CAPITAL GRAND

Interim Report 2018

BEIJING CAPITAL GRAND LIMITED
首創鉅大有限公司

Incorporated in the Cayman Islands with limited liability

STOCK CODE : **1329**

MIX
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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. Wang Hao
Mr. Wang Honghui
Mr. Yang, Paul Chunyao

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, Paul Chunyao
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. Feng Yujian *(Chairman)*
Mr. Wang Hao
Mr. Wang Honghui
Mr. Yang, Paul Chunyao
Mr. He Xiaofeng

COMPANY SECRETARY

Mr. Lee Sze Wai

AUTHORISED REPRESENTATIVES

Mr. Feng Yujian
Mr. Lee Sze Wai

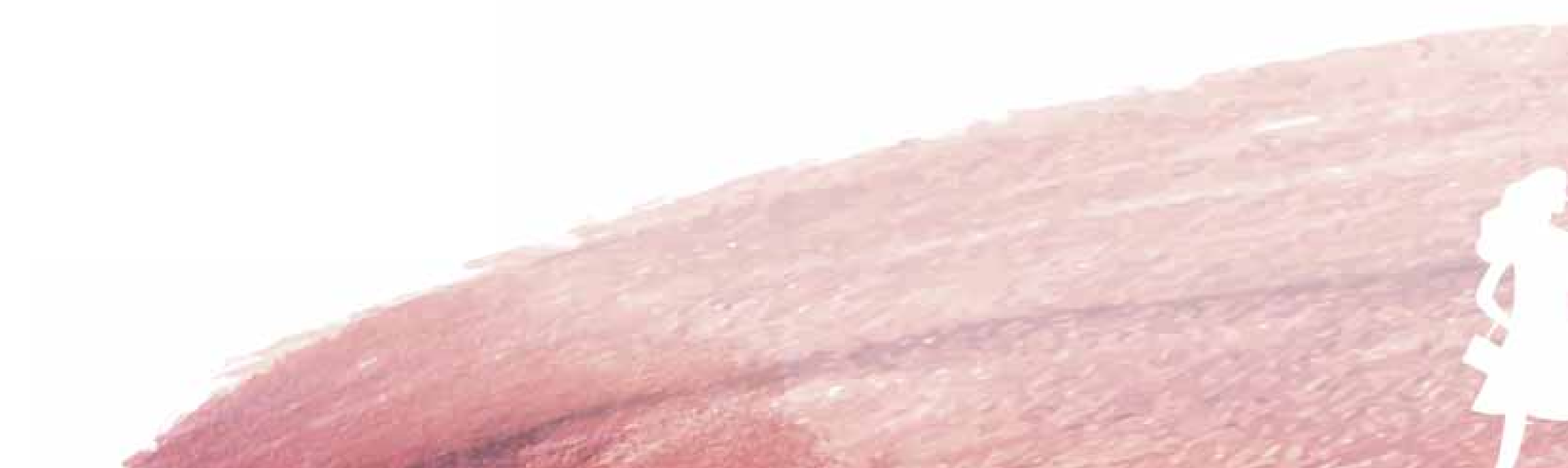
AUDITORS

PricewaterhouseCoopers

LEGAL ADVISER

AS TO HONG KONG LAWS:

Norton Rose Fulbright Hong Kong



Corporate Information

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

HONG KONG OFFICE
Suites 4602-05
One Exchange Square, 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
Bank of Beijing

CORPORATE WEBSITES
www.bcgrand.com
www.capitaloutlets.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 31 July 2018 at the rate of 5.25% (85719.HK)

US$400,000,000 guaranteed notes due 2021 at floating rate (5133.HK)

INVESTOR RELATIONS CONTACT
Email: contactus@bcgrand.com

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board" or the "Directors") 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 the interim results of the Group as of 30 June 2018.

In the first half of 2018, China's economy continued to improve in steady pace despite complicated domestic and overseas uncertainties, with orderly shift from old to new momentum in economic growth and new economy and new business formats emerging constantly, which achieves a good start for high-quality development. During the first half, China's GDP increased by 6.8% year-on-year on the basis of comparable prices while total retail sales of consumer goods recorded a year-on-year growth of 9.4%, indicating a mild rise in the Consumer Price Index (CPI) and a steady growth in household income and employment, thus, the consumer market continued to maintain a steady and rapid growth. The uncertainty in the international environment has resulted in government-level structure reform and stimulus policies toward domestic consumption, together with people's growing demand for quality consumption, and domestic outlets have ushered in strategic development opportunities.

During the period of this report, the Group has steadily expanded and successively won the land for Qingdao and Nanning outlets projects, and has accumulated and managed up to 16 outlets, which further expanded the domestic market share for outlets and consolidated its leading position in the industry. Moreover, Wuhan Capital Outlets was grandly opened, adding to a total of 7 launched projects for the Group. The stabilized stores operated steadily, and the growth of new stores is strong, forming a driver for sustained endogenous growth.

Chairman's Statement

With the continuous standardization of project development process, including land acquisition, construction, leasing, opening preparation and project management, the Group's capabilities of operation and management of core assets, such as capabilities in project development, operation and financing have been steadily improved. During the period, the overall sales of the launched stores reached RMB2.37 billion, representing a substantial year-on-year increase of 43%. Benefiting from brand structure adjustment and precise marketing drainage, the sales and customer traffic of Capital Outlets Flagship Store, Beijing Fangshan Store, grew fast, and won the award "Top 10 Business Brands in Beijing" for the third time. With the announcement of the construction of the island's free trade pilot zone and free trade port with Chinese characteristic policy, the strategic positioning of the Hainan International Tourism Consumption Center has become increasingly clearer. The customer traffic of Wanning store, the tourism model of outlets, which located in the southeast of Hainan, recorded a year-on-year increase of over 100%, and the proportion of individual passengers was close to eighty percent, representing a gradual improvement in the structure and stability of consumers. Through differentiated marketing activities and brand promotion, the newly opened Wuhan store attracted a large number of high-quality customers, achieving a conversion ratio of nearly 50% and the strong growth in revenue.

During the period, the Group was continuously committed to becoming a propagandist and service provider of quality life to consumer, providing consumers with new lifestyle solutions, with adherence to the core values of retailing, which encompass providing quality products and services through thorough understanding and timely response to consumer changes, enhancing consumer satisfaction and loyalty and becoming the first choice for shopping destination, thus building the " membership economy" for Capital Outlets. In respect of ensuring the quality of goods, we have practically leveraged on the advantages of the Group's chain operation, continued to expand new brands suitable for enter outlets, built characteristics of projects and highlights of brands, so as to achieve strategic alliances with more quality brands. At the same time, we have actively optimized the supply chain through overseas direct sourcing, and set up a number of Chic Outlets Multi Brands Boutiques, with a view to enhance the brand differentiation and profitability of the project, and to gradually promote the capability of merchandise management through strengthened joint operation, proprietary businesses and own brands development. At present, the number of brands with more than 3 projects in cooperation with the Group accounts for nearly 30% of the total number of brands. The number of brands with more than 2 projects in cooperation has exceeded half of the total number of brands. As the new stores continue to open as scheduled, the breadth and depth of brand cooperation will continue. In respect of promotion of service levels, we have further adjusted and specified the business positioning of each store, thus to increase the proportion of experiential consumption, to build up theme blocks, and to enhance the consumer experience. We have established a membership management indication tracking system, in a bid to refine membership management matrix according to different work contents before, during and after sales, strengthen the visual promotion of interests of and services to members, and combine the closed-loop data management system application of the Group in resources, business, contract and finance, to achieve accurate portraits of members and to provide more targeted quality services. In the first half of 2018, the number of new members recorded a year-on-year increase of more than 220%, the proportion of sales from members represent a year-on-year increase of 4%, and the total active rate represent a year-on-year increase of 4.3%.

Chairman's Statement

During the period under review, the Group achieved operating revenue of RMB391,236,000. Net profit attributable to the owners of the Company amounted to RMB12,476,000. The Board resolved not to declare the interim dividend for the six months ended 30 June 2018.

