300 | 236,300 | 188,600 | 63,400 | - | - | - | 236,300 | - | - | 152,700 | 2,475 | 242 | |
| 30 | Chengdu North Star • Xianglu | Chengdu, Sichuan | Residence and commercial | Under Construction | 100% | 14.71 | 1.12 | 40,400 | 150,600 | 150,600 | 96,900 | - | - | - | - | 150,600 | - | - | - | 21,168 | 18,933 | |
| 31 | Chengdu North Star • South Lake Xianglu | Chengdu, Sichuan | Residence and commercial | Under Construction | 100% | 29.16 | 1.21 | 88,000 | 299,100 | 299,100 | 210,000 | - | - | - | - | 299,100 | - | - | - | 18,280 | 3,790 | |
| 32 | Chengdu North Star Royal Palace | Chengdu, Sichuan | Residence and commercial | Commenced | 100% | 15.26 | 1.48 | 26,600 | 120,000 | 120,000 | 79,800 | - | - | - | - | 120,000 | - | - | - | 79,532 | 3,282 | |
| 33 | Chengdu Xiehe Project | Chengdu, Sichuan | Residence and commercial | In the pipeline | 100% | 26.51 | 0.53 | 80,100 | 235,900 | 235,900 | 160,300 | - | 225,900 | - | - | - | - | - | - | - | - | |
| 34 | Sichuan Gussonglu | Meishan, Sichuan | Residence and commercial | Commenced | 100% | 27.18 | 1.47 | 129,800 | 339,000 | 339,000 | 233,800 | - | 139,800 | - | - | 199,200 | - | - | - | 71,849 | 691 | |
| 35 | Langfang North Star Xianglu | Langfang, Hebei | Residence and commercial | Under Construction | 100% | 25.73 | 0.88 | 140,700 | 419,200 | 419,200 | 296,800 | - | 141,100 | - | - | 276,100 | - | - | - | 47,832 | 16,572 | |

Management Discussion and Analysis (Continued)

| No. | Project name | Location | Operating state | Project status | Project interests | Project investment | Actual investment amount during the Reporting Period | Project area | Total floor area | Planned plot ratio-based 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 | |
|-----|---|----------------------|--------------------------|--------------------|-------------------|--------------------|--|------------------|-------------------|---|------------------|--------------------------------|---|------------------------------|---|--|----------------------------|---|---|------------|
| | | | | | | | | | | | | | | | | | | | | Investment |
| 36 | Langfang Lot 2018-4 Project | Langfang, Hebei | Residence | In the pipeline | 100% | 25.31 | 0.84 | 82,500 | 241,600 | 164,800 | - | 241,600 | - | - | - | - | - | - | - | - |
| 37 | Hebei North Star CIFI Park Mansion • Luzhou | Hebei, Anhui | Residence and commercial | Under Construction | 50% | 42.14 | 1.54 | 141,700 | 355,700 | 239,000 | 119,500 | - | - | 355,700 | 198,400 | 43,400 | 202,700 | 37,474 | 5,825 | |
| 38 | Chongqing Yuelai No.1 | Yubei, Chongqing | Residence and commercial | Under Construction | 100% | 100.66 | 3.93 | 429,100 | 1,274,000 | 918,000 | - | 685,500 | - | 585,500 | 585,500 | - | - | - | 91,638 | 71,899 |
| 39 | Chongqing North Star Central Park▲ | Yubei, Chongqing | Residence | In the pipeline | 100% | 22.42 | 11.32 | 68,200 | 147,000 | 102,200 | - | 147,000 | - | - | - | - | - | - | - | - |
| 40 | Haikou West Coast Project | Haikou, Hainan | Residence and commercial | Under Construction | 100% | 45.47 | 1.48 | 106,800 | 263,400 | 206,000 | - | 149,300 | - | 114,100 | 114,100 | - | - | - | - | - |
| 41 | Guangzhou Zengcheng Project▲ | Guangzhou, Guangdong | Residence and commercial | In the pipeline | 100% | 36.61 | 9.86 | 25,900 | 117,700 | 77,800 | - | 117,700 | - | - | - | - | - | - | - | - |
| | Total | | | | | 1,602.65 | 156.26 | 4,934,500 | 17,013,100 | 12,201,800 | 1,935,300 | 3,866,100 | 446,000 | 13,147,000 | 7,238,900 | 496,300 | 6,405,300 | 1,725,121 | 677,741 | |

