CAPITAL GRAND

BEIJING CAPITAL GRAND LIMITED
首創鉅大有限公司
(Formerly known as BEIJING CAPITAL JUDA LIMITED
首創鉅大有限公司)
STOCK CODE : **1329**

Incorporated in the
Cayman Islands with limited liability

INTERIM REPORT 2017

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Zhong Beichen *(Chairman)*
Mr. Feng Yujian *(Chief Executive Officer)*

Non-Executive Directors
Mr. Sun Shaolin
Mr. Su Jian
Mr. Wang Honghui
Mr. Yang Han Hsiang

Independent Non-Executive Directors
Dr. Ngai Wai Fung
Ms. Zhao Yuhong
Mr. He Xiaofeng

AUDIT COMMITTEE

Dr. Ngai Wai Fung *(Chairman)*
Ms. Zhao Yuhong
Mr. He Xiaofeng

REMUNERATION COMMITTEE

Ms. Zhao Yuhong *(Chairman)*
Mr. Sun Shaolin
Mr. Yang Han Hsiang
Dr. Ngai Wai Fung
Mr. He Xiaofeng

NOMINATION COMMITTEE

Mr. Zhong Beichen *(Chairman)*
Mr. Wang Honghui
Dr. Ngai Wai Fung
Ms. Zhao Yuhong
Mr. He Xiaofeng

STRATEGIC INVESTMENT COMMITTEE

Mr. Su Jian *(Chairman)*
Mr. Feng Yujian
Mr. Wang Honghui
Mr. Yang Han Hsiang
Mr. He Xiaofeng

COMPANY SECRETARY

Mr. Lee Sze Wai

AUTHORISED REPRESENTATIVES

Mr. Feng Yujian
Mr. Lee Sze Wai

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISER

As to Hong Kong laws:
Norton Rose Fulbright Hong Kong

As to Cayman Island laws:
Conyers Dill & Pearman

As to PRC laws:
Beijing Jingtian & Gongcheng

REGISTERED OFFICE

Cricket Square Hutchins Drive P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRC PRINCIPAL PLACE OF BUSINESS

Building 18, No. 6 Langjiayuan,
Tonghuihe North Road,
Chaoyang District, Beijing, China

HONG KONG PRINCIPAL PLACE OF BUSINESS

Suites 2906-08
AIA Central, 1 Connaught Road Central, Hong Kong

PRINCIPAL BANKERS

China Construction Bank
Agricultural Bank of China
Bank of Communications
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank Ltd., Hong Kong Branch
Dah Sing Bank Limited

CORPORATE WEBSITE

www.bcgrand.com
www.bjcapitaloutlet.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square Hutchins
Drive P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22 Hopwell Centre
183 Queen's Road East, Hong Kong

LISTING INFORMATION

Equity security listed on the Stock Exchange of Hong Kong

Ordinary share (1329.HK)

Debt security listed on the Stock Exchange of Hong Kong

RMB1,300,000,000 guaranteed notes due 2018 at the rate of 5.25% (85719.HK)

INVESTOR RELATIONS CONTACT

Email: contactus@bcgrand.com

鉅MAX
首創鉅大有限公司
Beijing Capital Grand Limited

钜宝汇
PRIVILEGE VIP
首创奥特莱斯
CAPITAL OUTLETS

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Beijing Capital Grand Limited ("Capital Grand" or the "Company", together with its subsidiaries collectively referred to as the "Group"), I am pleased to present to the shareholders the interim results of the Group as of 30 June 2017.

Commencing 2017, China has entered the most critical stage in the supply-side structural reform of its real economy. During the first half, GDP increased by 6.9% year-on-year on the basis of comparable prices while total retail sales of consumer goods recorded a year-on-year growth of 10.4%, indicating a stable economy on a stronger rising trend, together with enhanced stability, coordination and sustainability in China's economic development.

Benefitting from the structural adjustments on economic growth in China and the rising of consumers' brand awareness, the outlet industry continued to maintain its rapid growth, as evidenced by increases in both the number of newly opened stores and the scale of outlet operation. According to a research report issued by the Ministry of Commerce

Adhering to our strategic objective of "Becoming the Largest Outlets Integrated Operator in China", we set out to further capitalize on strategic synergy with resources of shareholders, as well as the connection between our global vision and commercial resources. Through the promotion of innovative development and the continued enhancement of our differentiated core competitiveness, we venture to establish "Capital Outlets" as a unique and rich brand, thereby leading the outlet industry towards healthy yet fast development, and creating long-term values for our shareholders!

Mr. Zhong Beichen
Chairman

in June 2017, a number of factors contributed to the satisfactory sales from outlets, including higher residents' income, enhanced brand sensitivity and increased vehicle ownership. Outlet malls reported solid operational performance, with their composite index outperforming that of three other types, namely metropolitan shopping malls, regional malls and community malls.

During the period, the Group further increased its investment and acquired the land use rights for its Outlets projects in the two target cities of Chongqing and Kunming, bringing the total number of Outlets projects owned and managed by it to 14, which further strengthened its leading position within the sector. Meanwhile, the Group also fully leveraged advantages arising from its chain operations nationwide to promote branding strategic alliances among multiple projects, to help attract desired brands to under-construction projects, and to bring in additional brands for development projects. Through these concerted efforts, the Group aimed to create operational resilience shared within its system, with a view to gradually taking advantage of its group development.

Chairman's Statement (Continued)

During the period, on top of its on-going commitment towards improving operational efficiency, expanding product portfolio, improving service quality and increasing brand influence, the Group also actively explored online channels and adopted new retail formats, aiming to integrate the Capital Outlets shopping experience into the daily lives of its target customer groups. Through the official launch of "鉅MAX", our self-operated e-commerce platform, we set out to foster our O2O capabilities, to expand our contact points with customers through O2O integration using an omni-channel approach, thereby creating "outlets at fingertips" that offer services on a 24/7 basis. Further, we also operated a trampoline-themed park through a joint venture arrangement with JUMP 360 - a leader in the trampoline park industry, through which we created a Capital-unique consumption experience while providing the new generation of consumers with an excellent opportunity for relaxation and parent-child interaction.

During the period, the four operating Capital Outlets stores in Fangshan of Beijing, Wanning of Hainan, Kunshan of Jiangsu and Huzhou of Zhejiang recorded superior performance, with turnover increasing over 33% year-on-year. As our flagship project, not only has Beijing Capital Outlets recorded outstanding sales performance, its influence within the industry has also been increasing over the years. For two consecutive years in 2015 and 2016, Beijing Capital Outlets - whose sales growth broke industry record, managed to remain one of the top 10 practitioners in China's outlet industry while being listed as one of the "Top 10 Business Brands in Beijing". As its marketing approach shifted from "Outlets with a view" to "launching microtourism", not only has Beijing Capital Outlets become an industry pioneer, it has also established itself as a successful practitioner who explores innovative marketing. Through innovative marketing and comprehensive promotion, Beijing Capital Outlets achieved a customer traffic of 1.20 million in the three days during its "1 May" anniversary in 2017, recording sales of RMB53 million, which set a new record in its single-day sales.

During the period under review, the Group achieved operating revenue of RMB300,138,000. Net profit attributable to the owners of the Company amounted to RMB8,838,000. The Board resolved not to declare the interim dividend as at 30 June 2017.

During the period, the Group maintained sufficient communication and coordination with its strategic shareholders, namely Sino-Ocean Group and KKR, in relation to a number of aspects, including among others, project resources, commercial resources, enhancement of business operations management and capital operation; in particular, it made noticeable progress in enhancing its business operations management by relying on KKR's exceptional skills in post-investment management. In addition, the diversification of its shareholding structure also fostered better standardization of corporate governance and greater professionalism in its operational decision-making, thereby enabling the Group's Outlets business to find its way into a fast track of healthy development.

In the second half of the year, the Group, persisting on the sound expansion strategy of "Precise Expansion and Lean Operation", will proceed with its opening schedule in an orderly manner. With customer experience and the value of brand owners as the two main cores, and seizing digital innovation as its window for business breakthrough, the Group will also establish a timely and effective feedback mechanism on consumption demand, providing consumers with an improved and refined experience at its Outlets stores, its brand owners with more value-added services, thereby boldly setting new retail standards for the outlet industry!

On behalf of the Board, I would like to extend my sincere gratitude to all shareholders, cooperative partners and clients for their caring and strong support to Capital Grand. Adhering to our strategic objective of "Becoming the Largest Outlets Integrated Operator in China", we set out to further capitalize on strategic synergy with resources of shareholders, as well as the connection between our global vision and commercial resources. Through the promotion of innovative development and the continued enhancement of our differentiated core competitiveness, we venture to establish "Capital Outlets" as a unique and rich brand, thereby leading the outlet industry towards healthy yet fast development, and creating long-term values for our shareholders!

Zhong Beichen
Chairman

Beijing, 17 August 2017

Management Discussion and Analysis

MARKET REVIEW OF OUTLETS

In the first half of 2017, China's national economy extended its rising trend while maintaining growth momentum and stability, thanks to a series of macroeconomic policies, such as the continuous promotion of supply-side structural reforms, the moderate increase in total demand and the expansion of innovation-driven development.

According to statistics from the China National Commercial Information Center, retail sales from 50 key large retailers nationwide increased by 2.8% period-on-period in the first half of the year, up by 5.9 percentage points from the corresponding period of last year, a clear indication that the brick and mortar retail market was stabilizing and rebounding.