During the period, the synergy effect among the Group and its strategic shareholders, Sino-Ocean Group and KKR, has emerged gradually. KKR enhanced the brand resources and capabilities of business operation and management of the Group through introduction of advanced business management concepts and commercial resources; Sino-Ocean Group and the Company discussed the simultaneous implementation of strategies in project resources and capital operation. The diversification of its shareholding structure gradually improved the corporate governance of the Company, and achieved greater professionalism in its operational decision-making, which shall also help to increase the business synergy and strengthen the sustainable growth of profitability of the Group.

In the second half of the year, the Group shall uphold the sound expansion strategy of "Construction Align with Shop-opening" and drive forward the business-opening plans for projects in Hefei, Zhengzhou, Jinan and elsewhere in a synergetic and orderly manner to build on previous experience of opening preparation and project management; meanwhile, the Group persisted on the basic principle of "Consumer-Oriented" through combination of cross-segment new business formats, deepening online and offline integration and leveraging on big data analysis to have an insight to consumer demand, and build up a flexible, personalized and caring service environment for consumers in reliance upon brands in project and characteristics of scenes, so as to provide consumers with an improved and refined experience and consolidate the strength of offline experience at outlets.

On behalf of the Board, I would like to extend my sincere gratitude to all shareholders, business partners and clients for your 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, 22 August 2018

Management Discussion and Analysis

MARKET REVIEW OF OUTLETS

In the first half of 2018, China's national economy has basically maintained a momentum of stable development with GDP growth rate being 6.8%. The economic growth has remained within a reasonable range and a rising trend of slow yet steady recovery and stabilized with progress has been extended. Affected by economic restructuring and new and old kinetic energy conversion, there remained an evident transmission effect of macro economy on the consumption field. The total national retail sales of consumer goods in the first half of this year amounted to approximately RMB18 trillion, representing a year-on-year growth of 9.4%, while categories of upgraded consumer goods enjoyed rapid growth with a contribution rate arising from the final consumption expenditure to the economic growth reaching 78.5%.

Driven by the new demands and new consumption, the sales of categories of upgraded consumer goods grew rapidly. Benefiting from the continuous growth of per capita disposable income, the increasing willingness of consumers to pursue quality consumption and other factors, the domestic outlets industry extended its continuous high-speed momentum of growth in the first half of this year, witnessing an increasingly fierce market competition. The offline outlets have been enjoying a high level of consumer satisfaction due to their diverse brands, on-the-go features, guaranteed product quality, comprehensive service experience and other advantages, contributing to the growing scope of the development within the industry.

BUSINESS REVIEW

STEADILY EXPANDING WITH THE LEADING POSITION ON INDUSTRY SCALE

– During the period of this report, the Group newly expanded projects in Qingdao and Nanning, bringing the total outlets projects owned and managed to 16, further strengthening its competitive edge in terms of scale among the peers.

DELIVERING STEADY GROWTH IN OPERATING RESULTS THROUGH THE PURSUIT OF OPERATIONAL EXCELLENCE

– During the period, seven outlets projects in operation achieved a turnover of nearly RMB2.37 billion, representing a year-on-year growth of 43%. Customer traffic was 10.32 million, representing a year-on-year growth of 23%, indicating a steady growth in the operating results;

– During the period, the Group has fully utilized the advantages arising from its chain development of multiple projects across the country and made use of the leverage from its superior projects to help attract desired brands to under-construction projects, eventually the desirable results were achieved. On 29 April, Wuhan Capital Outlets was grandly opened. In the first three days, visitor traffic of the projects reached up to 200,000 and sales achieved RMB25.70 million.

ADHERING TO THE ORIGINAL ASPIRATION TO ENHANCE COMMODITY OPERATING CAPABILITIES

– *Leveraging on the multitude chain effects to expand brand portfolios and ensure the quality of the product sources*

Give full play to the Group's advantages arising from its chain and large-scaled operation of multiple projects, practically establish strategic alliances with more premium brands as well as promote brand partnership for multiple projects, with an aim to continuously expand brand bank. In the meantime, set up a series of KPIs which focus on the visitor traffic, conversion rate, unit transaction price, turnover per square meter and so on, match and analyze membership big data and brand big data, optimize the win-win relationships among the portfolio of "Brand owners + Capital outlets + Members", thereby creating the quality category combination with high priority to meet the value demands of the targeted consumer groups;

– *Deepening joint operations and gradually carrying out operations for our own accounts to optimize the portfolio of supply chain*

Leverage the Group's edges in the economy of scale and membership data, deepen joint operations with selected premium brands, clarify the management boundaries with brand owners and Capital Grand, thereby organizing the structure and quality of goods. In the meanwhile, carry out overseas direct sourcing, introduce superior brands through proprietary business, improve project positioning and commodity quality as well as broaden and optimize the supply chain, hence supporting the Group's strategic expansion.

ADOPTING CLIENT-CENTRIC APPROACH, IMPROVING CUSTOMER SERVICE

– *Boundless Outlets capturing customers' demand to the greatest extent*

According to the on and off the market big data analysis on consumer, the Group continued to achieve transformation and innovation in terms of brand introduction, upgrades, product innovation, scenario creation, price determination and promotion strategy. The SKU of 鉅 MAX, the online platform for Capital Outlets, kept expanding in an attempt to provide consumers with increasingly diversified products to further boost and stimulate potential purchasing powers.

– *Promoting transformation of experience format with precise insight in consumer demand*

Considering the increasing consumer demand focusing on the health improvement and lifestyle enhancement, the Group introduced Jump 360 – a trampoline-based ride to several stores to initiate new notion of fitness and healthy consumption and create differentiated experience of Capital Outlets with a view to increasing patronage, improving customer retention and raising their repeat purchase rate;

Benefited from spaces, the well-planned Fangshan Capital Outlets successively introduced well-received restaurants that went viral, arranged "Snow Carnival" and developed a large-scale interactive program with a view named "Magical Water World", of which "Simulated Surfing" was introduced for the first time among the business sector nationwide, which boosted the interest level of customers, increased entertainment atmosphere and customer interactive experience as well as obtained sound results in income generation;

Through detailed market investigation and research as well as off the market data analysis, Wanning Capital Outlets fully leveraged its "Tourism Outlets" characteristics, fostered cross-industry alliances and cooperation with hotels and surrounding scenic areas to provide tourists with guidance when visiting the island. The customer traffic in the first half of the year doubled from the corresponding period last year.

– *Continuously increasing brand influence of Capital Outlets to ensure brand image regarding the Group's platform business model*

During the period, the Group won a total of 12 industry-related awards, including the "China Commercial Real Estate Operation Management Innovation Awards" (中國商業地產運營管理創新獎) issued by the China Commercial Real Estate Forum (中國商業地產行業發展論壇), which further increased Capital Outlets' influence in the industry to gradually enable the Group to become the key opinion leader in the domestic outlets industry;

During the period, "Capital Outlets, Run for Fun" accomplished four running competitions in Hefei, Hangzhou, Daixian and Wuhan, respectively, total participants of which amounted to 600,000. In addition, the Group arranged "Kids Run" running event and delivered the theme of "Happy Run, Healthy Living" to promote and put forward the notion of fitness for all and jointly create the social responsibility for better life.

COST OF EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group employed about 895 employees (as of 30 June 2017: 668).The remuneration policy and package of the Group's employees are structured in accordance to market terms, performance, qualifications and experience of individual staff 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 and share options to motivate and reward employees at all levels to achieve the Group's business performance targets.