Notes:

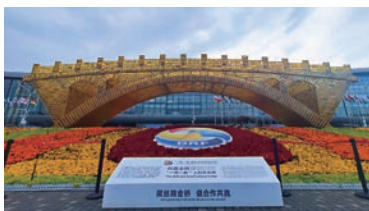
- ▲ represents newly added real estate projects for reserve purpose during the Reporting Period.
- Wuhan Blue City was delivered with refined decoration and only passed completion acceptance in an undecorated state as at 30 June 2019.
- Total investment represents the estimated total investment amounts for each project.
- Planned plot ratio-based gross floor area and equity area represent the data calculated with reference to the conditions of assignment at the time of project auction.
- Equity area (i.e. area of cooperative development projects) represents the plot ratio-based gross floor area attributable to the percentage of interest in the Company.
- Land area held for development represents the gross construction area of undeveloped portion of project land.
- During the Reporting Period, total land reserve of the Company was 7,933,400 square meters; equity land reserve was 7,155,700 square meters and the newly added real estate reserve was 264,700 square meters; new construction area was 446,000 square meters; area for new and resumed construction was 7,239,000 square meters, representing a year-on-year increase of 7.37%; the completed area was 496,300 square meters, representing a year-on-year decrease of 26.10%; sales area was 677,700 square meters, representing a year-on-year decrease of 22.10%; sales amount was RMB10,035,000,000, representing a year-on-year decrease of 31.97%; settlement area was 484,200 square meters, representing a year-on-year increase of 83.35%; the settlement amount was RMB7,195,000,000, representing a year-on-year increase of 73.42%.

Management Discussion and Analysis (Continued)

2. Investment Properties (Including Hotels)

Insisted on the development strategy of synergistic progress in asset-heavy investment business and asset-light service business, the Company solidified the linked development landscape of various businesses in the function area of North Star Exhibition Group, stepped up the outstretch of exhibition industry chain, and scouted for effective approaches to bolster up innovative businesses, resulting in increase in economic returns and social benefits of assets. In the first half of 2019, the Company recorded an operating revenue from investment properties (including hotels) of RMB1,310,116,000, representing a year-on-year increase of 2.80%. Profit before tax amounted to RMB423,914,000. The valuation surplus of the segment for this period was RMB101,782,000, representing an increase of 46.06% as compared with the same period last year.

Further enhanced brand influence of North Star Events. During the Reporting Period, North Star Events Group continued to provide prime quality services and logistics for the second session of the “Belt and Road Initiative” Summit, the Beijing International Horticultural Exhibition, Conference on Dialogue of Asian Civilizations, the sixth CIFTIS and other major events, and was widely acknowledged by the organizing departments and well received by the participants at home and abroad therefor, which demonstrated that North Star Events Group has stepped up towards professional, international and high-end high quality development and exerted continuously enhanced influence inside and outside the industry.