Benefiting from various factors such as the constant rising of residents' income and further-enhanced brand sensitivity of consumers, China's outlet industry continued to gain strong momentum in the first half. Competition within the market further intensified as many well-known operators launched their latest projects while new and under-construction projects spread across the country. With a customer-centric approach, industry leaders are now venturing to provide customers with a more pleasant shopping experience throughout the entire consumption process by removing existing barriers among physical stores, online malls, mobile applications, mobile payment and social media through integration initiatives. Meanwhile, some outlets operators are undertaking initiatives to expand along the industry chain and deploy their multi-retail format strategy. With the constant introduction of cross-segment portfolios such as "Outlets + Micro tourism" and "Outlets + Sports", multi-format operation has gradually become the dominant business model. As a result, to stay ahead of changes in consumer lifestyle, industry practitioners are required to provide consumers with an improved and refined experience at their outlets.

BUSINESS REVIEW

Consolidating the edges in the scale of economies through continued strategic deployment

– With the new projects that it undertook in Chongqing and Kunming during the period, the Group now owns and manages a total of 14 outlets projects, further strengthening its competitive edge of leadership in scale.

Delivering steady growth in operating results through the pursuit of operational excellence

– During the period, the four outlets projects in operation achieved a turnover of approximately RMB1.7 billion, representing a year-on-year growth of 33%; and the customer traffic over 10 million, representing a year-on-year growth of 23%, indicating a steady growth in the operating results;

– During the period, the Group fully utilized the advantages of its chain operation across the country to thoroughly link expansion strategies for more brands, thereby promoting multi-project brand partnership; in addition, the Group also made full use of the leverage effect from projects where it enjoyed competitive advantages to help attract desired brands to under-construction projects, as well as bring in additional brands for newly launched projects, with a view to gradually taking advantage of its group development.

Focusing on innovation to enhance the momentum of sustainable development

"Capital Outlets at Fingertips"

– By launching "鉅 MAX", our e-commerce platform for Capital Outlets, we have extended our interaction with consumers to a 24/7 basis. As our online sales and offline stores create synergies through shared advantages, they further boost and stimulate potential purchasing powers, allowing us to further integrate the Capital Outlets shopping experience into the daily lives of our consumers.

Rapid development of proprietary business

– In order to create competitive advantages, we have introduced a number of coveted brands to our projects through proprietary business, providing the Company with potent assistance in its business expansion. In addition to contributing stronger sales, this strategy has also effectively helped us develop skills in merchandise maintenance and inventory management, creating favorable conditions for the next stage of our advancement where we would form "deepened joint operations" with brand owners, explore the "single-item management" approach and establish concept shops featuring multiple brands.

Bringing trampolines to multiple stores to create a distinctive experience

– We have introduced Jump 360 - a trampoline-based ride to several stores. By breaking homogeneous competition within the industry, we allow teenagers and children to experience the joy of indoor trampolining, providing a perfect venue for relaxation and parent-child interaction. Through the creation of a unique yet phenomenal experience at Capital Outlets, we have managed to increase patronage, improve customer retention, and raise their repeat purchase rate.

Continuously increasing the brand influence of "Capital Outlets"

– We took "ACT AS ONE" Capital Outlets Brand Owners Ceremony 2017 as a window to further promote the influence of "Capital Outlets" among brand owners, over 400 representatives of brand owners attended the ceremony;

– Wanning Capital Outlets won the "Golden Lily Award for Best Outlets Shopping Center" issued by the China Chain-Store & Franchise Association (CCFA);

– On 1 May 2017, Fangshan Capital Outlets in Beijing launched a themed event where the store remained open for 36 consecutive hours and offered gifts valued over RMB1 million in celebration of its anniversary. The event attracted more than 1.2 million visitors within and outside Beijing in 3 days (a year-on-year increase of 122%) and recorded total sales of RMB53 million (a year-on-year increase of 95%), achieving new records in both single-day and average daily sales.

INVESTMENT PROPERTIES

Project Name	Approximate Site Area (Note 1) (m^2)	Total Gross Floor Area (Note 2) (m^2)	Property Type (m^2)	Opened/ Expected Time of Launching	Attributable Interest
Fangshan Capital Outlets (Changyang Town, Fangshan District, Beijing)	90,770 (Note 3)	108,720	Outlets: 108,720	2013	100%
	90,770 (Note 3)	87,770	Outlets: 39,320 Supermarket: 3,900 Parking Space: 44,550	2019	100%
Kunshan Capital Outlets (Kunshan Development Zone)	46,240	50,420	Outlets: 50,420	2015	100%
	46,790	50,110	Outlets: 50,110	2017	100%
Huzhou Capital Outlets (Huzhou Taihu Lake Tourism Resort) (Note 4)	109,940	54,700	Outlets: 54,700	2013	100%

Project Name	Approximate Site Area (Note 1) (m^2)	Total Gross Floor Area (Note 2) (m^2)	Property Type (m^2)	Opened/ Expected Time of Launching	Attributable Interest
Nanchang Capital Outlets (Xinjian District, Nanchang)	56,800	129,700	Outlets: 85,240, Parking Space: 44,460	2017	100%
	30,160 (Note 5)	28,380	Cinema: 5,000, Supermarket: 7,660, Parking Space: 15,720	2018	100%
Hangzhou Capital Outlets (Fuyang District, Hangzhou)	101,700	112,280	Outlets: 88,980, Parking Space: 23,300	2017	100%
Wuhan Capital Outlets (Wuhan East Lake High-tech Development Zone)	89,760	107,560	Outlets: 83,740, Parking Space: 23,820	2017	99% (Note 8)
Changsha Capital Outlets Joyous Sky Avenue (Xiangjiang New Area, Changsha)	54,600	112,070	Outlets: 81,550, Parking Space: 30,520	2019	30% (Note 8)
Xi'an Capital Outlets (Xi'an Hi-tech Industrial Development Zone)	81,300	122,970	Outlets: 82,740, Parking Space: 40,230	2019	100%
Zhengzhou Capital Outlets (Xingyang City, Zhengzhou)	80,790	96,580	Outlets: 81,070 Parking Space: 15,510	2018	100%
Jinan Capital Outlets (Tangye New Area, Jinan)	114,930 (Note 6)	129,780	Outlets: 86,930 Parking Space: 42,850	2018	100%
Hefei Capital Outlets (Binhu New District, Hefei)	87,910	96,490	Outlets: 75,460 Parking Space: 21,030	2018	100%
Chongqing Capital Outlets (Banan District, Chongqing)	74,350 (Note 7)	113,600	Outlets: 81,600, Parking Space: 32,000	2019	100%
Kunming Capital Outlets (Wuhua District, Kunming)	67,920	133,500	Outlets: 87,000 Parking Space: 46,500	2019	85% (Note 8)

DEVELOPMENT PROPERTIES

Project Name	Approximate Site Area (m^2)	Unsold Gross Floor Area (m^2)	Unsold Land Floor Area (m^2)	Property Type (m^2)	Attributable Interest
Xi'an First City (Xi'an Economic Technology Development Zone)	355,900	544,747	330,944	Residential/ Commercial/ Office Buildings	100%
Nanchang Capital Outlets (Xinjian District, Nanchang)	30,160 (Note 5)	32,560	32,560	Commercial	40% (Note 8)
Jinan Capital Outlets (Tangye New Area, Jinan)	114,930 (Note 6)	53,870	52,870	Commercial	100%
Chongqing Capital Outlets (Banan District, Chongqing)	74,350 (Note 7)	15,000	15,000	Commercial	100%

Notes:

1. Approximate site area is based on State-owned Construction Land Use Right Grant Contract or Land Use Right Certificates;

2. Total gross floor area is based on State-owned Construction Land Use Right Grant Contract and the project design plan;

3. The site area of Fangshan Capital Outlets is 90,800 m^2, of which the gross floor areas of Phase I and Phase II are 108,700 m^2 and 87,800 m^2 respectively;

4. The total site area of Huzhou Capital Outlets is 309,700 m^2, of which the gross floor areas of Phase I, Phase II and the planned land area for economic hotels are 109,900 m^2, 104,400 m^2 and 95,400 m^2 respectively;

5. The site area of Land B in Nanchang Capital Outlets is 30,200 m^2, of which 28,400 m^2 of the gross floor area is investment property and 32,600 m^2 is development property;

6. The site area of Jinan Capital Outlets is 114,900 m^2, of which 129,800 m^2 of the gross floor area is investment property and 53,900 m^2 is development property;

7. The site area of Chongqing Capital Outlets is 74,400 m^2, of which 113,700 m^2 of the gross floor area is investment property and 15,000 m^2 is development property;

8. Attributable interests represent equity holding upon completion of capital injection.

FINANCIAL REVIEW

1. Revenue and Operating Results

For the six months ended 30 June 2017, the consolidated revenue of the Group was approximately RMB300,138,000, representing an increase of 16% from RMB259,440,000 for the same period of 2016. The increase in revenue was mainly attributable to the increase in rental income led by stronger sales performance of the outlets in operation.

For the six months ended 30 June 2017, the Group achieved a gross profit margin of approximately 40%, representing an increase of 3 percentage point from 37% for the same period of 2016. The increase in gross profit margin was mainly attributable to the growth in rental income during the reporting period, which yield higher gross profit margin than sales of development properties.

For the six months ended 30 June 2017, operating profit of the Group was approximately RMB97,410,000, representing a decrease of 62% from RMB256,036,000 for the same period of 2016. The significant decrease was mainly due to the decline in the fair value gain on the Group's investment properties as a result of a moderate growth in real estate market of selected cities in PRC. As the fair value gain is non-cash in nature and the decrease in such gain will not have a direct impact on the cash flow, the decrease does not indicate any major changes in the Group's overall operating position.

For the six months ended 30 June 2017, profit for the period was approximately RMB9,290,000, representing a decrease of 93% from RMB130,384,000 for the same period of 2016. The decrease was mainly due to the decline in operating profit.

