CAPITAL GRAND

BEIJING CAPITAL GRAND LIMITED
首創鉅大有限公司

Incorporated in the Cayman Islands with limited liability

STOCK CODE : **1329**

INTERIM REPORT 2019

CONTENTS

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. Wang Hao
Ms. Qin Yi
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)*
Ms. Qin Yi
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

SECRETARY OF THE BOARD OF DIRECTORS

Ms. Wang Xia

COMPANY SECRETARY

Ms. Peng Sisi
(Appointed on 12 Aug 2019)
Mr. Lee Sze Wai
(Resigned on 12 Aug 2019)

AUTHORISED REPRESENTATIVES

Mr. Feng Yujian
Ms. Peng Sisi
(Appointed on 12 Aug 2019)
Mr. Lee Sze Wai
(Resigned on 12 Aug 2019)

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISERS

AS TO HONG KONG LAWS:

Norton Rose Fulbright Hong Kong

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

鉅宝汇
PRIVILEGE VIP

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
China Merchants Bank
Bank of Communications
Bank of Beijing
The Hongkong and Shanghai Banking Corporation
Dah Sing Bank

CORPORATE WEBSITES
www.bcgrand.com
www.capitaloutlets.com

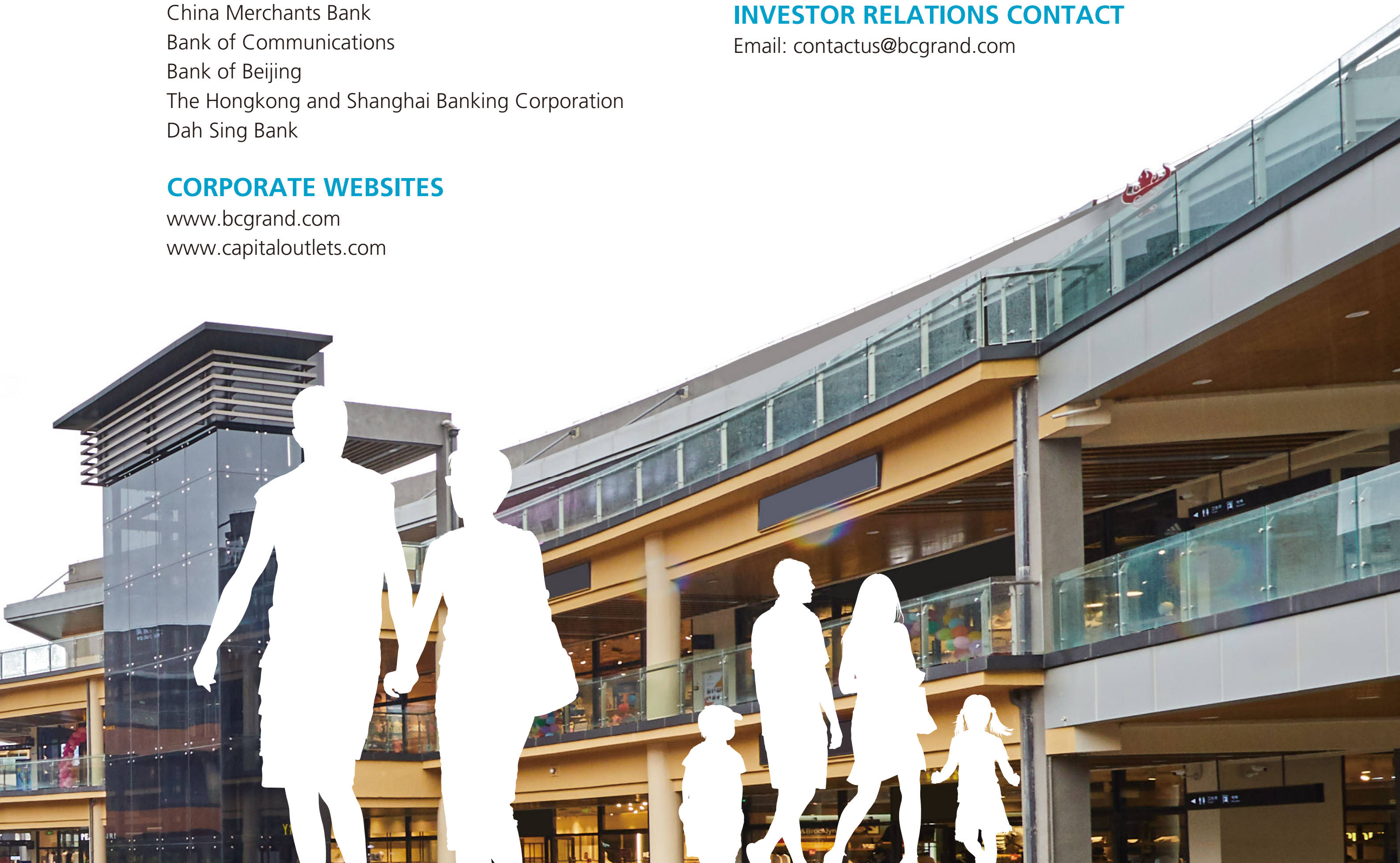
PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
Cricket Square Hutchins Drive P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 54 Hopewell Centre
183 Queen's Road East, Hong Kong