Catering for and receiving the 2nd session of “Belt and Road” Summit at the National Convention Center



Catering for and receiving the CIFTIS at the National Convention Centre



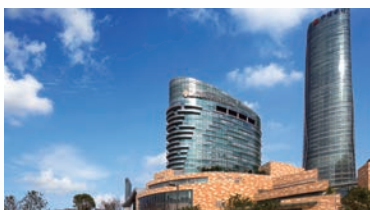
Catering for and receiving the Conference on Dialogue of Asian Civilizations at the National Convention Centre

Optimizing and consolidating the held-for-sale asset-heavy business. Leveraging the geographic advantage of the concentration of a large number of properties with core value in the Asian-Olympic core district, the Company took the convention and exhibition as a lead to drive synergetic development of office building, hotel and apartment businesses. In particular, for the National Convention Centre and the Beijing International Convention Centre, emphasis was placed on the potential demands in the international conference market. In this regard, the Company continued to intensify its efforts to enhance its expansion efforts to strengthen the economy of convention and exhibition and optimize derivative services, resulting in improvement in both market share and comprehensive income. For the office building business, the Company, by continuing its strategy of synergic marketing for multiple projects, highlighted the office and living experience, supplemented the supporting facilities and advanced intelligent management based on its consistent customer needs-oriented principle, thus achieving a relative high occupancy rate and rent level within the region. For the hotel and apartment businesses, in active response to the market changes, the Company rolled out a series of marketing initiatives as represented by characteristic catering, themed activities and parent-offspring room to cultivate new growth drivers through intensive cooperation with online tourist platforms and TV media. As a result, both the room rate and occupancy rate of our hotels and apartments outperformed the market.

Management Discussion and Analysis (Continued)

Innovative development of asset-light service business. Leveraging the telling brand influence of North Star Events, the Company continued to boost the stretch of its convention and exhibition business from conference support services to all sectors of the whole industry chain such as entrusted management of convention venues, consultations, sponsoring and undertaking of conferences and exhibitions, prospective study on convention and exhibition, etc., thus giving rise to scaled development momentum in business expansion.

In terms of devotions to the operation and management of convention and exhibition venues as well as hotel branding, the Company has formed a strategic layout featuring business presence in numerous cities across the country, which further cemented its say in the industry. During the Reporting Period, North Star Events Group successfully entered into contracts in respect of entrusted management for two convention and exhibition venue projects, namely Fuzhou Digital China Convention & Exhibition Centre and Chongli International Convention & Exhibition Center, entrusted management for three hotel projects including V-Continent Wuhan Jiaocheng Hotel (武漢中交城北辰五洲皇冠酒店), V-Continent Zhuhai Hotel (珠海北辰五洲皇冠酒店) and V-Continent Guangzhou Xiangxue Hotel (廣州香雪五洲皇冠酒店), and consultation for 6 projects located in Shenzhen, Zhengzhou and other first-tier and second-tier key convention and exhibition cities. As at the end of the Reporting Period, North Star Events Group established presence in 23 cities across the country, and had a total of 13 contracted convention and exhibition venues under entrusted management covering a total floor area of 3.04 million square meters and 18 contracted hotels under entrusted management. North Star Events has become the convention and exhibition business that runs the largest number of convention and exhibition venues, is the largest in terms of overall scale and is capable of undertaking the finest convention and exhibition in China. Outstanding achievements were made in respect of the convention hosting and undertaking businesses. During the Reporting Period, North Star Events Group successfully hosted the “Beijing Asia-Europe Logistics Cooperation Forum”. In terms of the convention and exhibition research and development business, North Star Events aligned itself with the positioning as the “government think tank and industry intelligence” and took initiative to strive for propagation of the convention and exhibition research in multiple fields, including conducting research on municipal-level convention and exhibition platform composing governmental reports, releasing the “China Convention & Exhibition Research” magazine and the “Report on China’s Exhibition Index”, carrying out university-enterprise cooperative trainings, etc. As for the Internet + business represented by Internet + Convention and Exhibition and North Star Intelligent Community, information-based construction has been enhanced on a continuous basis and application of video conference system in the venues was frequented progressively.