2. Liquidity and Financial Resources

The Group's liquidity remained on a healthy level and financial resources were also reasonably distributed. As at 30 June 2017, the Group's cash and cash equivalents and restricted cash totaled RMB719,786,000 (31 December 2016: approximately RMB1,924,616,000), of which approximately RMB532,934,000 (31 December 2016: RMB713,925,000), approximately RMB182,075,000 (31 December 2016: RMB996,908,000), and approximately RMB4,777,000 (31 December 2016: RMB213,783,000) were denominated in RMB, Hong Kong dollars ("HK$") and US dollars ("US$"), respectively. The majority of the Group's cash and cash equivalents and restricted cash are deposited with creditworthy banks with no recent history of default.

As at 30 June 2017, the Group's current ratio was 1.49 (31 December 2016: 1.82).

As at 30 June 2017, the Group's net gearing ratio was 42% (31 December 2016: 18%), based on the division of net debt by total equity. Net debt includes total bank and other borrowings and guaranteed notes (including the current portion and the non-current portion), less cash and cash equivalents and restricted cash. The change of net gearing ratio was primarily due to the payment of cash on outlets projects under construction.

3. Borrowings and Guaranteed Notes

As at 30 June 2017, the Group's borrowings from banks and related parties were approximately RMB1,715,000,000 (31 December 2016: approximately RMB1,620,000,000). The bank borrowings were secured by the land use rights and the buildings of investment property, and/or guaranteed by Beijing Capital Land Ltd. ("BCL").

As at 30 June 2017, the amortized cost of the Group's guaranteed notes (the "Notes") was approximately RMB1,325,591,000 (31 December 2016: RMB1,323,957,000), including current portion amounting to RMB28,718,000 (31 December 2016: RMB28,438,000), and non-current portion amounting to RMB1,296,873,000 (31 December 2016: RMB1,295,519,000). The guaranteed notes with a face value of RMB1,300,000,000 due 2018 at the nominal interest rate of 5.25% per annum was listed for trading on the Stock Exchange of Hong Kong Limited on 31 July 2015. The details of the Notes were set out in the announcements dated 20, 24 and 30 July 2015.

4. Foreign Exchange Exposure

Major subsidiaries of the Group operate in the PRC and most of the transactions are denominated in RMB. As certain of the Group's monetary assets and liabilities are denominated in HK$ and US$, any significant exchange rate fluctuations of HK$ and US$ against RMB may have financial impacts to the Group. Currently, the Group does not use any derivative financial instruments. Nevertheless, the Group will review the risk from time to time and take response measures if necessary.

5. Financial Guarantees

The Group provided guarantees in respect of mortgage facilities granted by certain banks to purchasers of properties. As at 30 June 2017, the financial guarantees amounted to approximately RMB1,243,721,000 (31 December 2016: RMB1,397,075,000).

6. Capital Commitments

As at 30 June 2017, the Group had capital commitments relating to the development properties under construction of approximately RMB69,728,000, and had capital commitments relating to the investment properties under construction of approximately RMB339,070,000.

As at 30 June 2017, the Group had capital commitments relating to the committed investment to Changsha Capital Outlets Joyous Sky Avenue project of approximately RMB10,734,000.

HUMAN RESOURCES

As at 30 June 2017 the Group employed 668 employees (as of 31 December 2016: 498). The remuneration policy and package of the Group's employees are structured in accordance to market terms and statutory requirements where appropriate. In addition, the Group also provides other staff benefits such as pension scheme, medical insurance scheme, unemployment insurance scheme, housing provident fund, mandatory provident fund and share options to motivate and reward employees at all levels to achieve the Group's business performance targets.

FUTURE DEVELOPMENT AND PROSPECTS

The income level and spending power of Chinese consumers have increased noticeably since China entered the "new normal" stage of its economic development, meanwhile, driven by urbanization and an aging population, the consumer market and consumer groups have both undergone major changes. Not only have Chinese consumers become more mature and rational, their consumption needs and preferences have also turned more diversified.

According to a recent report jointly released by Boston Consulting Group and AliResearch, China's consumption growth between 2016 and 2021 would likely reach US$1.8 trillion, with the emerging upper middle class and affluent classes, the new generation of young consumers, and the online-to-offline (O2O) integration becoming the three major drivers for new consumption styles. To win over customers and achieve leaping development in China's increasingly segmented consumer market, outlet operators must gain insights into consumers' preferences and their detailed needs, so as to establish omni-channel contact points that suit the lifestyles of their target customer groups through O2O integration.

In the second half, the Group will strive to maintain its business strategy of "Precise Expansion and Lean Operation", further expand its strategic coverage over quality project resources in target cities, reinforce its win-win partnerships with brand owners, and ensure the timely opening of new quality projects, the aim of which is to consolidate the Group's edges in the scale of economies underpinning its chain operation. Furthermore, the Group will focus on refined management, further leverage advantages made available by resources of its strategic shareholders, namely Sino-Ocean Group and KKR, as well as enhance its access to global business resources and advanced management experience, with a view to delivering overall improvement on operations management, information systems, brand investment and performance incentives.

Chinese consumers are keeping up with modern trends at an increasingly fast pace, instead of a single selling point, they are becoming more and more concerned about the overall experience. The Group will stay vigilant about new changes in the domestic consumer market, and, seizing digital innovation as its window for business breakthrough, enhance its overall systematic capacity with a focus on consumer experience and brand-owner value, as well as improve service quality and produce innovate experiences, with a view to creating excellent customer experience and offering brand owners services and support with greater precision. In addition, we also set out to create an ecosystem that promotes mutual benefit and shared development for us, our consumers and brand owners, so as to create new competitive advantages. Further still, we aim to deliver a steady growth in our operating results by enhancing our ability and efficiency in business expansion, and ultimately, to achieve the greatest value for our shareholders through economies of scale.

CORPORATE GOVERNANCE HIGHLIGHTS AND OTHER INFORMATION

The Group is committed to the establishment of good governance practices and procedures. For the six months ended 30 June 2017, the Company has complied with the requirements under the code provisions of the recommended best practices set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules and the continuing obligations requirements of a listed issuer pursuant to the Listing Rules.

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2017 (30 June 2016: nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, so far as is known to the Directors, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, or underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("SFO")) which were to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code"), to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, so far as is known to the Directors, the following entities, not being a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of Ordinary Shares	Approximate percentage of the issued share capital (%)	Number of Convertible Ordinary Shares of Class A Convertible Preference Shares, Class B Convertible Preference Shares and Perpetual Convertible Bond Securities (at initial conversion price of HK$2.10 per share)	Total Interests	Approximate Percentage of Total Interests to total issued Ordinary Shares (%)
BECL Investment Holding Limited ("BECL")	Beneficial owner	701,353,846	72.9%	1,072,928,106 *(Note 5)*	1,774,281,952	184.53%
BCL	Interest of controlled corporation *(Note 1)*	701,353,846	72.9%	1,072,928,106 *(Note 5)*	1,774,281,952	184.53%
BCG China Star International Investment Limited ("BCG")	Beneficial owner	19,800,000	2.1%	–	19,800,000	2.06%
Beijing Capital Group Co., Ltd. ("Capital Group")	Interest of controlled corporation *(Note 2)*	721,153,846	75%	1,072,928,106 *(Note 5)*	1,794,081,952	186.58%
Smart Win Group Limited	Beneficial owner	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Sino-Ocean Land (Hong Kong) Limited	Interest of controlled corporation *(Note 3)*	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Faith Ocean International Limited	Interest of controlled corporation *(Note 3)*	95,192,308	9.9%	313,140,124	408,332,432	42.47%

Name of Shareholder	Capacity	Number of Ordinary Shares	Approximate percentage of the issued share capital (%)	Number of Convertible Ordinary Shares of Class A Convertible Preference Shares, Class B Convertible Preference Shares and Perpetual Convertible Bond Securities (at initial conversion price of HK$2.10 per share)	Total Interests	Approximate Percentage of Total Interests to total issued Ordinary Shares (%)
Shine Wind Development Limited	Interest of controlled corporation *(Note 3)*	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Sino-Ocean Group Holding Limited	Interest of controlled corporation *(Note 3)*	95,192,308	9.9%	313,140,124	408,332,432	42.47%
KKR CG Judo Outlets	Beneficial owner	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR CG Judo	Interest of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR China Growth Fund L.P.	Interest of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Associates China Growth L.P.	Interest of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR China Growth Limited	Interest of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Fund Holdings L.P.	Interest of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Fund Holdings GP Limited	Interest of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Group Holdings L.P.	Interest of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%

Management Discussion and Analysis (continued)

Name of Shareholder	Capacity	Number of Ordinary Shares	Approximate percentage of the issued share capital (%)	Number of Convertible Ordinary Shares of Class A Convertible Preference Shares, Class B Convertible Preference Shares and Perpetual Convertible Bond Securities (at initial conversion price of HK$2.10 per share)	Total Interests	Approximate Percentage of Total Interests to total issued Ordinary Shares (%)
KKR Group Limited	Interest of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR & Co. L.P.	Interest of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Management LLC	Interest of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
Henry Robert Kravis	Interest of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
Roberts George R.	Interest of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%

Notes:

1. Total interests in 1,774,281,952 shares were deemed to be the corporation interest under the Securities and Futures Ordinance.

2. Total interests in 1,794,081,952 shares were deemed to be the corporation interest under the Securities and Futures Ordinance.

3. Total interests in 408,332,432 shares were deemed to be the corporation interest under the Securities and Futures Ordinance.

4. Total interests in 295,238,095 shares were deemed to be the corporation interest under the Securities and Futures Ordinance.