FUTURE DEVELOPMENT AND PROSPECTS

According to the report of the World Economic Forum, about 65% of households in China have entered into the middle class, which made China the country which has the largest scale of middle class in the world. The significant increase in income level and spending power of consumers shall also be the main source of power for the continued expansion of the domestic consumer market. The consumer spending in China is expected to grow at an average annual rate of 6% in the next decade, reaching RMB56 trillion (approximately US$8.2 trillion). At the same time, according to the report on tracking survey on Chinese consumers in the seventh consecutive year from Bain & Company and Kantar Worldpanel, the growing middle class in China is increasing its spending on improvement on health and lifestyle-related consumer products. Outlets has shortened the process of knowing the brand to consuming the brand by consumers because of its "Value for money". At the same time, it also brings new quality lifestyle to consumers. It is expected that the outlets shall maintain rapid growth in the next 5-10 years. Meanwhile, the concentration of the industry will rise, and the investment and mergers and acquisitions activities of top performers will gradually become more frequent.

In the second half of the year, facing increasingly intensified competition in the industry, the Group will continue to maintain steady pace of expansion, and to take multiple measures to expand the strategic coverage of high-quality project resources in target cities, while persisting on the business management concept of "Data Driven, Client-centric", consolidating the cooperation and win-win relationship with brand owners, strengthening the resource synergy with Sino-Ocean Group and KKR, its strategic shareholders, focusing on refined operation management, increasing digital investment, thus to form an online and offline integrated new operating platform for outlets with multi-contents, multi-touch points and multi-dimensions.

As the operating cost of e-commerce increases, the price spread between online and offline similar products having been gradually narrowed, and the channel value of offline retail is further highlighted. Under the circumstance of omni-channel shopping becoming a new normal, the market share of offline channel still dominates the primary position. The Group will be continuously committed to becoming a one-stop chain platform for quality consumer with the goods of outlets as the main entrance. Based on our own comprehensive experience and multi-scenario advantages, the Group will develop its membership economy, fully exploring the inside and outside data of outlets in response to diversified consumer needs and preferences, achieving accurate member portraits, deepening membership management, carrying out stratified marketing among members, enhancing members' sense of personality and honor, building the differentiated "Member Assets" of Capital Outlets, so as to achieve sustainable growth of business performance and create maximum value for the Shareholders.

INVESTMENT PROPERTIES

Project	Approximate Site Area (m^2) (Note 1)	Total Gross Floor Area (m^2) (Note 2)	Property Type (m^2)	Expected Time of Launching	Attributable Interest
Fangshan Capital Outlets (Changyang Town, Fangshan District, Beijing)	90,770 (Note 3)	108,720	Outlets: 104,340 Parking Space: 4,380	2013	100%
	90,770 (Note 3)	87,770	Outlets: 39,540 Supermarket: 3,260 Parking Space: 44,970	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%
Nanchang Capital Outlets (Xinjian District, Nanchang)	56,830	129,700	Outlets: 85,240 Parking Space: 44,460	2017	100%
	30,150 (Note 5)	28,370	Cinema: 4,990 Supermarket: 7,660 Parking Space: 15,720	2018	40%
Hangzhou Capital Outlets (Fuyang District, Hangzhou)	101,690	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	2018	99%
Changsha Capital Outlets Joyous Sky Avenue (Xiangjiang New Area, Changsha)	54,600	112,070	Outlets: 81,550 Parking Space: 30,520	2019	30%
Xi'an Capital Outlets (Xi'an Hi-tech Industrial Development Zone)	119,650	118,840	Outlets: 83,040 Parking Space: 35,800	2019	100%

Project	Approximate Site Area (m^2) (Note 1)	Total Gross Floor Area (m^2) (Note 2)	Property Type (m^2)	Expected Time of Launching	Attributable Interest
Zhengzhou Capital Outlets (Xingyang City, Zhengzhou)	80,860	96,580	Outlets: 81,070 Parking Space: 15,510	2018	100%
Jinan Capital Outlets (Tangye New Area, Jinan)	114,930 (Note 6)	121,520	Outlets: 76,990 Parking Space: 44,530	2018	100%
Hefei Capital Outlets (Binhu New District, Hefei)	87,910	96,270	Outlets: 75,230 Parking Space: 21,040	2018	100%
Chongqing Capital Outlets (Banan District, Chongqing)	74,350 (Note 7)	110,560	Outlets: 79,110 Parking Space: 31,450	2019	100%
Kunming Capital Outlets (Wuhua District, Kunming)	67,920	136,040	Outlets: 86,010 Parking Space: 50,030	2019	85%
Qingdao Capital Outlets (Qingdao High-tech Zone)	93,972	93,930	Outlets: 79,410 Parking Space: 14,520	2020	100%

DEVELOPMENT PROPERTIES

Project	Approximate Site Area *(m²)*	Unsold Total Gross Floor Area *(m²)*	Unsold Land Floor Area *(m²)*	Property Type	Attributable Interest
Xi'an First City (Xi'an Economic Technology Development Zone)	355,900	483,899	274,824	Residential/ Commercial/ Office Buildings	100%
Nanchang Capital Outlets (Xinjian District, Nanchang)	30,150 *(Note 5)*	24,820	24,820	Commercial	40%
Jinan Capital Outlets (Tangye New Area, Jinan)	114,930 *(Note 6)*	3,270	3,270	Commercial	100%
Chongqing Capital Outlets (Banan District, Chongqing)	74,350 *(Note 7)*	13,710	13,710	Commercial	100%

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

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

Note 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;

Note 4: The total site area of Huzhou Capital Outlets is 214,300 m^2, of which the site area of Phase I and Phase II are 109,900 m^2 and 104,400 m^2, respectively;

Note 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;

Note 6: The site area of Jinan Capital Outlets is 114,900 m^2, of which 121,500 m^2 of the gross floor area is investment property and 63,000 m^2 is development property;

Note 7: The site area of Chongqing Capital Outlets is 74,400 m^2, of which 110,600 m^2 of the gross floor area is investment property and 17,100 m^2 is development property.

FINANCIAL REVIEW

1. REVENUE AND OPERATING RESULTS

For the six months ended 30 June 2018, the revenue of the Group was approximately RMB391,236,000, representing an increase of 30% from RMB300,138,000 for the same period of 2017. The increase in revenue was mainly attributable to the increase in rental income led by the stronger sales performance of the outlets in operation.

For the six months ended 30 June 2018, the Group achieved a gross profit margin of approximately 43%, representing an increase of 3 percentage points from 40% for the same period of 2017. The increase in gross profit margin was mainly attributable to the increase in overall gross profit driven by higher gross profit from sales of properties in Jinan and other cities.

For the six months ended 30 June 2018, operating profit of the Group was approximately RMB171,497,000, representing an increase of 76% from RMB97,410,000 for the same period of 2017. The increase was mainly attributable to the increase in the rental of the outlets projects represented by the Beijing area, which resulted in the fair value appreciation on the investment properties.

For the six months ended 30 June 2018, profit for the period of the Group was approximately RMB12,449,000, representing an increase of 34% from RMB9,290,000 for the same period of 2017. The increase was mainly due to the growth 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 2018, the Group's cash and cash equivalents and restricted cash totaled RMB3,509,617,000 (31 December 2017: approximately RMB1,851,310,000), of which approximately RMB3,506,340,000 (31 December 2017: RMB1,834,881,000) and approximately RMB3,277,000 (31 December 2017: RMB16,429,000) were denominated in RMB and Hong Kong dollars ("HK$") 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 2018, the Group's current ratio was 1.48 (31 December 2017: 1.15).

As at 30 June 2018, the Group's net gearing ratio was 58% (31 December 2017: 47%), 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 increase of total borrowings of the Group.

3. CHANGE IN MAJOR SUBSIDIARIES

Qingdao Juda Outlets Business Operation Management Limited (青島鉅大奧萊商業管理有限公司), a subsidiary of the Group, was established in May 2018, and 100% of its net assets was held by the Group.

4. BORROWINGS AND GUARANTEED NOTES

As at 30 June 2018, the Group's borrowings from banks and other financing institutions were approximately RMB5,539,892,000 (31 December 2017: approximately RMB3,205,000,000). The bank borrowings were secured by the land use rights and the buildings of investment property, and/or guaranteed by the Company or Beijing Capital Land Ltd. ("BCL"), the controlling shareholder of the Company.