Intercontinental Changsha



VIP building of North Star Hui Yuan Apartment



Huibin Building and North Star Time Building



Convening the 2nd session of Digital China Construction Summit at Fuzhou Digital Convention & Exhibition Center



V-Continent Wuhan Jiaocheng Hotel



V-Continent Zhuhai Hotel

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 | 33,379 | 100% |
| 2 | No. 8 Bei Chen Dong Road, Chao Yang District, Beijing | Beijing International Convention Centre | Convention and exhibition | 58,000 | 6,640 | 100% |
| 3 | No. 8 Bei Chen Dong Road, Chao Yang District, Beijing | Hui Bin Offices | Office building | 37,800 | 3,841 | 100% |
| 4 | No. 8 Bei Chen Dong Road, Chao Yang District, Beijing | Hui Xin Offices | Office building | 40,900 | 2,879 | 100% |
| 5 | No. 8 Bei Chen Dong Road, Chao Yang District, Beijing | North Star Times Tower | Office building | 131,300 | 9,409 | 100% |
| 6 | No. 8 Bei Chen Xi Road, Chao Yang District, Beijing | North Star Century Center | Office building | 149,800 | 16,942 | 100% |
| 7 | No. 8 Bei Chen Dong Road, Chao Yang District, Beijing | Hui Zhen Building Property | Office building | 8,400 | 872 | 100% |
| 8 | No. 8 Bei Chen Dong Road, Chao Yang District, Beijing | Beijing Continental Grand Hotel | Hotel | 42,000 | 7,323 | 100% |
| 9 | No. 8 Bei Chen Xi Road, Chao Yang District, Beijing | National Convention Centre Hotel | Hotel | 42,900 | 4,885 | 100% |
| 10 | No. 8 Bei Chen Dong Road, Chao Yang District, Beijing | V-Continent Beijing Parkview Wuzhou Hotel | Hotel | 60,200 | 6,934 | 100% |
| 11 | No. 8 Bei Chen Xi Road, Chao Yang District, Beijing | Intercontinental Beijing North Star Hotel | Hotel | 60,000 | 8,131 | 100% |
| 12 | No. 1500, Xiang Jiang Bei Road, Kaifu District, Changsha, Hunan Province | Intercontinental Changsha | Hotel | 79,200 | 9,542 | 100% |
| 13 | No. 8 Bei Chen Dong Road, Chao Yang District, Beijing | Hui Yuan Apartment | Apartment | 184,300 | 12,848 | 100% |
| 14 | A13 Beiyuan Road, Chao Yang District, Beijing | B5 Commercial Area of North Star Green Garden | Commercial | 49,700 | 1,684 | 100% |

Notes:

- The B5 Commercial Area of North Star Green Garden has been leased to Beijing Shopin Retail Development Co., Ltd. (北京市上品商業發展有限責任公司) since August 2016.
- Construction area of the real estate leased represents the total construction area of the project.
- The rental income of real estate leased is the operating income of the projects.
- Construction area and operating revenue of North Star Times Tower have included the construction area and operating revenue of the Xinchenni Shopping Centre commercial project.
- The land parcels on which the aforesaid properties numbered 2, 3, 7, 8, 10 and 13 erect were obtained from BNSIGC by leasing. The rental for the first half of 2019 was RMB7,100,000, which would be subject to adjustment in the coming years.

Management Discussion and Analysis (Continued)

Chart 1: Distribution of entrusted management projects of the Company in the first half of 2019



Table 4: Breakdown of entrusted management projects of the Company in the first half of 2019