5. On 19 December 2016, the Company issued 905,951,470 Class B Convertible Preference Shares to BECL pursuant to the Class B Convertible Preference Share Subscription Agreement. On 28 December 2016, BECL converted 571,153,846 Class A Convertible Preference Shares into Ordinary Shares.

Save as disclosed above, as at 30 June 2017, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company adopted the share option scheme (the "Scheme") on 14 March 2012 (the "Adoption Date") which will remain in force for a period of 10 years commencing from the Adoption Date.

Under the Scheme, the directors may at their discretion grant options to (i) any employee of any member of the Group or any entity in which any member of the Group holds any equity interest (the "Invested Entity"); (ii) any executive and non-executive Directors of any member of the Group or any Invested Entity; (iii) any supplier and customer of any member of the Group or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; or (vi) any adviser or consultant of any member of the Group or any Invested Entity to subscribe for the shares of the Company.

The maximum number of shares in respect to which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company on the date of adopting the Scheme. The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the shareholders' approval in general meeting. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Options may be exercised at any time from the date of grant of the option to the 10th anniversary of the date of grant as may be determined by the directors. The exercise price is determined by the directors, and will not be less than the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the options; (ii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the options; or (iii) the nominal value of a share.

For the year ended 30 June 2017, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

BOARD COMPOSITION

As at 30 June 2017, the Board consisted of a total of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors.

CHANGES OF DIRECTORS' INFORMATION

As at 26 June 2017 and 28 June 2017, Dr. Ngai Wai Fung, the independent non-executive director of the Company, resigned as independent non-executive director of China Coal Energy Company Limited (Stock Code: 1898.HK) and China Railway Group Limited (Stock code: 390.HK) respectively.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board recognizes the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders and has applied the principles of the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). For the period ended 30 June 2017, the Company has complied with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiries, the Directors confirmed that they have complied with the required standard of dealings set out in the Model Code throughout the six months ended 30 June 2017.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Dr. Ngai Wai Fung as chairman, Ms. Zhao Yuhong and Mr. He Xiaofeng as member. The Audit Committee, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2017.

Report on Review of Interim Financial Information

pwc 羅兵咸永道

TO THE BOARD OF DIRECTORS OF BEIJING CAPITAL GRAND LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 56, which comprises the interim condensed consolidated statement of financial position of Beijing Capital Grand Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 August 2017

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Interim Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
Revenue	6,7	**300,138**	259,440
Cost of sales	8	**(179,954)**	(163,412)
Gross profit		**120,184**	96,028
Fair value gains on investment properties	7	**100,088**	246,097
Other (losses)/gains	7	**(25,502)**	5,199
Other income	7	**6,317**	8,372
Selling and marketing expenses	8	**(40,215)**	(49,106)
Administrative expenses	8	**(63,462)**	(50,554)
Operating profit		**97,410**	256,036
Finance costs	9	**(38,370)**	(58,266)
Share of loss of investment accounted for using the equity method	15	**(12)**	–
Profit before income tax		**59,028**	197,770
Income tax expense	10	**(49,738)**	(67,386)
Profit for the period		**9,290**	130,384
Attributable to:			
– Owners of the Company		**8,838**	130,384
– Non-controlling interests		**452**	–
Earnings per share attributable to owners of the Company during the period	12		
Basic earnings per share (RMB cents)		**0.35**	14
Diluted earnings per share (RMB cents)		**0.35**	14

Details of the dividend proposed for the period are disclosed in Note 11.

The notes on pages 26 to 56 are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period	**9,290**	130,384
Other comprehensive income for the period	**–**	–
Total comprehensive income for the period	**9,290**	130,384
Attributable to:		
– Owners of the Company	**8,838**	130,384
– Non-controlling interests	**452**	–

The notes on pages 26 to 56 are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	**92,974**	84,377
Investment properties	*14*	**6,869,420**	5,525,804
Intangible assets		**3,231**	3,750
Investments accounted for using the equity method	*15*	**73,288**	40,000
Deferred income tax assets		**48,461**	45,208
Prepayments	*18*	**85,329**	394,808
		7,172,703	6,093,947
Current assets			
Inventories	*16*	**2,335,407**	2,212,768
Trade and other receivables and prepayments	*18*	**316,304**	364,999
Restricted cash		**10,838**	14,029
Cash and cash equivalents		**708,948**	1,910,587
		3,371,497	4,502,383
Total assets		**10,544,200**	10,596,330
LIABILITIES			
Non-current liabilities			
Borrowings	*19*	**895,000**	765,000
Guaranteed notes	*20*	**1,296,873**	1,295,519
Deferred income tax liabilities		**509,424**	488,103
		2,701,297	2,548,622
Current liabilities			
Trade payables	*21*	**849,356**	1,008,826
Other payables and accruals	*22*	**568,530**	572,505
Borrowings	*19*	**820,000**	855,000
Current income tax liabilities		**18,668**	34,318
		2,256,554	2,470,649
Total liabilities		**4,957,851**	5,019,271

Interim Condensed Consolidated Statement of Financial Position (continued)

	Notes	**30 June 2017 RMB'000 (Unaudited)**	31 December 2016 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	*23*	**16,732**	16,732
Perpetual convertible bond securities	*25*	**945,244**	945,197
Reserves		**3,232,215**	3,232,215
Retained earnings		**1,389,062**	1,380,271
		5,583,253	5,574,415
Non-controlling interests		**3,096**	2,644
Total equity		**5,586,349**	5,577,059
Total equity and liabilities		**10,544,200**	10,596,330

The notes on pages 26 to 56 are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited)	Ordinary shares RMB'000	Class A convertible preference shares RMB'000	Class B convertible preference shares RMB'000	Perpetual convertible bond securities RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
	Attributable to owners of the Company									
	Issued capital									
At 1 January 2017	**7,828**	**1,329**	**7,575**	**945,197**	**3,169,418**	**62,797**	**1,380,271**	**5,574,415**	**2,644**	**5,577,059**
Profit for the period	–	–	–	–	–	–	8,838	8,838	452	9,290
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**8,838**	**8,838**	**452**	**9,290**
Transactions with owners										
Dividends to perpetual convertible bond securities holders	–	–	–	47	–	–	(47)	–	–	–
Total transactions with owners	**–**	**–**	**–**	**47**	**–**	**–**	**(47)**	**–**	**–**	**–**
At 30 June 2017	**7,828**	**1,329**	**7,575**	**945,244**	**3,169,418**	**62,797**	**1,389,062**	**5,583,253**	**3,096**	**5,586,349**

(Unaudited) (Restated)	Ordinary shares RMB'000	Class A convertible preference shares RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
	Attributable to owners of the Company					
	Issued capital					
At 1 January 2016	1,572	5,875	1,912,662	62,797	1,152,998	3,135,904
Profit for the period	–	–	–	–	130,384	130,384
Total comprehensive income	–	–	–	–	130,384	130,384
At 30 June 2016	1,572	5,875	1,912,662	62,797	1,283,382	3,266,288

The notes on pages 26 to 56 are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
Cash flows from operating activities			
Cash (used in)/generated from operations		**(236,262)**	119,663
Income tax paid		**(52,306)**	(84,358)
Net cash flows (used in)/generated from operations		**(288,568)**	35,305
Cash flows from investing activities			
Interests received from time deposits		**2,301**	5,368
Purchases of property, plant and equipment		**(22,888)**	(10,319)
Additions of investment properties		**(925,665)**	(549,243)
Investment in an associate	*15*	**(33,300)**	–
Amounts paid to related parties		**–**	(50,053)
Net cash flows used in investing activities		**(979,552)**	(604,247)
Cash flows from financing activities			
New bank borrowings		**200,000**	–
Amounts received from related parties		**85,411**	89,535
Repayments of bank borrowings		**(105,000)**	(75,000)
Interests paid to bank borrowings		**(23,751)**	(42,718)
Service fee paid for keepwell deed		**–**	(3,900)
Interests paid for guaranteed notes		**(33,844)**	(34,219)
Professional fee for issuance of perpetual convertible bond securities		**(29,011)**	–
Net cash flows generated from/(used in) financing activities		**93,805**	(66,302)
Net decrease in cash and cash equivalents		**(1,174,315)**	(635,244)
Cash and cash equivalents at beginning of the period		**1,910,587**	1,798,522
Exchange (losses)/gains on cash and cash equivalents		**(27,324)**	4,018
Cash and cash equivalents at end of the period		**708,948**	1,167,296

The notes on pages 26 to 56 are an integral part of this interim condensed consolidated financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

Beijing Capital Grand Limited (formerly known as "Beijing Capital Juda Limited" before 7 June 2017) (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in outlets-backed integrated property, commercial property development and operation in the People's Republic of China (the "PRC" or "Mainland China").

In the opinion of the directors of the Company, the immediate holding company of the Company is BECL Investment Holding Limited, a directly wholly-owned subsidiary of Beijing Capital Land Limited ("BCL", a joint stock company incorporated in the PRC with limited liability whose H shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited). The ultimate holding company of the Company is Beijing Capital Group Ltd. ("Capital Group"), a state-owned enterprise registered in the PRC.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information has been approved and authorised for issue by the Board of Directors on 17 August 2017.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

On 8 June 2016, the Group entered into an acquisition agreement with BCL to acquire 100% equity interests of the capital outlets investment property operation business ("Capital Outlets Business") of Beijing Chuangxin Jianye Real Estate Investment Ltd ("Chuangxin Jianye") ("Capital Outlets Business of Chuangxin Jianye") with consideration of RMB701,574,000. On the same day, the Group entered into another acquisition agreement with a subsidiary of BCL to acquire 100% equity interests of Zhejiang Outlets Real Estate Co., Ltd. ("Huzhou Outlets") with consideration of RMB472,957,000 (collectively referred to as the "Acquisition").