LISTING INFORMATION
EQUITY SECURITY LISTED ON THE STOCK EXCHANGE OF HONG KONG
Ordinary shares (1329.HK)

DEBT SECURITY LISTED ON THE STOCK EXCHANGE OF HONG KONG
US$400,000,000 guaranteed notes due 2021 at floating rates (5133.HK)

INVESTOR RELATIONS CONTACT
Email: contactus@bcgrand.com



Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Beijing Capital Grand Limited ("Capital Grand" or the "Company", together with its subsidiaries collectively referred to as the "Group"), I am pleased to present the interim results of the Group as of 30 June 2019.

Since 2019, despite complex domestic and international economic situation, China's national economy has continued to perform within an appropriate range and maintained a momentum of making progress while keeping general stability. GDP for the first half of the year reached RMB45.09 trillion, representing a year-on-year increase of 6.3% on the basis of comparable prices. The macro-control policy continued to unleash consumption momentum. Further steps were taken to optimize supply as a driver for steady consumption growth. Constant improvement of the economic structure has resulted in a continuously improving income structure for residents. Meanwhile, the structural upgrade trend in consumption remained the same. All these contributed to the sustained growth of outlets sales domestically.

During the period, focused on its objective for the year, the Group actively responded to the changes in external situation and consumption trend and achieved steady and positive business growth in general, thanks to such measures as optimizing types of operation and category portfolios, upgrading experiential consumption and developing distinctive Featured Block to boost customer visits and revenue. For the first half of the year, the Group realized a turnover of RMB3.64 billion in outlets operation, representing a year-on-year increase of over 54%. In particular, Beijing Fangshan Store conducted in-depth research into consumer demand and worked to deliver customer experience, based on which it constantly promoted the structural adjustment and upgrade of brands and commodities while carrying out differentiated marketing models, IP industrialization and cross-industry cooperation as a normal practice, which further bolstered the customer visits and brand influence. Holiday sales amounted to RMB350 million with a 76% year-on-year increase, while single-month sales kept reaching new highs and exceeded RMB200 million.

During the period, Jinan Project and Phase II of Beijing Fangshan Project staged their grand opening on schedule, constantly setting new records in consumer visits and sales. Specifically, Jinan Project adopted differentiated marketing strategies by focusing on customer bases, which contributed to over 300,000 customer visits and RMB38 million in sales for the first three days after it commenced operation. Phase II of Beijing Fangshan Project innovated its brand layout by adding cultural and travel contents and creating diverse experience scenarios to attract new and old customer groups. This brought in 170,000 customer visits and over RMB50 million in sales on the opening day, refreshing the daily sales record.

Chairman's Statement

On top of its comprehensive operation upgrade, the Group further strengthened its ability in digitized operation and supply chain management. It carried out proactive infrastructure development in areas such as the digital transformation of new retail, omni-channel customer attraction, "membership economy" and construction of intelligent commercial complexes. Such efforts aim to build a new online-offline integrated platform for outlets operation with multiple contents, touch points and dimensions, to lead the reform and development of the business model of the outlets industry in China.

For the period under review, the Group recorded operating revenue of RMB1,265,581,000, representing an increase of 223% over the same period of last year; and net profit attributable to the parent amounted to RMB22,711,000. The Board has resolved not to declare an interim dividend for the six months ended 30 June 2019.

Although external economic environment remains uncertain for the second half of the year, it is expected that continuous execution of the supply-side structural reform and further implementation of the innovation-driven development strategy will keep unleashing the vitality of consumption innovation, with the consumption structural upgrade to continue as a trend. The Group will grasp the domestic development trends of the outlets industry proactively, continue its customer-centric innovation on products and services, pursue greater efficiency through optimized operation of existing projects, expand growth momentum by launching new projects on schedule, consolidate its foundation through technological empowerment, facilitate its development through diverse cooperation, and proceed with the projects in places such as Xi'an and Chongqing in an orderly manner so as to commence operation on time and with quality assured. At the same time, we will work harder to develop our digitized operation capability and tap into the integrated advantage of online-offline omni-channel platforms to meet diversified and personalized customer demands, build the character and connotation of Capital Outlets brands and lead the healthy and fast development of the outlets industry.

On behalf of the Board, I would like to express our sincere gratitude to all our shareholders, partners and customers for their care and support to Capital Grand. We will employ digital innovation as an entry point for breakthrough and smart operation as the means, to gain insight into consumer demands, provide well-considered goods and services, attain lower costs, higher efficiency and better experience, and never cease to create value for our shareholders, customers and partners.