As at 30 June 2018, the amortized cost of the Group's guaranteed notes (the "Notes") was approximately RMB1,327,665,000 (31 December 2017: RMB1,326,329,000), included in current liabilities. 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 ("Stock Exchange") on 31 July 2015. The details of the Notes were set out in the announcements dated 20, 24 and 30 July 2015. The Notes has been repaid in July 2018.

5. FOREIGN EXCHANGE EXPOSURE

Major subsidiaries of the Company 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$, any significant exchange rate fluctuations of HK$ against RMB may have financial impacts to the Group. As at 30 June 2018, 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.

6. FINANCIAL GUARANTEES

The Group provided guarantees in respect of mortgage facilities granted by certain banks to purchasers of properties. As at 30 June 2018, the financial guarantees amounted was approximately RMB1,483,936,000 (31 December 2017: RMB1,397,714,000).

7. CAPITAL COMMITMENTS

As at 30 June 2018, the Group had capital commitments relating to the development properties under construction of approximately RMB534,730,000 (31 December 2017: RMB265,023,000), and had capital commitments relating to the investment properties under construction of approximately RMB685,316,000 (31 December 2017: RMB203,920,000).

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

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

As at 30 June 2018, 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 ("Model Code") of the Rules Governing the Listing of securities on the Stock Exchange ("Listing Rules"), 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 2018, 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 shares	Approximate percentage of the issued share capital (%)	Number of ordinary shares can be converted from Class A Convertible Preference Shares, Class B Convertible Preference Shares and PCBS at initial conversion price of HK$2.10 per share	Total interests	Percentage of total interests to total issued shares (%)
BECL Investment Holding Limited ("BECL")	Beneficial owner	701,353,846	72.94%	1,072,928,106 *(Note 5)*	1,774,281,952	184.53%
BCL	Interest of controlled corporation *(Note 1)*	701,353,846	72.94%	1,072,928,106 *(Note 5)*	1,774,281,952	184.53%
BCG Chinastar International Limited	Beneficial owner	19,800,000	2.06%	–	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%

Management Discussion and Analysis

Name of shareholder	Capacity	Number of shares	Approximate percentage of the issued share capital (%)	Number of ordinary shares can be converted from Class A Convertible Preference Shares, Class B Convertible Preference Shares and PCBS at initial conversion price of HK$2.10 per share	Total interests	Percentage of total interests to total issued shares (%)
Faith Ocean International Limited	Interest of controlled corporation *(Note 3)*	95,192,308	9.9%	313,140,124	408,332,432	42.47%
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%

Name of shareholder	Capacity	Number of shares	Approximate percentage of the issued share capital (%)	Number of ordinary shares can be converted from Class A Convertible Preference Shares, Class B Convertible Preference Shares and PCBS at initial conversion price of HK$2.10 per share	Total interests	Percentage of total interests to total issued 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 SFO.

2. Total interests in 1,794,081,952 shares were deemed to be the corporation interest under the SFO.

3. Total interests in 408,332,432 shares were deemed to be the corporation interest under the SFO.

4. Total interests in 295,238,095 shares were deemed to be the corporation interest under the SFO.

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 2018, 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 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 number of shares in respect of 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 in aggregate exceed 10% of the issued share capital of the Company as at the date of obtaining shareholders' approval at a general meeting. However, the total number of Shares which may to 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 day 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 by the grantee 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 quotation 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 quotation sheets for the five business days immediately preceding the date of the grant of the options; or (iii) the nominal value of the Shares.

As at 30 June 2018, 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 2018, 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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company subsequent to the date of the 2017 Annual Report are set out below:

Mr. Feng Yujian, the executive Director, was appointed as the chairman of the Strategic Investment Committee since February 2018.

Mr. Yang Han Hsiang has resigned as non-executive Director and members of the Remuneration Committee and the Strategic Investment Committee since February 2018. On the same day, Mr. Yang, Paul Chunyao was appointed as non-executive Director and members of the Remuneration Committee and the Strategic Investment Committee.

Mr. He Xiaofeng, the independent non-executive Director, served as independent director of Beijing Life Insurance Co., Ltd (北京人壽保險有限公司) since March 2018.

Mr. Zhong Beichen, the executive Director, was appointed as executive director, president and member of the strategic investment committee of BCL since April 2018.

Mr. Sun Shaolin, the non-executive Director, has resigned as non-executive director and member of the remuneration committee of BCL since April 2018.

Dr. Ngai Wai Fung, the independent non-executive Director, has resigned as independent non-executive director, chairman of the remuneration committee, and member of the audit committee and the nomination committee of China HKBridge Holdings Limited (Stock Code: 2323) since April 2018.

Mr. Su Jian has resigned as non-executive Director and member of the Strategic Investment Committee since May 2018. On the same day, Mr. Wang Hao was appointed as non-executive Director and member of the Strategic Investment Committee.

CORPORATE GOVERNANCE CODE

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 Corporate Governance Code contained in Appendix 14 (the "CG Code") of the Listing Rules.

For the period ended 30 June 2018, the Company has complied with the code provisions of the CG Code except for a deviation of the CG Code provision E.1.2 that the chairman of the Board should attend the annual general meeting ("AGM") of the Company. The chairman of the Board did not attend the 2017 AGM due to an urgent business engagement. The chairman of the Audit Committee had chaired the 2017 AGM and answered questions from the shareholders with the management of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code. Having made specific enquiries by the Company, all 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 2018.

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 members. 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 2018.

Report on Review of Interim Financial Information

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 22 to 68, 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 2018 and the 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 of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 August 2018

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 2018 RMB'000 (Unaudited)	Six months ended 30 June 2017 RMB'000 (Unaudited)
Revenue	6,7	**391,236**	300,138
Cost of sales	8	**(221,805)**	(179,954)
Gross profit		**169,431**	120,184
Fair value gains on investment properties	7	**183,281**	100,088
Other gains/(losses) – net	7	**2,130**	(25,502)
Other income	7	**14,174**	6,317
Selling and marketing expenses	8	**(62,639)**	(40,215)
Administrative expenses	8	**(134,880)**	(63,462)
Operating profit		**171,497**	97,410
Finance costs	9	**(66,736)**	(38,370)
Share of losses of investments accounted for using the equity method	16	**(1,251)**	(12)
Profit before income tax		**103,510**	59,028
Income tax expenses	10	**(91,061)**	(49,738)
Profit for the period		**12,449**	9,290
Attributable to:			
– Owners of the Company		**12,476**	8,838
– Non-controlling interests		**(27)**	452
Earnings per share attributable to owners of the Company during the period	12		
– Basic earnings per share (RMB cents)		**0.49**	0.35
– Diluted earnings per share (RMB cents)		**0.49**	0.35

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

The notes on pages 29 to 68 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**12,449**	9,290
Other comprehensive income for the period	**–**	–
Total comprehensive income for the period	**12,449**	9,290
Attributable to:		
– Owners of the Company	**12,476**	8,838
– Non-controlling interests	**(27)**	452

The notes on pages 29 to 68 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	**25,756**	26,290
Long-term prepaid expenses	14	**120,732**	81,400
Investment properties	15	**8,873,499**	7,951,890
Intangible assets		**2,298**	2,767
Investments accounted for using the equity method	16	**107,562**	108,015
Deferred income tax assets		**17,906**	17,829
Prepayments	19	**281,070**	–
Total non-current assets		**9,428,823**	8,188,191
Current assets			
Inventories	17	**2,230,859**	2,300,719
Incremental costs of obtaining a contract		**11,822**	–
Trade and other receivables and prepayments	19	**750,331**	555,291
Restricted cash		**32,255**	58,110
Cash and cash equivalents		**3,477,362**	1,793,200
Total current assets		**6,502,629**	4,707,320
Total assets		**15,931,452**	12,895,511
LIABILITIES			
Non-current liabilities			
Borrowings	20	**5,171,836**	2,545,000
Deferred income tax liabilities		**615,715**	570,771
Total non-current liabilities		**5,787,551**	3,115,771
Current liabilities			
Trade payables	22	**1,156,939**	984,360
Other payables and accruals	23	**285,201**	1,110,895
Contract liabilities		**1,243,037**	–
Borrowings	20	**368,056**	660,000
Current income tax liabilities		**34,929**	34,352
Guaranteed notes	21	**1,299,694**	1,298,265
Total current liabilities		**4,387,856**	4,087,872
Total liabilities		**10,175,407**	7,203,643