Since both the Group, Chuangxin Jianye and Huzhou Outlets are under common control of BCL, the Acquisition is considered as a business combination under common control and the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 ''Merger Accounting for Common Control Combinations" issued by the HKICPA, is applied.

The Acquisition has been completed on 14 December 2016. The condensed consolidated interim financial information for the six months ended 30 June 2016 has been restated, merging the financial position, results and cash flows of Huzhou Outlets and Capital Outlets Business of Chuangxin Jianye.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

(a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

(b) Standards and amendments to standard issued which are relevant but not yet applied by the Group.

Amendments to HKAS 40	Transfers of investment property[i]
HKFRS 9	Financial instruments[i]
HKFRS 15	Revenue from contracts with customers[i]
HKFRS 16	Leases[ii]

(i) Effective for annual periods beginning on or after 1 January 2018.
(ii) Effective for annual periods beginning on or after 1 January 2019.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, 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 condensed consolidated interim financial information, the significant judgements 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 2016.

(a) Fair value of investment properties

The Group adopts fair value model for subsequent measurement of investment properties and obtains independent valuations for its investment properties at least annually from an independent professional valuer as a third party. The fair value is determined in accordance with the methods below:

- Current prices (open market quotations) in an active market for the same or similar investment properties;
- When such information above is not available, then use recent trading prices in an active market of the same or similar investment property, and take the factors of situations, dates and locations of transactions, etc. into consideration;
- The Group adopts income capitalisation approach and residual method to determine fair value, based on estimated rental income and development cost to occur in the future and present value of the related cash flows, with considering a properly estimated profit rate to determine fair value. The key estimations are disclosed in Note 14.

Where fair value of investment properties under construction is not reliably measurable but is expected to be reliably obtained after the construction is completed, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

4 ESTIMATES *(continued)*

(a) Fair value of investment properties *(continued)*

The valuation of investment properties involves significant judgements and estimates, mainly including determination of valuation techniques and election of different inputs in the models.

The management assessed the reasonableness of key inputs which were used to determine the gross development value under income capitalisation approach and under residual approach, including market rental prices and their growth rates, discount rates, etc., by comparing the market rental prices and their growth rates with comparative cases in active markets and management's records, and by comparing the discount rates with the average discount rates in the industry. The management assessed the reasonableness of other key inputs including estimated developers' profit margin rates and development costs to complete, etc. under residual approach, by comparing the estimated developers' profit margin rates with the average developers' profit margin rates in the industry and by comparing the development costs to complete with management's budgets.

(b) Deferred income tax

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk management objectives and policies

The Group's principal financial instruments comprise interest-bearing bank and related parties borrowings, guaranteed notes and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on minimising potential adverse effects of these risks, with material impact, on the Group's financial performance. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Foreign exchange risk

The Group mainly operates in Mainland China and Hong Kong with most of the Group's monetary assets, liabilities and transactions principally denominated in Hong Kong dollar ("HK$"), United States dollars("US$") and RMB. The Group has not used any derivative to hedge its exposure to foreign currency risk. The Group is exposed to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are not denominated in the Group's functional currency.

(b) Interest rate risk

The Group's interest rate risk arises from interest-bearing borrowings and guaranteed notes. Borrowings obtained at variable interest rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings and guaranteed notes obtained at fixed rates expose the Group to fair value interest rate risk. The management continuously monitors the interest rate position and makes decisions with reference to the latest market condition.

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.1 Financial risk management objectives and policies *(continued)*

(c) Credit risk

Credit risk is managed on group basis. It mainly arises from cash and cash equivalents, trade and other receivables, etc.

The Group expects that there is no significant credit risk associated with cash and cash equivalent since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on trade receivables and other receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account its financial position, past experience and other factors. The credit history of the customers is regularly monitored by the Group. Sales to retail customers are settled in cash or using major credit cards.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

(d) Liquidity risk

The Group's policies are to maintain sufficient cash and cash equivalents and to have available funding through bank and related parties borrowings and guaranteed notes to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year RMB'000	**1 to 5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
At 30 June 2017 (Unaudited)				
Trade payables	**849,356**	**–**	**–**	**849,356**
Other payables and accruals	**208,555**	**–**	**–**	**208,555**
Borrowings	**897,618**	**990,936**	**–**	**1,888,554**
Guarantee notes	**68,250**	**1,334,125**	**–**	**1,402,375**
	2,023,779	**2,325,061**	**–**	**4,348,840**
At 31 December 2016 (Audited)				
Trade payables	1,008,826	–	–	1,008,826
Other payables and accruals	144,583	–	–	144,583
Borrowings	916,468	842,186	–	1,758,654
Guarantee notes	68,250	1,368,250	–	1,436,500
	2,138,127	2,210,436	–	4,348,563

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.1 Financial risk management objectives and policies *(continued)*

(d) Liquidity risk *(continued)*

The amounts have not included financial guarantee contracts:

– which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties (Note 27). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of one to two years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties;

Based on expectations at the end of the reporting period, the Group considers that it is more likely that no amount will be payable by providing above guarantees.

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt includes interest bearing bank and other borrowings and guaranteed notes (including the current portion and the non-current portion), less cash and cash equivalents and restricted cash. The gearing ratios as at the end of the reporting periods were as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Total borrowings *(Note 19)*	**1,715,000**	1,620,000
Guaranteed notes (including current portion) *(Note 20)*	**1,325,591**	1,323,957
Total	**3,040,591**	2,943,957
Less: Cash and cash equivalents	**(708,948)**	(1,910,587)
Restricted cash	**(10,838)**	(14,029)
Net debt	**2,320,805**	1,019,341
Total equity	**5,586,349**	5,577,059
Gearing ratio	**42%**	18%

The increase of the gearing ratio is mainly due to the significant cash used in properties development.

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.2 Fair value estimation

The table below analyses the Group's assets carried at fair value as at 30 June 2017 and 31 December 2016, by valuation method. The different levels 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).

The following tables present the Group's investment properties that are measured at fair value as at 30 June 2017 and 31 December 2016.

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
Assets				
As at 30 June 2017 (Unaudited)				
Investment properties	**–**	**–**	**5,408,210**	**5,408,210**
Assets				
As at 31 December 2016 (Audited)				
Investment properties	–	–	4,913,910	4,913,910

There were no transfers among level 1, 2 and 3 during the period.

The Group obtains independent valuations for its investment properties from an independent professional valuer as a third party. The valuations were based on income capitalisation approach which mainly used unobservable inputs such as market rents, rents growth rate and discount rate; and based on residual method which mainly used unobservable inputs such as profit rate, and interest rate and so on.

5 FINANCIAL RISK MANAGEMENT *(continued)*

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

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2017 RMB'000	31 December 2016 RMB'000	**30 June 2017 RMB'000**	31 December 2016 RMB'000
Financial liabilities				
Interest-bearing bank borrowings	**200,000**	200,000	**198,222**	191,735

Management has assessed that the fair values of cash and cash equivalents, financial assets included in trade and other receivables, trade payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The policies and procedures for the fair value measurements of financial instruments are determined by the Group's finance department and are regularly reviewed by senior management.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of the guaranteed notes is estimated by discounting the expected future cash flows using an equivalent market interest rate for similar guaranteed notes with consideration of the Group's own non-performance risk, the carrying amounts of the guaranteed notes approximate to its fair values.

6 OPERATING SEGMENT INFORMATION

The members of the Board of Directors ("Directors") is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Directors for the purposes of allocating resources and assessing performance.

The Directors considers the business from a product perspective. Management separately considers the performance of property development, investment property development and operation. The segment of property development derive their revenue primarily from sale of completed properties. The segment of investment property development and operation derive their revenue primarily from rental income.

All other segments primarily relate to sale of merchandise inventories and others. These operations are excluded from the reportable operating segments, as these operations are not the key concern of the Directors. The results of these operations are included in the "All other segments".

6 OPERATING SEGMENT INFORMATION *(continued)*

The Directors assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Interest income and expense are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. Other information provided to the Directors, except as noted below, is measured in a manner consistent with that in the financial information.

Total segment assets exclude amounts due from related parties, cash and cash equivalents, restricted cash and deferred income tax assets, all of which are managed on a central basis. Total segment liabilities exclude amount due to related parties, borrowings, guaranteed notes and deferred income tax liabilities, all of which are managed on a central basis as well. These are part of the reconciliation to total assets and liabilities of the interim condensed consolidated statement of financial position.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the Directors is measured in a manner consistent with that in the interim condensed consolidated statement of profit or loss.