| No. | Convention center projects under entrusted management | Hotel projects under entrusted management |
|-----|--|--|
| 1 | Zhuhai International Convention & Exhibition Center | V-Continent Nyingchi Hotel |
| 2 | Beijing Yanqi Lake International Convention & Exhibition Center | North Star V-Continent Huidong Executive Apartment |
| 3 | Nanchang Greenland International Expo Center | Jiangxi Hongwei Continental Crown Hotel |
| 4 | Lianyungang Land Bridge International Convention Center and ancillary hotels | Zhangjiakou Continental Crown Hotel |
| 5 | Hangzhou International Expo Center | North Star V-Continent Datong Executive Apartment |
| 6 | Ningxia International Hall | North Star V-Continent Yinfeng Hotel |
| 7 | Taizhou China Medical City Exhibition Center | North Star V-Continent Anshun Garden-style Hotel |
| 8 | Qingdao International Convention Center | North Star V-Continent Chifeng Hotel |
| 9 | Shijiazhuang International Convention & Exhibition Center | North Star V-Continent Wanquan Hotel |
| 10 | Deqing International Convention Center | North Star V-Continent Huai'an Garden-style Hotel |
| 11 | Nantong International Convention & Exhibition Center and ancillary hotels | Nanjing Wangyudao North Star V-Continent Garden-style Hotel |
| 12 | Fuzhou Digital China Convention & Exhibition Center | Hangzhou International Expo Center Hotel |
| 13 | Chongli International Convention & Exhibition Center and ancillary hotels | Nanchang Greenland Continental Crown Hotel |
| 14 | | Land Bridge Crown Business Hotel |
| 15 | | Nantong Kechuang Center Hotel |
| 16 | | Wuhan China Communications City North Star V-Continent Crown Hotel (武漢中交城北辰五洲皇冠酒店) |
| 17 | | Zhuhai North Star V-Continent Crown Hotel (珠海北辰五洲皇冠酒店) |
| 18 | | Xiangxue V-Continent Crown Hotel Guangzhou (廣州香雪五洲皇冠酒店) |

Management Discussion and Analysis (Continued)

3. Nurturing Business

In terms of health and elderly care, after the opening and operation of North Star ORPEA International Elderly Nursing Center (北辰歐葆庭國際頤養中心) in Changsha, the Company's first health and elderly care project, the Company carried out overall summary and appraisal over the project on a regular basis to accumulate operation and management experience constantly and foster the North Star elderly care service brand stepwise, which provided practical ground for the multi-point expansion of the Company's elderly care business. In respect of cultural creativity, the Company kept a close eye on the business development trend, made thorough analysis on the development status quo of the business, and proactively experimented on such innovative development modes as cultural performances, cultural creativity parks and industrial complex of cultural creativity in an effort to achieve the organic integration and synergic development of cultural creativity and the existing properties of the Company.

4. Financing Work

Against the backdrop of enhanced financial regulation, de-leveraging and de-channel credit tightening, the Company accelerated the collection of project development receivables on the one hand, and adopted diversified financing approaches including the "headquarters financing" to adjust its liability composition on the other hand. During the Reporting Period, the Company successfully issued the non-public corporate bonds (the first tranche) in an amount of RMB1.2 billion and the 2019 first tranche mid-term notes in an amount of RMB1.0 billion.

Table 5: Financing of the Company during the Reporting Period

Unit: 0'000 Currency: RMB

| Total financing amount for the period | Overall average financing cost (%) | Interest capitalised |
|---------------------------------------|------------------------------------|----------------------|
| 3,007,993 | 6.07 | 87,151 |

III. INDUSTRY LANDSCAPE AND TREND

In the second half of 2019, the Chinese government will, based on its main task of the supply-side structural reform, carry on with the new development philosophy, work for high-quality development, continue to deepen market-orientated reforms and expand high-standard opening up, and work faster to modernize the economy. It will also make coordinated efforts to maintain stable growth, advance reform, make structural adjustments, improve living standards, guard against risks, and ensure stability with the view to boosting sustainable and healthy development of economy.

As for development properties, in the second half of 2019, the general positioning of "housing properties for accommodation, not speculation" will continue to prevail in China and the real estate business will not be used as a short-term stimulus to the economy. In the medium and long term, China will reform and improve the housing market system and housing guarantee system, implement a long-effecting real estate management mechanism, and establish a comprehensive set of policies progressively, including policies on finance, land, taxes, housing security, market management, etc., to ensure that the policies are effective and stable, thereby building a sound environment for the long-term development of the real estate industry.