Interim Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	*24*	**16,732**	16,732
Perpetual convertible bond securities	*26*	**945,335**	945,289
Reserves		**3,232,215**	3,232,215
Retained earnings		**1,511,341**	1,493,338
Non-controlling interests		**50,422**	4,294
Total equity		**5,756,045**	5,691,868
Total equity and liabilities		**15,931,452**	12,895,511

The notes on pages 29 to 68 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									
	Issued capital									
(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*
As at 31 December 2017	7,828	1,329	7,575	945,289	3,169,418	62,797	1,493,338	5,687,574	4,294	5,691,868
Adjustment on adoption of Hong Kong Financial Reporting Standard 15 ("HKFRS 15")	–	–	–	–	–	–	5,573	5,573	–	5,573
At 1 January 2018 (Restated)	7,828	1,329	7,575	945,289	3,169,418	62,797	1,498,911	5,693,147	4,294	5,697,441
Profit for the period	–	–	–	–	–	–	12,476	12,476	(27)	12,449
Total comprehensive income for the period	–	–	–	–	–	–	12,476	12,476	(27)	12,449
Transactions with owners										
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	46,155	46,155
Dividends payable to perpetual convertible bond securities holders	–	–	–	46	–	–	(46)	–	–	–
Total transactions with owners	–	–	–	46	–	–	(46)	–	46,155	46,155
At 30 June 2018	7,828	1,329	7,575	945,335	3,169,418	62,797	1,511,341	5,705,623	50,422	5,756,045

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									
	Issued capital									
(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*
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 for the period	–	–	–	–	–	–	8,838	8,838	452	9,290
Transactions with owners										
Dividends payable 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

The notes on pages 29 to 68 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash received from/(used in) operations		**541,637**	(236,262)
Income tax paid		**(49,778)**	(52,306)
Net cash flows generated from/(used in) operating activities		**491,859**	(288,568)
Cash flows from investing activities			
Interests received from time deposits		**1,576**	2,301
Purchases of property, plant and equipment	*13*	**(2,881)**	(3,976)
Additions of long-term prepaid expense	*14*	**(57,936)**	(18,912)
Additions of investment properties		**(968,126)**	(925,665)
Investment in associates	*16*	**–**	(33,300)
Amounts received from government repurchase of land use rights	*19*	**4,155**	–
Net cash flows used in investing activities		**(1,023,212)**	(979,552)
Cash flows from financing activities			
New bank borrowings	*20*	**2,696,003**	200,000
Amounts received from related parties		**–**	85,411
Repayments received from loans to related parties		**23,941**	–
Repayments of bank borrowings	*20*	**(361,111)**	(105,000)
Interests paid to bank borrowings		**(108,542)**	(23,751)
Interests paid for guaranteed notes		**(34,219)**	(33,844)
Interests paid to related parties	*30(g)*	**(1,598)**	–
Professional fee for issuance of perpetual convertible bond securities		**–**	(29,011)
Net cash flows generated from financing activities		**2,214,474**	93,805
Net increase/(decrease) in cash and cash equivalents		**1,683,121**	(1,174,315)
Cash and cash equivalents at beginning of the period		**1,793,200**	1,910,587
Exchange gains/(losses) on cash and cash equivalents		**1,041**	(27,324)
Cash and cash equivalents at end of the period		**3,477,362**	708,948

The notes on pages 29 to 68 form 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 Ltd. ("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 ("Stock Exchange")). The ultimate holding company of the Company is Beijing Capital Group Co., 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.

This condensed consolidated interim financial information has been approved and authorised for issue by the Board of Directors on 22 August 2018.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

3.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the adoption of new and amended standards and its impact as set out below.

(a) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(a) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption (Continued)

HKFRS 15 replaces the provisions of HKAS 18 "Revenue" ("HKAS 18") and HKAS 11 "Construction contracts" ("HKAS 11") that relate to the recognition, classification and measurement of revenue and costs. The effects of the adoption of HKFRS 15 are as follows:

– *Presentation of incremental costs of obtaining a contract and contract liabilities*

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities for advanced proceeds received from customer of sales of properties contracts in relation to property development activities were previously presented as advanced proceeds received from customers.

- Incremental costs of obtaining a contract recognised in relation to sales commissions were previously presented as trade and other receivables and prepayments – other prepayments.

– *Accounting for property development activities*

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, when the properties that have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

– *Accounting for costs incurred to obtain a contract*

Following the adoption of HKFRS 15, costs such as stamp duty and sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in incremental costs of obtaining a contract.

– *Accounting for significant financing component*

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

As a result of application of HKFRS 15, as at 30 June 2018, the total assets of the Group decreased by RMB55,839,000, the total liabilities decreased by RMB90,713,000. For the six months ended 30 June 2018, profit for the period attributable to owners of the Company increased by RMB34,874,000.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(b) *HKFRS 9 Financial Instruments – Impact of adoption*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

(c) *HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018*

– *Classification*

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

- those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

– *Impairment*

From 1 January 2018, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivables. The impact of the change in impairment loss was immaterial to the Group.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(d) Standards and amendments which are not yet effective

The following are new/revised standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 January 2019 or later periods, but have not been early adopted by the Group.

Amendments to HKAS 40	Transfers of investment property[i]
HKFRS16	Leases[i]

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

– HKFRS 16 will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB9,195,000 (31 December 2017: RMB11,094,000).

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective and would be expected to have a material impact on the Group.

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 2017.

4 ESTIMATES (CONTINUED)

(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 semi-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 margin rate to determine fair value. The key estimations are disclosed in Note 15.

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.

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, discount rates, etc., by comparing the market rental prices 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 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$") 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.

(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.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) *Liquidity risk*

The Group's policies are to maintain sufficient cash and cash equivalents and to have available funding through bank 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 2018 (Unaudited)				
Trade payables	**1,156,939**	**–**	**–**	**1,156,939**
Other payables and accruals	**221,179**	**–**	**–**	**221,179**
Borrowings	**664,647**	**4,704,993**	**1,318,798**	**6,688,438**
Guarantee notes	**1,333,581**	**–**	**–**	**1,333,581**
	3,376,346	**4,704,993**	**1,318,798**	**9,400,137**
At 31 December 2017 (Audited)				
Trade payables	984,360	–	–	984,360
Other payables and accruals	220,195	–	–	220,195
Borrowings	817,026	2,875,595	–	3,692,621
Guarantee notes	1,368,250	–	–	1,368,250
	3,389,831	2,875,595	–	6,265,426

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 28). 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.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 accrued interests), less cash and cash equivalents and restricted cash. The gearing ratios as at the end of the reporting periods were as follows:

	30 June 2018 ***RMB'000*** **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Total borrowings *(Note 20)*	**5,539,892**	3,205,000
Guaranteed notes (including accrued interests) *(Note 21)*	**1,327,665**	1,326,329
Total	**6,867,557**	4,531,329
Less: Cash and cash equivalents	**(3,477,362)**	(1,793,200)
Restricted cash	**(32,255)**	(58,110)
Net debt	**3,357,940**	2,680,019
Total equity	**5,756,045**	5,691,868
Gearing ratio	**58%**	47%

The increase of the gearing ratio is mainly due to the increase of borrowings.