Zhong Beichen
Chairman

Beijing, 9 August 2019

Management Discussion and Analysis

MARKET REVIEW OF OUTLETS

Amidst a tightening external economic environment for the first half of 2019, China actively responded to the complicated and volatile situations both at home and abroad by accelerating the upgrade of economic structure, improving technological innovation capacity, and turning pressure into the drive to speed up high-quality economic development, which contributed to gradually improving stability and resilience in economic operation. Total retail sales of consumer goods amounted to RMB19.52 trillion for the first half of the year, representing a year-on-year nominal increase of 8.4%, while commodity sales relating to consumption upgrade saw rapid growth with final consumption expenditure contributing 60.1% of economic growth and remaining the top driver of economic growth for five consecutive years. Retail enterprises kept undergoing reform and innovation, accelerated the construction of modern supply chains and delivered differentiated consumer experience to meet the diverse and personalized consumer demand for convenience at various levels, which further released consumption potential.

With brick-and-mortar retail sales in continuous recovery and emerging retail formats on the rise, outlets manifested its counter-cyclical nature featuring sustained high-speed development of industrial scale and faster online-offline integration. While steadily expanding business, leading outlets operators took steps to push forward digitalized operation and management by revamping their middle and rear platforms with smart technologies to reach and understand customers in a digital manner, increase the value of differentiated service in stores, create special shopping experience, and boost customer visits and revenue. Given the declining benefit of internet traffic, outlets operators leveraged their advantageous offline consumption scenarios and experience to serve as important business partners for new retail platform companies to deploy omni-channel, develop two-way customer attraction and widen retail brand collaborations.

BUSINESS REVIEW

CONSOLIDATING INDUSTRY LEADERSHIP BY ALIGNING CONSTRUCTION WITH SHOP-OPENING AND FOCUSED DEVELOPMENT

– During the period, the Group launched two new projects, namely Jinan Project and Phase II of Beijing Fangshan Project, bringing the total number of operating projects to 10 and maintaining its industry championship by the number of projects acquired and in operation. The Group realized a total turnover of nearly RMB3.64 billion, representing a year-on-year increase of 54%; and customer visits amounted to 18.64 million for the first half of the year, which represented a year-on-year increase of 80.6%, both indicating steady improvement in operating results

– On 18 January, Jinan Capital Outlets staged its grand opening, recording over 300,000 customer visits and RMB38 million in sales for the first three days

– On 1 May, Phase II of Beijing Fangshan Capital Outlets staged its grand opening, recording over 170,000 customer visits and over RMB50 million in sales on its first day, setting a new daily sales record for Capital Outlets

ACCELERATING QUALITY AND EFFICIENCY ENHANCEMENT THROUGH OPERATIONS UPGRADE AND INVENTORY OPTIMIZATION

– We regard products as the soul and adjustment as a constant necessity. Phase I of Beijing Fangshan Store was in continuous brand adjustment and upgrade as well as merchandising assortment restructuring. As a result, the adjusted brands delivered an excess of RMB400 million in sales, which amounted to an increase of more than RMB100 million and a year-on-year increase of 32%

– We adopt innovative management and strive to raise customer satisfaction. Our Jiangsu Kunshan Store implemented innovative marketing by launching the unique format featuring family experience consumption, with an array of marketing activities taking place that centered on members. This effectively improved customer visits and sales, delivering a year-on-year increase of 69% in customer visits with 79% of sales coming from members

– We examine consumption regularities and adapt to market changes. Our Hainan Wanning Store extended its business hours during peak seasons to yield higher efficiency from time; new pop-up brand shops were established, coupled with regular special sales events to gain higher efficiency from space. During the Labour Day sales campaign, we recorded a year-on-year increase of 55% in average daily sales

PROMOTING DIGITAL TRANSFORMATION AND UPGRADE THROUGH INNOVATION AND TECHNOLOGICAL EMPOWERMENT

– During the period, the Group established robust central business platform and central data platform to connect and integrate the data scattered across various business units. In the meantime, work has been done to promote the intelligent upgrade of offline stores to form an online-offline integrated smart hub, which improves the Group's digital operation capabilities such as omni-channel customer attraction and closed-loop big data analysis

– In a bid to develop its big data analysis capability, the Group worked to build a data analysis platform based on the existing customer traffic monitoring system, which generates reports at multiple levels, conducts in-depth analysis on specific business demands and automatically delivers reports via mobile terminals to enhance the timeliness and accuracy of data-driven decision making

– In an effort to further improve the big membership management system, the Group broke through the barrier between online and offline data through its digitalization drive by tapping into Capital Outlets' e-commerce platform, "鉅MAX" wechat mall, to better connect with the recourses of offline physical stores and offer more discounts and interests to members for better member loyalty. Big data analysis supports the resource replacement among online and offline brands as well as marketing strategy innovation, which in turn provides richer and more diversified options to customers

CONTINUOUSLY RAMPING UP THE BRAND INFLUENCE OF "CAPITAL OUTLETS" THROUGH ACCURATE MARKETING AND COOPERATION WITH DIFFERENT INDUSTRIES