As for investment properties (including hotels), following the continuous progress of the opening-up in China and further implementation of the great power diplomacy with Chinese characteristics and the "One Belt, One Road" cooperation initiative, the convention and exhibition industry in China will be provided with broader space for development and new opportunities, which will in turn drive the development of relevant industries such as hotels and catering. The Notice on Rolling Out Development Pilots of Housing Rental Market with Central Financing (《關於開展中央財政支持住房租賃市場發展試點的通知》) promulgated by the Ministry of Finance and the Ministry of Housing and Urban-Rural Development has created favorable policy atmosphere in store for the development of apartment market.

Management Discussion and Analysis (Continued)

IV. DEVELOPMENT STRATEGY OF THE COMPANY

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

1. Development Properties

In respect of development strategies, the Company will continue to cement its positions in the first-tier and second-tier cities as well as popular core metropolitan areas, and give due weight to such economically advanced regions with robust purchasing power as Yangtze River Delta, the Greater Bay Area and Beijing-Tianjin-Hebei area. It will obtain land resources in a scientific and prudent manner through bid, auction and listing, acquisition and joint development in the aforesaid areas. In terms of project operation, in addition to stepping up the project development pace and scaling up the cash recovery proportion, the Company will also reinforce standardized construction and information-based construction and strengthen risk management and control with the view to safeguarding the sustainable development of the Company. As for innovation in the development model, the Company will spark the advantages of each business, enhance the pooled effects of all lines and provide new driving force to the business development of the Company through organic integration and interaction of real estate, convention and exhibition, health and elderly care, cultural creativity and other business lines.

In the second half of 2019, it is expected that the new construction area is 1,510,000 square meters, the equity area for new construction projects is 1,350,000 square meters, the resumed construction area is 8,380,000 square meters and the completed area is 1,960,000 square meters. The Company strives to realize sales area of 920,000 square meters and contracted sales amount of RMB15,300 million (including parking spaces).

2. Investment Properties (Including Hotels)

The Company will, on the basis of maintaining its brand-based, market-oriented, professional and standardized development, exert the influence of North Star Events branding to level up the capability of integrating convention and exhibition resources continuously and work out the whole convention and exhibition industry chain layout covering hosting and undertaking of exhibitions, entrusted management of convention and exhibition venues, researches on convention and exhibition, etc., at a higher rate, thereby cementing the foundation for establishing the most influential brand enterprise of convention and exhibition in China.

3. Nurturing Business

In terms of health and elderly care, the Company will, by virtue of its service and management experience gained from the existing elderly care projects, develop a complete set of elderly care system and standard progressively, and make tentative efforts to introduce elderly care projects to communities and in turn to facilitate the expansion of the Company's principal business of real estate development. As for cultural creativity, the Company will cater to the development tendency of “cultural creativity +”, and take full advantage of the integrative, flexible and high value added features of cultural creativity business to make for the interactive integration of cultural creativity and the Company's existing properties and form an integrated development landscape.

4. Financing and Capital Expenditure

The Company will, in light of the financing status of the capital market, give the rein to the advantageous “headquarters financing” mode to expand diversified financing channels for the real estate business. The Company will continue to optimize its debt and equity financing portfolio and resort to financing approaches such as asset securitization and perpetual mid-term notes when appropriate so as to boost the scaled development of the Company's real estate business.

In the second half of 2019, the Company's investment in fixed assets is expected to be RMB120 million, which will be paid according to project progress and funded by internal resources.