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 2018 and 31 December 2017, 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 2018 and 31 December 2017.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
As at 30 June 2018 (Unaudited)				
Investment properties	**–**	**–**	**8,226,500**	**8,226,500**
Assets				
As at 31 December 2017 (Audited)				
Investment properties	–	–	7,047,200	7,047,200

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 margin 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 2018	31 December 2017	**30 June 2018**	31 December 2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial liabilities				
Interest-bearing bank borrowings	**2,690,000**	1,190,000	**2,778,962**	1,217,595

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 consider 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 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 assess 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 expenses 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 2018 (Unaudited)						
Total revenue	**196,645**	**157,893**	**36,924**	**391,462**	**–**	**391,462**
Inter-segment revenue	**–**	**(226)**	**–**	**(226)**	**–**	**(226)**
Revenue (from external customers)	**196,645**	**157,667**	**36,924**	**391,236**	**–**	**391,236**
Segment operating profit/(loss)	**76,625**	**154,483**	**(70,117)**	**160,991**	**(145)**	**160,846**
Depreciation and amortisation *(Note 8)*	**(48)**	**(7,377)**	**(4,238)**	**(11,663)**	**–**	**(11,663)**
Income tax expense *(Note 10)*	**(42,684)**	**(47,721)**	**(656)**	**(91,061)**	**–**	**(91,061)**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**5**	**1,072,778**	**2,428**	**1,075,211**	**–**	**1,075,211**

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 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
As at 30 June 2018 (Unaudited)						
Total segment assets	**2,434,155**	**9,393,078**	**545,433**	**12,372,666**	**(6,440)**	**12,366,226**
Total segment liabilities	**(778,187)**	**(1,338,379)**	**(463,373)**	**(2,579,939)**	**6,440**	**(2,573,499)**
As at 31 December 2017 (Audited)						
Total segment assets	2,347,467	8,168,124	470,213	10,985,804	(21,198)	10,964,606
Total segment liabilities	(636,134)	(1,279,634)	(39,801)	(1,955,569)	21,198	(1,934,371)

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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Segment operating profit	**160,846**	94,116
Share of losses of investments accounted for using the equity method *(Note 16)*	**(1,251)**	(12)
Interest income *(Note 7)*	**10,651**	3,294
Finance costs *(Note 9)*	**(66,736)**	(38,370)
Profit before income tax	**103,510**	59,028

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

	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Total segment assets	**12,366,226**	10,964,606
Cash and cash equivalents	**3,477,362**	1,793,200
Restricted cash	**32,255**	58,110
Deferred income tax assets	**17,906**	17,829
Amounts due from related parties *(Note 30(f))*	**37,703**	61,766
Total assets per interim condensed consolidated statement of financial position	**15,931,452**	12,895,511
Total segment liabilities	**(2,573,499)**	(1,934,371)
Borrowings *(Note 20)*	**(5,539,892)**	(3,205,000)
Guaranteed notes *(Note 21)*	**(1,327,665)**	(1,326,329)
Amounts due to related parties *(Note 30(g)(h))*	**(118,636)**	(167,172)
Deferred income tax liabilities	**(615,715)**	(570,771)
Total liabilities per interim condensed consolidated statement of financial position	**(10,175,407)**	(7,203,643)

6 OPERATING SEGMENT INFORMATION (CONTINUED)

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 2018 and 2017.

As at 30 June 2018, total non-current assets other than deferred income tax assets located in the PRC is RMB9,410,911,000 (31 December 2017: RMB8,170,352,000), the total of these non-current assets located in Hong Kong is RMB6,000 (31 December 2017: RMB10,000).

For the six months ended 30 June 2018 and 2017, 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of properties	**196,645**	170,055
Rental revenue of investment properties	**157,667**	104,608
Others	**36,924**	25,475
	391,236	300,138
Other gains – net		
Fair value gains on investment properties *(Note 15(c))*	**183,281**	100,088
Net foreign exchange gains/(losses)	**1,041**	(25,805)
Others	**1,089**	303
	185,411	74,586
Other income		
Bank interest income	**10,651**	3,294
Others	**3,523**	3,023
	14,174	6,317

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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**116,593**	122,851
Cost of goods sold	**31,922**	17,950
Operating leases expense	**6,521**	4,911
Depreciation and amortisation	**11,663**	6,697
Employee benefit expense:	**102,545**	37,562
– Wages, salaries and staff welfare	**85,938**	31,344
– Pension scheme contributions	**6,309**	2,297
– Other allowance and benefits	**10,298**	3,921
Advertising and marketing	**49,769**	30,243
Property management fee	**41,274**	25,921
Office and traveling expenses	**16,877**	7,338
Service fee for keepwell deed *(Note 30(b))*	**1,950**	1,950
Consultancy fee	**7,905**	11,231
Business taxes and other surcharges	**20,417**	14,005
Others	**11,888**	2,972
	419,324	283,631

9 FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings	**113,708**	23,751
Interest expense on related parties borrowings	**–**	13,778
Interest expense on guaranteed notes	**35,555**	35,478
Less: interests capitalised	**(82,527)**	(34,637)
	66,736	38,370

10 INCOME TAX EXPENSES

Hong Kong corporate 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 2017: Nil).

PRC corporate income tax has been provided at the rate of 25% (six months ended 30 June 2017: 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC corporate income tax	**11,558**	23,810
– PRC land appreciation tax	**31,293**	7,860
Deferred income tax	**48,210**	18,068
Total tax charge for the period	**91,061**	49,738

11 DIVIDENDS

No dividend has been paid or declared by the Board of Directors during the period (six months ended 30 June 2017: 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 2018 is based on the profit for the period attributable to owners of the Company of RMB12,476,000 (six months ended 30 June 2017: RMB8,838,000), the weighted average number of ordinary shares of 961,538,462 (six months ended 30 June 2017: 961,538,462), the weighted average number of convertible preference shares ("CPS") of 1,072,928,106 (six months ended 30 June 2017: 1,072,928,106) and the weighted average number of shares of 513,185,911 (six months ended 30 June 2017: 513,185,911) 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	**12,476**	8,838
	Shares	Shares
Weighted average number of ordinary shares	**961,538,462**	961,538,462
Weighted average number of CPS	**1,072,928,106**	1,072,928,106
Weighted average number of shares into which the PCBS may be converted	**513,185,911**	513,185,911
Weighted average number of shares for basic and diluted earnings per share	**2,547,652,479**	2,547,652,479

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Furniture fixtures and equipment *RMB'000*	Motor vehicles and others *RMB'000*	Total *RMB'000*
Six months ended 30 June 2018 (Unaudited)				
At 1 January 2018	**9,251**	**14,851**	**2,188**	**26,290**
Additions	**–**	**2,854**	**27**	**2,881**
Depreciation provided during the period	**(104)**	**(2,943)**	**(368)**	**(3,415)**
At 30 June 2018	**9,147**	**14,762**	**1,847**	**25,756**
Six months ended 30 June 2017 (Unaudited)				
At 1 January 2017	9,461	9,257	4,998	23,716
Additions	–	3,763	213	3,976
Depreciation provided during the period	(105)	(2,598)	(313)	(3,016)
At 30 June 2017	9,356	10,422	4,898	24,676

14 LONG-TERM PREPAID EXPENSES

	Prepaid decoration expense *RMB'000*	Others *RMB'000*	Total *RMB'000*
Six months ended 30 June 2018 (Unaudited)			
At 1 January 2018	**73,219**	**8,181**	**81,400**
Additions	**53,380**	**4,556**	**57,936**
Depreciation provided during the period	**(16,569)**	**(2,035)**	**(18,604)**
At 30 June 2018	**110,030**	**10,702**	**120,732**
Six months ended 30 June 2017 (Unaudited)			
At 1 January 2017	57,238	6,230	63,468
Additions	13,808	5,104	18,912
Depreciation provided during the period	(8,167)	(3,108)	(11,275)
At 30 June 2017	62,879	8,226	71,105

15 INVESTMENT PROPERTIES

(A) INVESTMENT PROPERTIES UNDER CONSTRUCTION

	Cost *RMB'000*	Fair Value *RMB'000*	Total *RMB'000*
Six months ended 30 June 2018 (Unaudited)			
At 1 January 2018	**904,690**	**1,703,000**	**2,607,690**
Additions	**248,236**	**468,606**	**716,842**
Transfer to investment properties in operation	**–**	**(656,200)**	**(656,200)**
Transfer to investment properties under construction at fair value	**(505,927)**	**–**	**(505,927)**
Transfer from investment properties under construction at cost	**–**	**505,927**	**505,927**
Net gains from fair value adjustment	**–**	**50,667**	**50,667**
At 30 June 2018	**646,999**	**2,072,000**	**2,718,999**
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

15 INVESTMENT PROPERTIES (CONTINUED)

(B) INVESTMENT PROPERTIES IN OPERATION

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At 1 January	**5,344,200**	3,795,910
Additions	**21,486**	7,449
Transfer from investment properties under construction	**656,200**	–
Net gains from fair value adjustment	**132,614**	3,851
At 30 June	**6,154,500**	3,807,210

(C) PROFIT OR LOSS OF INVESTMENT PROPERTIES RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net gains from fair value adjustment	**183,281**	100,088
Rental income	**157,667**	104,608
Direct operating expenses from investment properties that generated rental income	**(1,043)**	(1,732)
Direct operating expenses from investment properties that did not generate rental income	**(75)**	(29)

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

15 INVESTMENT PROPERTIES (CONTINUED)

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.