– During the period, the Group examined the evolvement and division of consumer groups more closely. Committed to innovative marketing concepts of accurate positioning, IP marketing and introducing customers from different industries, the Group actively combined new life attitudes with the features of local projects, rolling out scenario-based marketing campaigns such as "3+4" Featured Block, "Beach Culture Festival", "Free Lobster Meal" and "Group Purchase Carnival for the Children's Day". Meanwhile, the Jump360 trampoline project was launched in multiple stores, creating a consumption experience unique to Capital Outlets

– The Group developed Capital Outlets' self-owned IP activities. "Shopping Bonanza with Super Brand Celebration" (超級合慶全民瘋搶), a unified marketing campaign, pooled the strengths of strategic brands and the brand resources of all sites with extended business hours to yield more efficiency from time. The campaign delivered a good effect and boosted the brand influence of Capital Outlets nationwide

– During the period, the Group won the "Golden Coordinate – Commercial Real Estate Corporate Golden Awards" (年度商業地產卓越企業金座標獎) issued by China Commercial Real Estate Forum (中國商業地產行業發展論壇) for its years of professional operation and management experience as well as good market reputation

– Our Wuhan store obtained the "Golden Lily Best Marketing Award for Shopping Centers" (金百合購物中心最佳營銷大獎) conferred by China Chain Store & Franchise Association (CCFA)

INVESTMENT PROPERTIES

Project	Approximate Site Area (m²) (Note 1)	Total Gross Floor Area (m²) (Note 2)	Property Type (m²)	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)	29,670	Cinema: 4,990 Supermarket: 7,660 Parking Space: 17,020	2019	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%
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	2019	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	2020	85%
Qingdao Capital Outlets (Qingdao High-tech Zone)	93,970	97,600	Outlets: 80,280 Parking Space: 17,320	2021	100%
Nanning Capital Outlets (Xingning District, Nanning)	101,970	138,440	Outlets: 109,950 Parking Space: 28,490	2021	100%
Xiamen Capital Outlets (Xiang'an District, Xiamen)	55,660	126,660	Outlets: 90,480 Parking Space: 36,180	2021	100%

DEVELOPMENT PROPERTIES

Project	Approximate Site Area *(m^2)*	Unsold Gross Floor Area *(m^2)*	Unsold Land Floor Area *(m^2)*	Property Type	Attributable Interest
Xi'an First City (Xi'an Economic Technology Development Zone)	355,900	373,810	225,430	Residential/ Commercial/ Office Buildings	100%
Nanchang Capital Outlets (Xinjian District, Nanchang)	30,150 *(Note 5)*	24,840	24,840	Commercial	40%
Jinan Capital Outlets (Tangye New Area, Jinan)	114,930 *(Note 6)*	760	760	Commercial	100%
Chongqing Capital Outlets (Banan District, Chongqing)	74,350 *(Note 7)*	9,230	9,230	Commercial	100%
Nanning Capital Outlets (Xingning District, Nanning)	101,970 *(Note 8)*	15,300	15,300	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 90,770 m^2, of which the gross floor areas of Phase I and Phase II are 108,720 m^2 and 87,770 m^2, respectively;

Note 4: The total site area of Huzhou Capital Outlets is 214,340 m^2, of which the site areas of Phase I and Phase II are 109,940 m^2 and 104,400 m^2, respectively;

Note 5: The site area of Nanchang Capital Outlets Plot B is 30,150 m^2, of which 29,670 m^2 of the gross floor area is investment property and 31,300 m^2 is development property;

Note 6: The site area of Jinan Capital Outlets is 114,930 m^2, of which 121,520 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 74,350 m^2, of which 110,560 m^2 of the gross floor area is investment property and 13,700 m^2 is development property;

Note 8: The site area of Nanning Capital Outlets is 101,970 m^2, of which 138,440 m^2 of the gross floor area is investment property and 15,300 m^2 is development property.

FINANCIAL REVIEW

1. REVENUE AND OPERATING RESULTS

For the six months ended 30 June 2019, the revenue of the Group was approximately RMB1,265,581,000, representing an increase of 223% from RMB391,236,000 in the same period of 2018. Such revenue increase was mainly attributed to the additional sales revenue from the strata sales of outlets shops.

For the six months ended 30 June 2019, the gross profit margin of the Group was approximately 51%, representing an increase of 8 percentage points from 43% in the same period of 2018. Higher gross profit margin was mainly attributed to the higher gross profit of the strata sales of outlets shops, which lifted the overall gross profit margin.

For the six months ended 30 June 2019, the operating profit of the Group amounted to approximately RMB447,564,000, representing an increase of 161% from RMB171,497,000 in the same period of 2018. Such increase was mainly attributed to the additional sales revenue from the strata sales of outlets shops.

For the six months ended 30 June 2019, the Group's profit amounted to approximately RMB22,918,000, representing an increase of 84% from RMB12,449,000 in the same period of 2018. Such increase was mainly due to higher operating profit.

2. LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remained at a healthy level with reasonable distribution of financial resources. As at 30 June 2019, the Group's cash and cash equivalents and restricted cash totaled RMB1,943,888,000 (31 December 2018: approximately RMB3,441,664,000), of which approximately RMB1,917,911,000 (31 December 2018: RMB3,411,542,000) was dominated in RMB. 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 2019, the Group's current ratio was 1.48 (31 December 2018: 1.66).

As at 30 June 2019, the Group's net gearing ratio was 115% (31 December 2018: 90%), based on the division of net debt by total equity. Net debt includes total bank and other borrowings and guaranteed notes (including current and non-current portions) less cash and cash equivalents and restricted cash. The change of net gearing ratio was primarily due to the increase in net debt that resulted from the decrease in the Group's cash and cash equivalents.

3. CHANGES IN MAJOR SUBSIDIARIES AND PRINCIPAL NON-CONTROLLING INTERESTS

On 29 January 2019, the Group entered into the Partnership Agreement in respect of the establishment of the Fund (i.e. Ningbo Beijing Capital Yiming Investment Partnership Enterprise (Limited Partnership) (寧波首鉅翌明投資合夥企業（有限合夥）) with Beijing NOVA Corporate Management Consulting Co., Limited (北京盛煦企業管理諮詢有限公司), Beijing Yusheng Property Management Co., Limited (北京昱盛物業管理有限公司) and Beijing Mobo Management Consulting Co., Limited (北京魔博管理諮詢有限公司) for investment in real estate re-development projects. The Fund is accounted for investment using the equity method by the Group.

4. BORROWINGS AND GUARANTEED NOTES

As at 30 June 2019, the Group's borrowings from banks and other financial institutions were approximately RMB5,542,807,000 (31 December 2018: approximately RMB5,648,474,000). The bank borrowings were secured by land use rights and investment properties, and/or guaranteed by the Company or BCL.

As at 30 June 2019, the amortized cost of the Group's guaranteed notes (the "Notes") was approximately RMB2,759,926,000 (31 December 2018: RMB2,759,458,000), including the current portion of RMB24,432,000 (31 December 2018: RMB23,139,000) and the non-current portion of RMB2,735,494,000 (31 December 2018: RMB2,736,319,000). The three-year floating-rate guaranteed notes with a face value of US$400,000,000 were listed for trading on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in August 2018. The details of the Notes are set out in the announcements dated 27 July and 2 August 2018.

5. FOREIGN EXCHANGE EXPOSURE

Major subsidiaries of the Company operate in the PRC and most of the transactions are denominated in RMB. In August 2018, the Group issued guaranteed notes with a face value of US$400,000,000. Accordingly, the Group has entered into a structured cross currency swap agreement to manage the risk of US$ exchange rate fluctuations. In addition, certain of the Group's monetary assets and liabilities are denominated in HK$ and US$, the amount of which is not significant. Hence, it is expected that exchange rate fluctuations will have no significant impact on the finance of the Group.

6. FINANCIAL GUARANTEES

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to purchasers of properties. As at 30 June 2019, the financial guarantees amounted to approximately RMB1,256,719,000 (31 December 2018: RMB1,375,293,000).

7. CAPITAL COMMITMENTS

As at 30 June 2019, the Group had capital commitments relating to the development properties under construction of approximately RMB148,828,000 (31 December 2018: RMB397,292,000), and had capital commitments relating to the investment properties under construction of approximately RMB349,889,000 (31 December 2018: RMB561,152,000).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

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

As at 30 June 2019, so far as is known to the Directors, none of the Directors and the chief executives 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 and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code"), to be notified to the Company and the Stock Exchange.

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

As at 30 June 2019, 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%
Beijing Capital Land Ltd. ("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 ("BCG Chinastar")	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%

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 Corp.	Interest of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%

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 (%)
KKR & Co. Inc (formerly known as 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 Roberts 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 a total of 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 2019, 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 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 lower 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 2019, no share option was granted, exercised, expired or lapsed and there was 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 2019, 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 2018 Annual Report are set out below:

Mr. He Xiaofeng, an independent non-executive Director of the Company, resigned as the independent non-executive director of Hanergy Thin Film Power Group Limited on 6 June 2019.

CORPORATE GOVERNANCE CODE

The Board and the management of the Company are committed to establishing and maintaining good corporate governance standards, a robust internal control mechanism and effective risk management. They are convinced that sound corporate governance is the cornerstone for the Company's long-term success and can establish a framework for effective management, superior corporate culture, successful business development and higher shareholder value. At the same time, the Board also actively improves transparency and accountability to all shareholders.

During the period from 1 January 2019 to 30 June 2019, the Company complied with the requirements under the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the continuing obligations requirements of a listed issuer pursuant to the Listing Rules, except for the deviation from Code Provision E.1.2 of the CG Code that the chairman of the board should attend the annual general meetings of the company. The Chairman of the Board was unable to attend the 2018 annual general meeting due to urgent business matters.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Following specific enquiries by the Company, all Directors have confirmed that they fully complied with the requirements under the Model Code for the six months ended 30 June 2019.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (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 interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019.