	Property development RMB'000	Investment property development and operation RMB'000	All other segments RMB'000	Total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Six months ended 30 June 2017 (Unaudited)						
Total revenue	170,055	104,761	25,475	300,291	–	300,291
Inter-segment revenue	–	(153)	–	(153)	–	(153)
Revenue (from external customers)	170,055	104,608	25,475	300,138	–	300,138
Segment operating profit/(loss)	35,367	112,708	(53,842)	94,233	(117)	94,116
Depreciation and amortisation *(Note 8)*	(40)	–	(6,657)	(6,697)	–	(6,697)
Income tax expense *(Note 10)*	(16,034)	(33,704)	–	(49,738)	–	(49,738)
Additions to non-current assets (other than financial instruments and deferred income tax assets)	–	1,335,216	42,368	1,377,584	–	1,377,584

Notes to the Condensed Consolidated Interim Financial Information (continued)

6 OPERATING SEGMENT INFORMATION *(continued)*

	Property development RMB'000	Investment property development and operation RMB'000	All other segments RMB'000	Total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Six months ended 30 June 2016 (Unaudited) (Restated)						
Total revenue	170,361	89,079	–	259,440	–	259,440
Inter-segment revenue	–	–	–	–	–	–
Revenue (from external customers)	170,361	89,079	–	259,440	–	259,440
Segment operating profit/(loss)	29,807	242,598	(23,997)	248,408	–	248,408
Depreciation and amortisation *(Note 8)*	(28)	(11,472)	(3,979)	(15,479)	–	(15,479)
Income tax expense *(Note 10)*	(10,774)	(50,790)	(5,822)	(67,386)	–	(67,386)
Additions to non-current assets (other than financial instruments and deferred income tax assets)	–	476,941	4,321	481,262	–	481,262

	Property development RMB'000	Investment property development and operation RMB'000	All other segments RMB'000	Total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
As at 30 June 2017 (Unaudited)						
Total segment assets	**2,497,218**	**7,017,628**	**263,569**	**9,778,415**	**(2,462)**	**9,775,953**
Total segment liabilities	**(581,173)**	**(690,722)**	**(29,084)**	**(1,300,979)**	**2,462**	**(1,298,517)**
As at 31 December 2016 (Audited)						
Total segment assets	2,353,057	6,147,901	125,548	8,626,506	–	8,626,506
Total segment liabilities	(823,322)	(659,972)	(103,901)	(1,587,195)	–	(1,587,195)

6 OPERATING SEGMENT INFORMATION *(continued)*

A reconciliation of segment operating profit to profit before income tax is provided as follows:

	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
Segment operating profit	**94,116**	248,408
Share of loss of investment accounted for using the equity method *(Note 15)*	**(12)**	–
Interest income *(Note 7)*	**3,294**	7,628
Finance costs *(Note 9)*	**(38,370)**	(58,266)
Profit before income tax	**59,028**	197,770

Reportable and other segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Total segment assets	**9,775,953**	8,626,506
Cash and cash equivalents	**708,948**	1,910,587
Restricted cash	**10,838**	14,029
Deferred income tax assets	**48,461**	45,208
Total assets per interim condensed consolidated statement of financial position	**10,544,200**	10,596,330
Total segment liabilities	**(1,298,517)**	(1,587,195)
Amounts due to related parties	**(109,319)**	(16)
Borrowings *(Note 19)*	**(1,715,000)**	(1,620,000)
Guaranteed notes *(Note 20)*	**(1,325,591)**	(1,323,957)
Deferred income tax liabilities	**(509,424)**	(488,103)
Total liabilities per interim condensed consolidated statement of financial position	**(4,957,851)**	(5,019,271)

The Company is incorporated in Cayman Islands, with most of its major subsidiaries domiciled in the PRC. Revenue from external customers of the Group are mainly derived in the PRC for the six months ended 30 June 2017 and 2016.

As at 30 June 2017, total non-current assets other than deferred income tax assets located in the PRC is RMB7,124,228,000 (31 December 2016: RMB6,048,720,000), the total of these non-current assets located in Hong Kong is RMB14,000 (31 December 2016: RMB19,000).

For the six months ended 30 June 2017 and 2016, the Group does not have any single customer with the transaction value over 10% of the Group's total external sales.

7 REVENUE, OTHER GAINS AND OTHER INCOME

An analysis of revenue, other gains and other income is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Revenue		
Sale of properties	**170,055**	170,361
Rental revenue of investment properties	**104,608**	89,079
Others	**25,475**	–
	300,138	259,440
Other gains – net		
Fair value gains on investment properties *(Note 14(c))*	**100,088**	246,097
Net foreign exchange (losses)/gains	**(25,805)**	3,620
Others	**303**	1,579
	74,586	251,296
Other income		
Government grants	**–**	287
Bank interest income	**3,294**	7,628
Others	**3,023**	457
	6,317	8,372

8 EXPENSES BY NATURE

Expenses by nature comprised cost of sales, selling and marketing expenses and administrative expenses as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Cost of properties sold	**122,851**	123,972
Cost of goods sold	**17,950**	–
Operating leases expense	**4,911**	4,662
Depreciation and amortisation	**6,697**	15,479
Employee benefit expense	**37,562**	19,990
– Wages, salaries and staff welfare	***31,344***	*15,835*
– Pension scheme contributions	***2,297***	*1,474*
– Other allowance and benefits	***3,921***	*2,681*
Advertising and marketing	**30,243**	30,696
Property management fee	**25,921**	20,742
Office and traveling expenses	**7,338**	11,771
Service fee for keepwell deed *(Note 29(b))*	**1,950**	1,950
Consultancy fee	**11,231**	10,710
Business taxes and other surcharges	**14,005**	21,347
Others	**2,972**	1,753
	283,631	263,072

9 FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Interest expense on bank borrowings	**23,751**	42,717
Interest expense on related parties borrowings	**13,778**	–
Interest expense on guaranteed notes	**35,478**	35,408
Less: interests capitalised	**(34,637)**	(19,859)
	38,370	58,266

10 INCOME TAX EXPENSE

Hong Kong corporates are mainly subject to Hong Kong profits tax rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong during the period (six months ended 30 June 2016: Nil).

PRC corporate income tax has been provided at the rate of 25% (six months ended 30 June 2016: 25%) on the taxable profits of the Group's PRC subsidiaries during the period.

The implementation and settlement of PRC land appreciation tax ("LAT") varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, which equals the proceeds from sales of properties less deductible expenditures including land use rights, development and construction expenditure and other related expenditures.

The amount of income tax expense charged to the interim condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Current income tax:		
– PRC corporate income tax	**23,810**	15,968
– PRC land appreciation tax	**7,860**	3,322
Deferred income tax	**18,068**	48,096
Total tax charge for the period	**49,738**	67,386

11 DIVIDENDS

No dividend has been paid or declared by the Board of Directors during the period (six months ended 30 June 2016: Nil).

12 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted earnings per share amount for the six months ended 30 June 2017 is based on the profit for the period attributable to owners of the Company of RMB8,838,000 (six months ended 30 June 2016: RMB130,384,000), the weighted average number of ordinary shares of 961,538,462 (six months ended 30 June 2016: 200,000,000), the weighted average number of convertible preference shares ("CPS") of 1,072,928,106 (six months ended 30 June 2016: 738,130,482) and the weighted average number of shares of 513,185,911 (six months ended 30 June 2016: Nil) into which the perpetual convertible bond securities ("PCBS") may be converted, in issue during the period.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	**8,838**	130,384
	Shares	Shares
Weighted average number of ordinary shares	**961,538,462**	200,000,000
Weighted average number of CPS	**1,072,928,106**	738,130,482
Weighted average number of shares into which the PCBS may be converted	**513,185,911**	–
Weighted average number of shares for basic and diluted earnings per share	**2,547,652,479**	938,130,482

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Buildings RMB'000	Furniture fixtures and equipment RMB'000	Motor vehicles and others RMB'000	Total RMB'000
Six months ended 30 June 2017 (Unaudited)					
At 1 January 2017	**57,238**	**9,461**	**9,257**	**8,421**	**84,377**
Additions	**13,808**	**–**	**3,763**	**5,317**	**22,888**
Depreciation provided during the period	**(8,167)**	**(105)**	**(2,598)**	**(3,421)**	**(14,291)**
At 30 June 2017	**62,879**	**9,356**	**10,422**	**10,317**	**92,974**
Six months ended 30 June 2016 (Unaudited) (Restated)					
At 1 January 2016	58,830	7,499	10,597	10,615	87,541
Additions	5,998	–	2,020	2,301	10,319
Depreciation provided during the period	(9,713)	(80)	(2,902)	(2,594)	(15,289)
At 30 June 2016	55,115	7,419	9,715	10,322	82,571

14 INVESTMENT PROPERTIES

(a) Investment properties under construction

	Cost RMB'000	Fair Value RMB'000	Total RMB'000
Six months ended 30 June 2017 (Unaudited)			
At 1 January 2017	**611,894**	**1,118,000**	**1,729,894**
Additions	**960,264**	**275,815**	**1,236,079**
Transfer to investment properties under construction at fair value	**(110,948)**	**–**	**(110,948)**
Transfer from investment properties under construction at cost	**–**	**110,948**	**110,948**
Net gains from fair value adjustment	**–**	**96,237**	**96,237**
At 30 June 2017	**1,461,210**	**1,601,000**	**3,062,210**
Six months ended 30 June 2016 (Unaudited) (Restated)			
At 1 January 2016	840,871	313,000	1,153,871
Additions	282,668	8,497	291,165
Transfer to investment properties under construction at fair value	(545,486)	–	(545,486)
Transfer from investment properties under construction at cost	–	545,486	545,486
Net gains from fair value adjustment	–	84,017	84,017
At 30 June 2016	578,053	951,000	1,529,053

14 INVESTMENT PROPERTIES *(continued)*

(b) Investment properties in operation

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
At 1 January	**3,795,910**	3,091,000
Additions	**7,449**	–
Net gains from fair value adjustment	**3,851**	162,080
At 30 June	**3,807,210**	3,253,080

(c) Profit or loss of investment properties recognised in the statement of profit or loss

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Net gains from fair value adjustment	**100,088**	246,097
Rental income	**104,608**	89,079
Direct operating expenses from investment properties that generated rental income	**(1,732)**	(916)
Direct operating expenses from investment properties that did not generate rental income	**(29)**	(29)

Profit or loss recognised in the statement of profit or loss arose from fair value changes, rental income and operating expenses, etc.

The Group's finance department is in charge of assets' valuation and employs the independent valuer to evaluate the fair value of investment properties. The finance department verifies all valuation results, takes charge of relative accounting treatments and prepares disclosure information of fair values according to verified valuation results.