Information about fair value measurements using significant unobservable inputs:

			Unobservable inputs		
Investment properties	Fair value as at 30 June 2018 *RMB'000*	Valuation techniques	Title	Range	Relationship of unobservable inputs to fair value
Central region	**4,293,500**	Income capitalisation approach	Discount rate	6.5% to 7%	The higher discount rate is, the lower fair value
			Market rental price	RMB36 to RMB140 per square meter per month	The higher market rental price is, the higher fair value
	830,000	Residual method	Interest rate	4.35%	The higher interest rate is, the lower fair value
			Profit margin rate	10% to 20%	The higher profit margin rate is, the lower fair value
North region	**1,861,000**	Income capitalisation approach	Discount rate	6.5% to 7%	The higher discount rate is, the lower fair value
			Market rental price	RMB41 to RMB168 per square meter per month	The higher market rental price is, the higher fair value
	1,242,000	Residual method	Interest rate	4.35%	The higher interest rate is, the lower fair value
			Profit margin rate	18%	The higher profit margin rate is, the lower fair value

15 INVESTMENT PROPERTIES (CONTINUED)

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

Investment properties	Fair value as at 31 December 2017 *RMB'000*	Valuation techniques	Unobservable inputs: Title	Unobservable inputs: Range	Unobservable inputs: Relationship of unobservable inputs to fair value
Central region	3,589,240	Income capitalisation approach	Discount rate	6.5% to 7.5%	The higher discount rate is, the lower fair value.
			Market rental price	RMB37 to RMB130 per square meter per month	The higher market rental price is, the higher fair value.
	801,000	Residual method	Interest rate	4.35% to 4.75%	The higher interest rate is, the lower fair value.
			Profit margin rate	15% to 25%	The higher profit margin rate is, the lower fair value.
North region	1,754,960	Income capitalisation approach	Discount rate	7.5% to 8%	The higher discount rate is, the lower fair value
			Market rental price	RMB74 to RMB165 per square meter per month	The higher market rental price is, the higher fair value.
	902,000	Residual method	Interest rate	4.35%	The higher interest rate is, the lower fair value.
			Profit margin rate	15% to 20%	The higher profit margin rate is, the lower fair value.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

16.1 INVESTMENT IN ASSOCIATES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At 31 December	**104,125**	40,000
Effect of first-time adoption of HKFRS 15	**798**	–
At 1 January	**104,923**	40,000
Capital injection	**–**	33,300
Share of losses	**(615)**	(12)
At 30 June	**104,308**	73,288

(a) Following are the details of the associates held by the Group as at 30 June 2018, which is unlisted:

Name		Place of Incorporation/ registration and business	Registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
(1)	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
(2)	Nanchang Huachuang Xinghong Real Estate Co., Ltd. (南昌華創興洪置業有限公司) ("Nanchang Huachuang") (ii)	Nanchang/China	RMB50,000,000	–	40%	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 2018, 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.

(ii) According to the articles of association, the Group has significant influence in determining the operation policies in the ordinary course of business of Nanchang Huachuang, therefore it is classified as an associate.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

16.2 INVESTMENT IN A JOINT VENTURE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At 1 January	**3,890**	–
Share of losses	**(636)**	–
At 30 June	**3,254**	–

Following are the details of the joint venture held by the Group as at 30 June 2018, which is unlisted:

Name	Place of Incorporation/ registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Zanchuang Sports Venues Management Co., Ltd (上海贊創體育場館管理有限公司) ("Shanghai Zanchuang")	Shanghai/China	RMB10,000,000	–	40%	Sports venues management

According to the articles of association, the Group commits to contribute 40% of equity interests of Shanghai Zanchuang. As at 30 June 2018, the Group has completed capital injection of RMB4,000,000, representing 40% of the paid-in capital of Shanghai Zanchuang. The Group and another shareholder jointly control Shanghai Zanchuang, therefore it is recognised as a joint venture.

17 INVENTORIES

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Properties under development	**779,882**	744,206
Completed properties held for sale	**1,370,531**	1,466,336
Merchandise inventories	**80,446**	90,177
	2,230,859	2,300,719

18 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 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Assets as per interim condensed consolidated statement of financial position		
Trade and other receivables and prepayments (excluding prepayments and prepaid taxes)	**321,412**	257,706
Restricted cash	**32,255**	58,110
Cash and cash equivalents	**3,477,362**	1,793,200
	3,831,029	2,109,016

	Financial liabilities at amortised cost	
	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Liabilities as per interim condensed consolidated statement of financial position		
Trade payables *(Note 22)*	**1,156,939**	984,360
Borrowings *(Note 20)*	**5,539,892**	3,205,000
Amounts and interests due to related parties *(Note 23)*	**119,550**	168,840
Financial liabilities included in other payables and accruals (excluding other tax payable, advances from customers, etc.)	**106,964**	53,122
Guarantee notes *(Note 21)*	**1,327,665**	1,326,329
	8,251,010	5,737,651

19 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
Trade receivables	**19,182**	17,234
Prepayments for land use rights of investment properties	**281,070**	–
Prepayments to related parties *(Note 30(e))*	**325**	2,275
Prepayments of merchandise inventories	**82,908**	35,832
Other prepayments	**6,780**	12,601
Prepaid income tax and land appreciation tax	**90,495**	88,072
Prepaid other taxes	**248,411**	158,805
Deposits for land use rights	**72,550**	–
Other deposits	**30,338**	31,918
Amounts due from related parties *(Note 30(e)(f))*	**47,129**	61,766
Receivables from government repurchase of land use rights	**74,360**	78,515
Other receivables	**77,853**	68,273
	1,031,401	555,291
Less: non-current portion		
– prepayments for land use rights of investment properties	**(281,070)**	–
Current portion	**750,331**	555,291

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.

Included in the trade receivables are trade receivables of RMB2,105,000 (31 December 2017: RMB5,879,000) due from related parties which are receivable within 1 year and represented credit terms similar to those offered to other major customers (Note 30(e)).

19 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
Up to 3 months	**19,182**	16,034
Over 6 months	**–**	1,200
	19,182	17,234

20 BORROWINGS

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
Non-current		
Bank borrowings	**5,171,836**	2,545,000
Current		
Current portion of long-term bank borrowings	**268,056**	400,000
Short-term bank borrowings	**100,000**	260,000
	368,056	660,000
	5,539,892	3,205,000

20 BORROWINGS (CONTINUED)

(A) As at 30 June 2018, bank borrowings amounting to RMB1,145,003,000 (31 December 2017: RMB1,120,000,000) were secured by the land use rights and buildings of investment properties with carrying amount of RMB2,759,512,000 (31 December 2017: RMB2,765,960,000).

As at 30 June 2018, bank borrowings amounting to RMB95,000,000 (31 December 2017: 100,000,000) were secured by the land use rights and the buildings of investment properties with carrying amount of RMB206,536,000 (31 December 2017: 102,838,000) and guaranteed by the Company.