COST OF EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group employed about 1,244 employees (as of 30 June 2018: 895). The remuneration policy and package of the Group's employees are structured in accordance to market terms, individual employee performance, qualifications and experience and statutory requirements where appropriate. In addition, the Group also provides other staff benefits such as pension scheme, medical insurance scheme, unemployment insurance scheme, housing provident fund, mandatory provident fund and share options to motivate and reward employees at all levels to achieve the Group's business performance targets.

FUTURE DEVELOPMENT AND PROSPECTS

With tremendous economic achievements made by China's reform and opening-up, household consumption is in rapid transition from subsistence to quality. Emerging as the new consumption pillar is the middle class who believes in its own judgment, stresses on product quality and pursues more cost-effective products and services. Meanwhile, the post-90s generation has been growing into the new consumption force, as they are more easily attracted by new things amidst the accelerated iteration of digital technology and pursue personalized products and experiential consumption. According to the China Luxury Report from McKinsey, Chinese consumers at home and abroad spent RMB770 billion on luxury items in 2018, which accounted for a third of total global expenditure on luxuries and averaged nearly RMB80,000 for each luxury-consuming household. By 2025, such spending is expected to reach RMB1.2 trillion. Owing to the increasing brand awareness among consumers and the emerging consumer groups, outlets, famous for its strategy of "Big Brands, Reasonable Prices", is embracing a period full of strategic development opportunities as it examines the upgrading and evolving consumer demands and promotes digital front-end contact, online operation of core business and digitalized operation. Outlets also integrated all channels to reach members and maintain positive and deep engagement with them, so as to deliver sustainable development of the outlets membership economy.

In the second half of the year, the Group will proceed with its three development strategies, namely digitalization, experiential marketing and supply chain. We will strengthen the ability to reach and examine customers in digital approaches, upgrade our middle and rear platforms with digital and intelligent technologies, and improve the capability of closed-loop big data analysis. We will step up our efforts to create intellectual property ("IP") out of our outlets projects and upgrade customer experience, and enhance the value of services at our stores and their distinctive characteristics with a view to increasing customer visits and revenue. Relying on its self-operated business, the Group will explore the omni-channel supply chain management of brands and hone its ability to deliver supply chain management services.

The Group will remain attentive to new changes in consumer markets. By centering on upgrading consumer experience and the value of brand owners, we will employ digital transformation to deliver more accurate marketing initiatives, more reasonable brand classification and more precise operational management and control. We will strive for a mutually beneficial development platform for enterprises, consumers and brand owners to achieve scale expansion and steady growth in operating results, and ultimately create maximum value for our shareholders.

Mr. Feng Yujian
Chief Executive Officer

Beijing, 9 August 2019

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 21 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 2019 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, 9 August 2019

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Interim Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	6,7	**1,265,581**	391,236
Cost of sales	8	**(619,578)**	(221,805)
Gross profit		**646,003**	169,431
Fair value gains on investment properties	7	**45,583**	183,281
Other gains – net	7	**2,890**	2,130
Other income	7	**26,012**	14,174
Selling and marketing expenses	8	**(93,524)**	(62,639)
Administrative expenses	8	**(179,400)**	(134,880)
Operating profit		**447,564**	171,497
Finance costs	9	**(177,465)**	(66,736)
Share of gains/(losses) of investments accounted for using the equity method	16	**34**	(1,251)
Profit before income tax		**270,133**	103,510
Income tax expenses	10	**(247,215)**	(91,061)
Profit for the period		**22,918**	12,449
Attributable to:			
– Owners of the Company		**22,711**	12,476
– Non-controlling interests		**207**	(27)
Earnings per share attributable to owners of the Company during the period	12		
– Basic earnings per share (RMB cents)		**0.89**	0.49
– Diluted earnings per share (RMB cents)		**0.89**	0.49

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

The notes on pages 28 to 68 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit for the period		**22,918**	12,449
Other comprehensive loss for the period			
Items that may be reclassified to profit or loss			
Cash flow hedges	*21*	**(40,300)**	–
Cost of hedging	*21*	**21,303**	–
		(18,997)	–
Total comprehensive income for the period		**3,921**	12,449
Attributable to:			
– Owners of the Company		**3,714**	12,476
– Non-controlling interests		**207**	(27)

The notes on pages 28 to 68 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position

	Notes	**30 June 2019 *RMB'000* (Unaudited)**	31 December 2018 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	**26,669**	27,086
Right-of-use assets	*3.1*	**11,940**	–
Long-term prepaid expenses	*14*	**144,135**	151,337
Investment properties	*15*	**11,935,722**	10,763,096
Intangible assets		**16,798**	2,319
Investments accounted for using the equity method	*16*	**264,573**	31,239
Deferred income tax assets		**21,313**	16,176
Prepayments	*18*	**–**	295,027
Total non-current assets		**12,421,150**	11,286,280
Current assets			
Inventories	*17*	**1,791,498**	2,083,387
Incremental costs of obtaining a contract		**–**	16,255
Trade and other receivables and prepayments	*18*	**719,582**	705,961
Assets classified as held-for-sale		**–**	73,239
Restricted cash		**13,759**	33,173
Cash and cash equivalents		**1,930,129**	3,408,491
Total current assets		**4,454,968**	6,320,506
Total assets		**16,876,118**	17,606,786
LIABILITIES			
Non-current liabilities			
Borrowings	*19*	**4,972,007**	4,912,007
Lease liabilities		**2,000**	–
Guaranteed notes	*20*	**2,735,494**	2,736,319
Derivative financial liabilities	*21*	**55,099**	32,871
Provisions		**–**	4,123
Deferred income tax liabilities		**587,076**	605,077
Total non-current liabilities		**8,351,676**	8,290,397