Management Discussion and Analysis (Continued)

V. POTENTIAL RISKS FACED BY THE COMPANY

1. Policy Risks in Development Properties

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

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

2. Market Risks

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

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

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

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

In response to the aforesaid risks, the Company organized internal trainings for directors, supervisors and senior management, medium management and professional and technical staff to enhance the professional competency of talents from corporate culture, management concept, professional skills and other aspects. It will also establish cross-training platforms among enterprises to actively cultivate talents, and speed up the expansion of talent reserve. Meanwhile, the Company will exert greater efforts on recruitment of talents especially fresh graduates with bachelor degrees or above so as to have necessary talent pool in store for the sustainable development of the Company.

Management Discussion and Analysis (Continued)

DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE

Financial Resources and Liquidity

As at 30 June 2019, the equity attributable to ordinary shareholders of the Company increased by 5.84% compared with 31 December 2018. The increase was primarily attributable to additional profit attributable to the ordinary shareholders of the Company of RMB1,342,333,000 during the Period.

The Group's bank and other borrowings (excluding bonds) as at 30 June 2019 amounted to RMB24,134,519,000. During the Period, net values of the Group's 5-year corporate bonds, 7-year corporate bonds and 5-year medium term notes were RMB2,145,089,000, RMB1,493,839,000 and RMB1,313,481,000, respectively; and the net value of financing through securitization of property assets amounted to RMB993,000,000.

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 RMB86,155,997,000, whereas the current liabilities amounted to RMB50,951,504,000. As at 30 June 2019, the balance of cash at bank and on hand amounted to RMB11,964,707,000 (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 2019, the Group had secured borrowings from banks and other financial institutions of RMB18,336,519,000 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 76% as at the end of the Reporting Period (31 December 2018: 77%).

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 2019, the outstanding amount of financial guarantees provided in phases was RMB18,470,742,000 (31 December 2018: RMB19,118,450,000).

SHARE CAPITAL AND SHAREHOLDERS

Share Capital

The Company's registered capital as at 30 June 2019 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% |

Management Discussion and Analysis (Continued)

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, 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 2019.

INTERESTS OF DIRECTORS AND SUPERVISORS OF THE COMPANY

As at 30 June 2019, 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 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.

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 2019.

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 2019 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.

Management Discussion and Analysis (Continued)

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 RMB1 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 2019, 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 2019, the Company had 5,207 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.

STAFF QUARTERS

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

PUBLICATION OF INTERIM REPORT

The Company’s 2019 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.beijingns.com.cn> in due course.

DOCUMENT FOR INSPECTION

The original copy of the 2019 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

By order of the Board
Beijing North Star Company Limited
HE Jiang-Chuan
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: | HE Jiang-Chuan |
| 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 |

AUDITORS

| | |
|------------------------|---|
| PRC auditor: | PricewaterhouseCoopers Zhong Tian LLP |
| Address: | 11/F, PricewaterhouseCoopers Centre 2 Corporate Avenue 202 Hu Bin Road, Huangpu District Shanghai, the PRC |
| Postal code: | 200021 |
| Telephone: | 86 (21) 2323 8888 |
| Fax: | 86 (21) 2323 8800 |
| International auditor: | PricewaterhouseCoopers |
| Address: | 22/F, Prince's Building Central, Hong Kong |
| Telephone: | (852) 2289 8888 |
| Fax: | (852) 2810 9888 |

Corporate Information (Continued)

LEGAL ADVISERS

| | |
|-------------------|---|
| PRC lawyer: | Beijing Da Cheng Solicitors Office |
| Address: | 7th Floor, Building D Parkview Green FangCaoDi No. 9 Dongdaqiao Road Chaoyang District, Beijing the PRC |
| Postal code: | 100020 |
| Telephone: | 86 (10) 5813 7799 |
| Fax: | 86 (10) 5813 7788 |
| Hong Kong lawyer: | Woo Kwan Lee & Lo |
| Address: | 26/F, Jardine House 1 Connaught Place Central, Hong Kong |
| Telephone: | (852) 2847 7999 |
| Fax: | (852) 2845 9225 |

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712–1716, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

| | |
|----------|--------|
| H share: | 0588 |
| A share: | 601588 |