14 INVESTMENT PROPERTIES *(continued)*

Information about fair value measurements using significant unobservable inputs:

			Unobservable inputs		
Investment properties	**Fair value as at 30 June 2017** RMB'000	**Valuation techniques**	**Title**	**Range**	**Relationship of unobservable inputs to fair value**
Central region	2,990,250	Income capitalisation approach	Discount rate	6.5% to 7.5%	The higher discount rate is, the lower fair value
			Market rents	RMB37 to RMB106 per square meter per month	The higher market rent is, the higher fair value
			Rents growth rate	0% to 2%	The higher rents growth rate is, the higher fair value
		Residual method	Interest rate	4.35%	The higher interest rate is, the lower fair value
			Profit rate	8% to 15%	The higher profit rate is, the lower fair value
North region	2,417,960	Income capitalisation approach	Discount rate	7.5% to 8%	The higher discount rate is, the lower fair value
			Market rents	RMB74 to RMB165 per square meter per month	The higher market rent is, the higher fair value
			Rents growth rate	0%	The higher rents growth rate is, the higher fair value
		Residual method	Interest rate	4.35% to 4.75%	The higher interest rate is, the lower fair value
			Profit rate	15% to 20%	The higher profit rate is, the lower fair value

14 INVESTMENT PROPERTIES *(continued)*

Information about fair value measurements using significant unobservable inputs *(continued)*:

Investment properties	Fair value as at 31 December 2016 RMB'000	Valuation techniques	Unobservable inputs: Title	Range	Relationship of unobservable inputs to fair value
Central region	2,824,950	Income capitalisation approach	Discount rate	6.5% to 7.5%	The higher discount rate is, the lower fair value
			Market rents	RMB38 to RMB105 per square meter per month	The higher market rent is, the higher fair value
			Rents growth rate	0% to 2%	The higher rents growth rate is, the higher fair value
		Residual method	Interest rate	4.35% to 4.9%	The higher interest rate is, the lower fair value
			Profit rate	8% to 20%	The higher profit rate is, the lower fair value
North region	2,088,960	Income capitalisation approach	Discount rate	7.5% to 8%	The higher discount rate is, the lower fair value
			Market rents	RMB74 to RMB165 per square meter per month	The higher market rent is, the higher fair value
			Rents growth rate	0%	The higher rents growth rate is, the higher fair value
		Residual method	Interest rate	4.35% to 4.9%	The higher interest rate is, the lower fair value
			Profit rate	10% to 20%	The higher profit rate is, the lower fair value

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

15.1 Investment in an associate

	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
At 1 January	**40,000**	–
Capital injection	**33,300**	–
Share of losses	**(12)**	–
At 30 June	**73,288**	–

(a) Following are the details of the associate held by the Group as at 30 June 2017, which is unlisted:

Name	Place of Incorporation/ registration and business	Registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Changsha Joy City Investment Co., Ltd. (長沙歡樂天街投資有限公司) ("Changsha Joy City") (i)	Changsha/ China	RMB280,020,000	–	30%	Real estate investment

(i) According to the articles of association of Changsha Joy City, the Group commits to contribute 30% of equity interests of Changsha Joy City. As at 30 June 2017, the Group has injected capital of RMB73,300,000, representing 27.22% of the paid-in capital of Changsha Joy City.

According to the articles of association, the Group has significant influence on the business operations of Changsha Joy City, therefore it is classified as an associate.

16 INVENTORIES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Properties under development	**1,331,477**	1,266,025
Completed properties held for sale	**961,789**	918,256
Merchandise inventories	**42,141**	28,487
	2,335,407	2,212,768

17 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	Loans and receivables	
	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Assets as per interim condensed consolidated statement of financial position		
Trade and other receivables and prepayments (excluding prepayments and prepaid taxes)	**92,134**	105,512
Restricted cash	**10,838**	14,029
Cash and cash equivalents	**708,948**	1,910,587
	811,920	2,030,128

	Financial liabilities at amortised cost	
	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Liabilities as per interim condensed consolidated statement of financial position		
Trade payables *(Note 21)*	**849,356**	1,008,826
Borrowings *(Note 19)*	**1,715,000**	1,620,000
Amounts and interests due to related parties *(Note 22)*	**137,335**	27,096
Financial liabilities included in other payables and accruals (excluding other tax payable, advances from customers, etc.)	**95,112**	127,601
Guarantee notes *(Note 20)*	**1,325,591**	1,323,957
	4,122,394	4,107,480

18 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables	**6,096**	3,014
Prepayments for land use rights and construction costs of investment properties	**85,329**	394,808
Prepayments for land use rights and construction costs of properties under development	**–**	80,596
Prepayments to related parties *(Note 29(f))*	**1,496**	2,275
Other prepayments	**91,328**	75,846
Prepaid income tax	**59,139**	64,125
Prepaid other taxes	**72,207**	36,645
Deposits for land use rights	**–**	30,930
Other deposits	**31,693**	29,020
Amounts due from related parties *(Note 29(g))*	**5,708**	–
Other receivables	**48,637**	42,548
	401,633	759,807
less: non-current portion – prepayments for land use rights and construction costs of investment properties	**(85,329)**	(394,808)
Current portion	**316,304**	364,999

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

An aging analysis of the Group's trade receivables as at the end of the reporting period, is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 1 year	**6,096**	3,014

Included in the trade receivables are trade receivables of RMB3,196,000 (31 December 2016: RMB1,200,000) due from related parties which are receivable within 1 year and represented credit terms similar to those offered to other major customers (Note 29(e)).

19 BORROWINGS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Non-current		
Bank borrowings	**895,000**	765,000
Current		
Related parties borrowings *(Note 29(h))*	**630,000**	630,000
Current portion of long-term bank borrowings	**190,000**	225,000
	820,000	855,000
	1,715,000	1,620,000

(a) As at 30 June 2017, bank borrowings amounting to RMB405,000,000 (31 December 2016: RMB450,000,000) were secured by the land use rights and buildings of investment properties with carrying amount of RMB1,099,047,000 (31 December 2016: RMB1,099,005,000).

As at 30 June 2017, bank borrowings amounting to RMB280,000,000 (31 December 2016: RMB340,000,000) were secured by the land use rights and buildings of investment properties with carrying amount of RMB1,070,670,000 (31 December 2016: RMB1,070,670,000) and guaranteed by BCL.

As at 30 June 2017, bank borrowings amounting to RMB400,000,000 (31 December 2016: RMB200,000,000) were secured by the land use rights of investment properties with carrying amount of RMB609,422,000 (31 December 2016: RMB318,631,000) and guaranteed by BCL.

(b) The maturities of the Group's total borrowings at respective dates of the consolidated statement of financial position are set out as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Total borrowings		
– Within 1 year	**820,000**	855,000
– Between 1 and 2 years	**225,000**	180,000
– Between 2 and 5 years	**670,000**	585,000
	1,715,000	1,620,000

(c) All the Group's borrowings are denominated in RMB.

19 BORROWINGS *(continued)*

(d) The weighted average effective interest rates at the respective dates of the interim condensed consolidated statement of financial position are set out as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Related parties borrowings	**4.35%**	4.35%
Bank borrowings	**4.81%**	6.11%

(e) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 6 months	**–**	–
Between 6 and 12 months	**1,515,000**	1,420,000
Between 1 and 5 years	**200,000**	200,000
	1,715,000	1,620,000

(f) Except for the borrowing listed in Note 5.3, the carrying amounts of other borrowings approximate their respective fair values, as the borrowings bore floating interest rates, the impact of discounting is not significant. The fair values are based on cash flows discounted using market rate and are within level 2 of the fair value hierarchy.

20 GUARANTEED NOTES

On 23 July 2015, Rosy Capital Global Limited ("Rosy"), a wholly-owned subsidiary of the Company, the Company and Capital Group entered into the subscription agreement with the Hong Kong and Shanghai Banking Corporation Limited, DBS Bank Ltd., ABCI Capital Limited, Bank of China (Hong Kong) Limited and China Construction Bank Corporation, Singapore Branch in connection with the proposed international offering of RMB1,300,000,000 guaranteed notes due in July 2018 at the rate of 5.25% per annum proposed to be issued by Rosy (the "Notes"). The Notes carry interest at rate of 5.25% per annum, which is payable semi-annually in January and July. The issuance of the Notes has been completed on 30 July 2015 and the Notes have been listed for trading on the Stock Exchange of Hong Kong on 31 July 2015.

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Nominal value of guaranteed notes issued	**1,300,000**	1,300,000
Direct transaction costs	**(8,060)**	(8,060)
Interest expense	**135,745**	100,267
Interest paid	**(102,094)**	(68,250)
	1,325,591	1,323,957
Accrued interests for guaranteed notes, classified as current liabilities	**(28,718)**	(28,438)
	1,296,873	1,295,519

21 TRADE PAYABLES

An aging analysis of the Group's trade payables as at the end of the reporting period, is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 1 year	**849,356**	1,008,826

Included in the trade payables are trade payables of RMB457,000 (31 December 2016: RMB4,497,000) due to a related party which are repayable within 1 year and represented credit terms similar to those offered by the related party to other major customers (Note 29(i)).

The trade payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

22 OTHER PAYABLES AND ACCRUALS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Tax payables	**6,913**	12,048
Employee benefit payable	**2,665**	18,157
Advances from customers	**170,271**	237,649
Amounts due to related parties *(Note 29(j))*	**113,443**	16,982
Interests payable to related parties *(Note 29(j))*	**23,892**	10,114
Accrued interests for guaranteed notes	**28,718**	28,438
Guarantee deposits	**89,810**	81,774
Amounts received as government grants	**127,516**	121,516
Professional fee related to the issuance of new shares and PCBS	**–**	29,011
Others	**5,302**	16,816
	568,530	572,505

The financial liabilities included in the above balance are non-interest-bearing and normally settled on demand.