Interim Condensed Consolidated Statement of Financial Position

	Notes	**30 June 2019 *RMB'000* (Unaudited)**	31 December 2018 *RMB'000* (Audited)
Current liabilities			
Trade payables	*22*	**1,732,234**	1,662,540
Other payables and accruals	*23*	**327,534**	329,286
Contract liabilities		**102,433**	1,004,183
Borrowings	*19*	**570,800**	736,467
Lease liabilities		**8,348**	–
Current income tax liabilities		**268,361**	73,068
Total current liabilities		**3,009,710**	3,805,544
Total liabilities		**11,361,386**	12,095,941
EQUITY			
Equity attributable to owners of the Company			
Share capital	*24*	**16,732**	16,732
Perpetual convertible bond securities	*26*	**945,429**	945,382
Reserves		**3,177,925**	3,196,922
Retained earnings		**1,323,750**	1,301,120
		5,463,836	5,460,156
Non-controlling interests		**50,896**	50,689
Total equity		**5,514,732**	5,510,845
Total equity and liabilities		**16,876,118**	17,606,786

The notes on pages 28 to 68 are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited)	Attributable to owners of the Company									
	Issued capital									
	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 account *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 2018	7,828	1,329	7,575	945,382	3,169,418	27,504	1,301,120	5,460,156	50,689	5,510,845
Adjustment on adoption of Hong Kong Financial Reporting Standard 16 ("HKFRS 16")	–	–	–	–	–	–	(34)	(34)	–	(34)
At 1 January 2019 (Restated)	7,828	1,329	7,575	945,382	3,169,418	27,504	1,301,086	5,460,122	50,689	5,510,811
Profit for the period	–	–	–	–	–	–	22,711	22,711	207	22,918
Other comprehensive loss for the period	–	–	–	–	–	(18,997)	–	(18,997)	–	(18,997)
Total comprehensive income for the period	–	–	–	–	–	(18,997)	22,711	3,714	207	3,921
Transactions with owners										
Dividends payable to perpetual convertible bond securities holders	–	–	–	47	–	–	(47)	–	–	–
Total transactions with owners	–	–	–	47	–	–	(47)	–	–	–
At 30 June 2019	7,828	1,329	7,575	945,429	3,169,418	8,507	1,323,750	5,463,836	50,896	5,514,732

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 account *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 ("HKFRS15")	–	–	–	–	–	–	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

The notes on pages 28 to 68 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash (used in)/generated from operations, net		**(198,784)**	541,637
Income tax paid		**(55,872)**	(49,778)
Net cash flows (used in)/generated from operating activities		**(254,656)**	491,859
Cash flows from investing activities			
Interests received from time deposits		**1,777**	1,576
Purchases of property, plant and equipment	*13*	**(18,206)**	(2,881)
Additions of long-term prepaid expenses		**(25,363)**	(57,936)
Additions of investment properties		**(641,254)**	(968,126)
Investment in a joint venture		**(233,300)**	–
Amounts received from government repurchase of land use rights		**–**	4,155
Amounts paid to related parties		**(24,459)**	–
Amounts received from related parties		**3,538**	–
Disposal of assets classified as held-for-sale		**74,841**	–
Net cash flows used in investing activities		**(862,426)**	(1,023,212)
Cash flows from financing activities			
New bank borrowings		**545,645**	2,696,003
Amounts paid to related parties		**(1,463)**	–
Repayments received from loans to related parties		**–**	23,941
Repayments of bank borrowings		**(651,312)**	(361,111)
Interests paid to bank borrowings		**(159,880)**	(108,542)
Interests paid for guaranteed notes		**(71,465)**	(34,219)
Interests paid to related parties		**–**	(1,598)
Cash settlement of hedging instrument		**(10,999)**	–
Principal elements of lease payments		**(4,218)**	–
Interests paid to a third party		**(6,479)**	–
Net cash flows (used in)/generated from financing activities		**(360,171)**	2,214,474
Net (decrease)/increase in cash and cash equivalents		**(1,477,253)**	1,683,121
Cash and cash equivalents at beginning of the period		**3,408,491**	1,793,200
Exchange (losses)/gains on cash and cash equivalents		**(1,109)**	1,041
Cash and cash equivalents at end of the period		**1,930,129**	3,477,362

The notes on pages 28 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 (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). 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 of Hong Kong Limited.