As at 30 June 2018, bank borrowings amounting to RMB283,889,000 (31 December 2017: 100,000,000) were secured by the land use rights of investment properties with carrying amount of RMB268,650,000 (31 December 2017: 260,076,000) and guaranteed by the Company.

As at 30 June 2018, bank borrowings amounting to RMB180,000,000 (31 December 2017: RMB215,000,000) were secured by the land use rights and buildings of investment properties with carrying amount of RMB612,000,000 (31 December 2017: RMB611,000,000) and guaranteed by BCL.

As at 30 June 2018, bank borrowings amounting to RMB1,076,000,000 (31 December 2017: RMB670,000,000) were secured by the land use rights of investment properties with carrying amount of RMB787,166,000 (31 December 2017: RMB662,682,000) and guaranteed by BCL.

As at 30 June 2018, bank borrowings amounting to RMB2,760,000,000 (31 December 2017: 1,000,000,000) were 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 2018 ***RMB'000*** **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Total borrowings		
– Within 1 year	**368,056**	660,000
– Between 1 and 2 years	**257,222**	240,000
– Between 2 and 5 years	**3,820,003**	2,165,000
– Over 5 years	**1,094,611**	140,000
	5,539,892	3,205,000

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

20 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 2018 ***RMB'000*** **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Related parties borrowings	**–**	4.35%
Bank borrowings	**5.41%**	4.82%

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

	30 June 2018 ***RMB'000*** **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Within 6 months	**465,000**	100,000
Between 6 and 12 months	**2,394,892**	1,915,000
Between 1 and 5 years	**2,680,000**	1,190,000
	5,539,892	3,205,000

(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.

21 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 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 on 31 July 2015.

As at 30 June 2018, the Notes was classified as current liabilities as it will be due within 1 year (31 December 2017: classified as current liabilities). The Notes has been repaid in July 2018.

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Nominal value of guaranteed notes issued	**1,300,000**	1,300,000
Direct transaction costs	**(8,060)**	(8,060)
Interest expense	**206,817**	171,262
Interest paid	**(171,092)**	(136,873)
	1,327,665	1,326,329
Accrued interests for guaranteed notes, classified as other payables under current liabilities	**(27,971)**	(28,064)
	1,299,694	1,298,265

22 TRADE PAYABLES

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

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Within 1 year	**1,121,104**	984,323
1 to 2 years	**35,835**	37
	1,156,939	984,360

Included in the trade payables are trade payables of RMB1,499,000 (31 December 2017: RMB637,000) due to related parties which are repayable within 1 year and represented credit terms similar to those offered by the related parties to other major customers (Note 30(e)).

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

23 OTHER PAYABLES AND ACCRUALS

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Tax payables	**3,927**	12,302
Employee benefit payable	**5,289**	19,464
Advances from customers	**–**	823,103
Amounts due to related parties *(Note 30(e)(h))*	**119,381**	167,073
Accrued interests for guaranteed notes	**27,971**	28,064
Accrued interest for bank borrowings	**5,166**	–
Interests payable to related parties *(Note 30(g))*	**169**	1,767
Guarantee deposits	**83,661**	44,284
Amounts received as government grants	**21,500**	6,000
Others	**18,137**	8,838
	285,201	1,110,895

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

24 SHARE CAPITAL

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
Authorised:		
Ordinary shares 20,000,000,000 (31 December 2017: 20,000,000,000) ordinary shares of HK$0.01 each	**160,009**	160,009
Class A CPS 738,130,482 (31 December 2017: 738,130,482) CPS of HK$0.01 each	**5,875**	5,875
Class B CPS 905,951,470 (31 December 2017: 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 2017: 961,538,462) ordinary shares of HK$0.01 each	**7,828**	7,828
Class A CPS 166,976,636 (31 December 2017: 166,976,636) CPS of HK$0.01 each	**1,329**	1,329
Class B CPS 905,951,470 (31 December 2017: 905,951,470) CPS of HK$0.01 each	**7,575**	7,575
	16,732	16,732

25 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 Beijing Chuangxin Jianye Real Estate Investment Ltd. and Zhejiang Outlets Real Estate Co., Ltd 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.

26 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. 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.

As at 30 June 2018, the Group has accrued interest amounting to RMB138,000 (31 December 2017: RMB92,000).

27 COMMITMENTS

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

	30 June 2018 ***RMB'000***	31 December 2017 *RMB'000*
Contracted, but not provided for:		
Properties under development	**534,730**	265,023
Investment properties	**685,316**	203,920
	1,220,046	468,943

28 FINANCIAL GUARANTEES

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

	30 June 2018 ***RMB'000***	31 December 2017 *RMB'000*
Mortgage facilities for certain purchasers of the Group's properties	**1,483,936**	1,397,714

As at 30 June 2018, 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.

29 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 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Within one year	**13,765**	3,746
In the second to fifth years, inclusive	**64,340**	12,591
After five years	**14,717**	3,063
	92,822	19,400

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 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Within one year	**9,195**	11,094

30 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	
	2018 *RMB'000* **(Unaudited)**	2017 *RMB'000* (Unaudited)
Provision of services		
– Project management services for BCL	**1,200**	1,200

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) PURCHASES OF SERVICES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Purchases of services		
– Rental expense to BCL	**846**	869
– 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 21, 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 RMB3,900,000 annually. Rosy recorded administration fee amounting to RMB1,950,000 during the current period. The service fee fall within the exemption for connected transactions pursuant to Rule 14A.90 of the Listing Rules.

(c) PURCHASE OF GOODS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Purchase of goods from a fellow subsidiary	**2,129**	483

(d) KEY MANAGEMENT COMPENSATION

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kinds	**5,762**	4,870
Pension scheme contributions	**190**	174
	5,952	5,044

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) PERIOD-END BALANCES ARISING FROM PURCHASES OF SERVICES

	30 June 2018 ***RMB'000*** **(Unaudited)**	31 December 2017 *RMB'000* (Unaudited)
Prepayments to related parties *(Note 19)*		
– Capital Group	**325**	2,275
Trade payables		
– Fellow subsidiaries	**1,499**	637
Other payables and accruals		
– BCL	**914**	1,668
Trade receivables		
– BCL	**1,200**	3,600
– Fellow subsidiaries	**905**	2,279
	2,105	5,879
Other receivables		
– Fellow subsidiaries	**7,433**	–
– A joint venture of BCL	**1,993**	–
	9,426	–

(f) AMOUNTS DUE FROM RELATED PARTIES

	30 June 2018 ***RMB'000*** **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
– Fellow subsidiaries	**–**	122
– An associate of the Group	**37,703**	61,644
	37,703	61,766

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

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(g) INTEREST PAYABLE TO RELATED PARTIES

	30 June 2018 ***RMB'000*** **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
BCL	**169**	1,767

(h) AMOUNTS DUE TO RELATED PARTIES

	30 June 2018 ***RMB'000*** **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
BCL	**–**	1,008
Fellow subsidiaries	**242**	17
Non-controlling interests	**118,225**	164,380
	118,467	165,405

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

(i) As at 30 June 2018, BCL provided irrevocable guarantee for the bank borrowings of the Group amounted to RMB4,016,000,000 (31 December 2017: RMB1,885,000,000) *(Note 20(a))*.

31 EVENTS AFTER THE REPORTING PERIOD

On 6 July 2018, Shanghai Juque Investment Management Co., Ltd, a wholly-owned subsidiary of the Company, obtained the land use right in Nanning, the PRC, at the auction price around RMB362,516,000, the land is to be developed into outlets-backed commercial integrated project.

In August 2018, a wholly-owned subsidiary of the Group, Trade Horizon Global Limited successfully issued floating rate guaranteed notes (the "Guaranteed notes") due 2021 amounting to US$400,000,000, which is guaranteed by the Company and with the benefit of the Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking to be provided by the Capital Group. Besides, the Group came into a structured cross currency swap agreement to manage the exchange risk of the Guaranteed notes.