23 SHARE CAPITAL

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Authorised:		
Ordinary shares 20,000,000,000 (31 December 2016: 20,000,000,000) ordinary shares of HK$0.01 each	**160,009**	160,009
Class A CPS 738,130,482 (31 December 2016: 738,130,482) CPS of HK$0.01 each	**5,875**	5,875
Class B CPS 905,951,470 (31 December 2016: 905,951,470) CPS of HK$0.01 each	**7,575**	7,575
	173,459	173,459
Issued and fully paid:		
Ordinary shares 961,538,462 (31 December 2016: 961,538,462) ordinary shares of HK$0.01 each	**7,828**	7,828
Class A CPS 166,976,636 (31 December 2016: 166,976,636) CPS of HK$0.01 each	**1,329**	1,329
Class B CPS 905,951,470 (31 December 2016: 905,951,470) CPS of HK$0.01 each	**7,575**	7,575
	16,732	16,732

24 CPS

Class A CPS

The class A CPS with a par value HK$0.01 each were created as a new class of shares in the share capital of the Company on 22 January 2015. Upon the completion date of the business combination of Xi'an Capital Xin Kai Real Estate Ltd. on 22 January 2015, the Company issued 738,130,482 class A CPS (which are convertible into 738,130,482 ordinary shares of HK$0.01 each in the share capital of the Company at HK$2.66 each to be allotted and issued credited as fully paid by the Company upon the exercise of the conversion rights attaching to the class A CPS), resulting in credits to share capital of approximately RMB5,875,000 (equivalent to approximately HK$7,381,000) with par value of HK$0.01 each and share premium of RMB1,556,817,000 (equivalent to approximately HK$1,956,046,000) respectively.

Class B CPS

The class B CPS with a par value HK$0.01 each were created as a new class of shares in the share capital of the Company on 14 December 2016. Upon the completion date of the business combination of Chuangxin Jianye and Huzhou Outlets on 14 December 2016, the Company issued 905,951,470 class B CPS (which are convertible into 905,951,470 ordinary shares of HK$0.01 each in the share capital of the Company at HK$2.78 each to be allotted and issued credited as fully paid by the Company upon the exercise of the conversion rights attaching to the class B CPS), resulting in credits to share capital of approximately RMB7,575,000 (equivalent to approximately HK$9,060,000) with par value of HK$0.01 each and share premium of RMB2,098,232,000 (equivalent to approximately HK$2,509,485,000) respectively.

The above mentioned CPS shall be convertible at the option of its holder, without the payment of any additional consideration therefor, into such number of fully-paid ordinary shares at the conversion ratio of one CPS for one ordinary share. Holders of the CPS will have the right to convert all or such number of CPS into the new ordinary shares at any time after the issuance of the CPS, provided that they may not exercise the conversion rights as to such number of CPS the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules. The CPS shall be non-redeemable by the Company or their holders.

Each class B CPS shall confer on its holder the right to receive a preferred distribution ("Preferred Distribution") from the date of the issue of class B CPS at a rate of 0.01% per annum on the issue price, payable annually in arrears. Each Preferred Distribution is non-cumulative, and the Company may, in its sole discretion, elect to defer or not to pay the Preferred Distribution.

Besides, each class A and class B CPS shall confer on the holder thereof the right to receive any dividend pari passu with holders of ordinary shares on the basis of the number of ordinary share(s) into which each CPS may be converted on an as converted basis.

25 PCBS

On 28 December 2016, the Company issued PCBS in the principal amounts of HK$657,594,260 to Smart Win Group Limited and in the principal amounts of HK$420,096,153 to KKR CG Judo Outlets respectively, resulting in credits to PCBS of RMB945,197,000 after deducting the direct professional fee of RMB22,817,000.

The PCBS has no fixed maturity, and can be redeemed by the Company at any time after 30 years from the issuance date, in its sole and absolute discretion. The PCBS shall be convertible at the option of its holders, at the initial conversion price of HK$2.10 per share, into a maximum of 513,185,911 new ordinary shares, provided that the holders of PCBS may not exercise the conversion rights whenever the conversion would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules.

The holder(s) of the PCBS are entitled to a simple interest on the outstanding principal amount of the PCBS at a rate equal to 0.01% per annum on a non-cumulative basis, of which the Company shall have the right, exercisable in its sole discretion, to elect to defer the payment, with no interest accrued thereon but the Company shall not pay any dividends, distributions or make any other payment on any ordinary shares, class A CPS and class B CPS or other share capital of the Company unless at the same time it pays to the holders of the PCBS any deferred or unpaid interest payment. In the event that any dividend or distribution is paid on the ordinary shares, CPS (save and except for Preferred Distributions to be paid on the class B CPS at a rate which shall not exceed the rate of interest hereunder) or other share capital of the Company, the Company shall pay additional variable interest on the PCBS representing such dividend or distribution so paid in an aggregate amount equal to (a) the amount of such dividend or distribution per share multiplied by (b) the aggregate number of ordinary shares into which the PCBS then outstanding may be converted, in the same form and on the same date.

26 COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Contracted, but not provided for:		
Properties under development	**69,728**	178,535
Investment properties	**339,070**	663,646
Investment in Changsha Joy City	**10,734**	44,034
	419,532	886,215

27 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at the end of the reporting period:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Mortgage facilities for certain purchasers of the Group's properties	**1,243,721**	1,397,075

As at 30 June 2017, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage repayments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interests and penalties owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

28 OPERATING LEASE ARRANGEMENTS

As lessor

The operating lease arrangements of the Group will negotiate for terms ranging from two to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Within one year	**2,328**	3,676
In the second to fifth years, inclusive	**12,821**	15,670
After five years	**3,388**	3,713
	18,537	23,059

28 OPERATING LEASE ARRANGEMENTS *(continued)*

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of two years.

At 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Within one year	**10,593**	10,304
In the second to fifth years, inclusive	**4,537**	8,379
	15,130	18,683

29 RELATED PARTY TRANSACTIONS

Apart from the transactions and balances disclosed elsewhere in the financial information, the Group had the following significant transactions with related parties during the reporting period:

(a) Provision of services

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
Provision of services		
– Project management services for BCL	**1,200**	–

(b) Purchases of services

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
Purchases of services		
– Sales agency service fee to an associate of BCL	**–**	2,034
– Rental expense to BCL	**869**	858
– Service fee for keepwell deed to Capital Group[i]	**1,950**	1,950
– Rental expense to a joint venture of BCL	**3,796**	3,796

(i) As disclosed in Note 20, Capital Group and Rosy signed "Keepwell and Liquidity Support Deed" ("keepwell deed"). According to the agreement, Rosy issued RMB1.3 billion guaranteed notes. Rosy would pay Capital Group, as the Keepwell and Liquidity Support Deed provider to ensure the existence and good liquidity of the issuer, with an amount of 0.3% of the issued aggregate principal, amounted to RMB3.9 million annually. Rosy recorded administration fee amounting to RMB1,950,000 during the current period. The service fee falls within the exemption for connected transactions pursuant to Rule 14A.90 of the Listing Rules.

29 RELATED PARTY TRANSACTIONS *(continued)*

(c) Purchase of goods

	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Purchase of goods from a fellow subsidiary	**483**	–

(d) Key management compensation

	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
Salaries, allowances and benefits in kinds	**4,870**	4,095
Pension scheme contributions	**174**	126
	5,044	4,221

(e) Trade receivables due from related parties

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
BCL	**2,400**	1,200
Fellow subsidiaries	**796**	–
	3,196	1,200

(f) Prepayment to related parties

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Capital Group	**325**	2,275
Fellow subsidiaries	**1,171**	–
	1,496	2,275

(g) Amounts due from related parties

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Fellow subsidiaries	**3,631**	–
A joint venture of BCL	**2,077**	–
	5,708	–

Amounts due from related parties were unsecured, interest free and repayable on demand.

29 RELATED PARTY TRANSACTIONS *(continued)*

(h) Loans due to related parties

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
BCL	**630,000**	630,000

(i) Trade payables due to related parties

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
An associate of BCL	**457**	4,497

(j) Amounts due to related parties

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
BCL	**36,740**	11,913
Fellow subsidiaries	**15,184**	15,183
Non-controlling interests	**85,411**	–
	137,335	27,096

Amounts due to related parties were unsecured, interest free and repayable on demand.

(k) As at 30 June 2017, BCL provided irrevocable guarantee for the bank borrowings of the Group amounted to RMB680,000,000 (31 December 2016: RMB540,000,000).

30 EVENTS AFTER THE REPORTING PERIOD

On 26 July 2017, Jiangxi Capital Outlets Limited ("Jiangxi Capital", a subsidiary of the Company), Beijing Yulong Hengxin Commercial Management Company Ltd. ("Yulong Hengxin", an independent third-party) and Nanchang Huachuang Xinhong Capital Limited ("Nanchang Huachuang", a wholly-owned subsidiary of Jiangxi Capital) entered into a capital injection agreement, pursuant to which Yulong Hengxin agreed to (i) subscribe RMB30,000,000 of the registered capital of Nanchang Huachuang with a consideration of RMB30,300,000; and (ii) repay the shareholder's loan due by Nanchang Huachuang to Jiangxi Capital including interests thereon totalled RMB112,948,000.

Upon completion of above-mentioned transaction, the equity interests of Nanchang Huachuang will be held at 40% and 60% by Jiangxi Capital and Yulong Hengxin respectively. As a result Nanchang Huachuang will be changed from a subsidiary to an associate of the Company.