This condensed consolidated interim financial information has been approved and authorised for issue by the Board of Directors on 9 August 2019.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 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 2018, 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 2018, 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 16 Leases – Impact of adoption

The Group has adopted HKFRS 16 Leases from 1 January 2019 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening interim condensed consolidated statement of financial position on 1 January 2019.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(a) HKFRS 16 Leases – Impact of adoption (Continued)

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.87%.

	As at 1 January 2019 Effects of the adoption of HKFRS 16 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	14,702
Discounted using the lessee's incremental borrowing rate of at the date of initial application	14,058
Lease liabilities recognised as at 1 January 2019	
Of which are:	
Current lease liabilities	8,152
Non-current lease liabilities	5,906
	14,058

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	As at 30 June 2019 Effects of the adoption of HKFRS 16 ***RMB'000***	As at 1 January 2019 Effects of the adoption of HKFRS 16 *RMB'000*
Properties	**11,940**	16,023
Total right-of-use assets	**11,940**	16,023

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 2018.

(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 HK$, United States dollars ("US$") and RMB. 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.

The Group uses structured cross currency swaps to manage its foreign exchange risk arising from US$-denominated floating rate guaranteed note amounting to US$400,000,000. The Group seeks to apply, wherever possible, hedge accounting to present its financial statements in accordance with the economic purpose of the hedging activity. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms and performing a quantitative assessment as needed. As a result, the Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned, the hedging instruments have a one-to-one hedge ratio with the hedged items. In view of the nature of the hedging activities, no significant ineffectiveness is expected at inception.

(b) Interest rate risk

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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

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

Cash and cash equivalents

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.

Loans to related parties

Over the terms of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of loan, and adjusts for forward looking macroeconomic data.

The related parties have a low risk of default and a strong capacity to meet contractual cash flows, the Group recognise credit loss of loans to related parties based on 12 months expected losses.

Trade and other receivables (excluding prepayments and loans to related parties)

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables (excluding prepayments and loans to related parties).

To measure the expected credit losses, trade and other receivables (excluding prepayments and loans to related parties) have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles over a period of 36 months before 30 June 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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 2019 (Unaudited)				
Trade payables	**1,732,234**	**–**	**–**	**1,732,234**
Other payables and accruals	**243,132**	**–**	**–**	**243,132**
Borrowings	**850,226**	**4,258,170**	**1,292,840**	**6,401,236**
Guarantee notes	**144,640**	**2,932,756**	**–**	**3,077,396**
	2,970,232	**7,190,926**	**1,292,840**	**11,453,998**
At 31 December 2018 (Audited)				
Trade payables	1,662,540	–	–	1,662,540
Other payables and accruals	227,924	–	–	227,924
Borrowings	1,037,880	4,290,986	1,322,292	6,651,158
Guarantee notes	144,336	2,980,703	–	3,125,039
	3,072,680	7,271,689	1,322,292	11,666,661

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 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Total borrowings *(Note 19)*	**5,542,807**	5,648,474
Guaranteed notes (including accrued interests) *(Note 20)*	**2,759,926**	2,759,458
	8,302,733	8,407,932
Less: Cash and cash equivalents	**(1,930,129)**	(3,408,491)
Restricted cash	**(13,759)**	(33,173)
Net debt	**6,358,845**	4,966,268
Total equity	**5,514,732**	5,510,845
Gearing ratio	**115%**	90%

The increase of the gearing ratio is mainly due to the increase in net debt that resulted from the decrease in the Group's cash and cash equivalents.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 FAIR VALUE ESTIMATION

The table below analyses the Group's assets and liabilities carried at fair value as at 30 June 2019 and 31 December 2018, 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).

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As at 30 June 2019 (Unaudited)				
Non-financial assets				
Investment properties	**–**	**–**	**10,523,500**	**10,523,500**
Financial instruments				
Cross currency interest rate swaps	**–**	**55,099**	**–**	**55,099**
As at 31 December 2018 (Audited)				
Non-financial assets				
Investment properties	–	–	9,271,400	9,271,400
Financial instruments				
Cross currency interest rate swaps	–	32,871	–	32,871

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 FAIR VALUE ESTIMATION (CONTINUED)

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

The fair value of financial instruments traded in active markets is based on quoted market prices in active markets. The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. Specific valuation techniques mainly include discounted cash flow analysis and so on.

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.

5.3 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 2019	31 December 2018	**30 June 2019**	31 December 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial liabilities				
Interest-bearing bank and other financial institution borrowings	**2,500,000**	2,500,000	**2,551,112**	2,572,769

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 and other financial institution 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".

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 amounts due to related parties, borrowings, guaranteed notes, deferred income tax liabilities and derivative financial 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.

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 2019 (Unaudited)						
Total revenue	**919,704**	**275,620**	**70,768**	**1,266,092**	**–**	**1,266,092**
Inter-segment revenue	**–**	**(511)**	**–**	**(511)**	**–**	**(511)**
Revenue (from external customers)	**919,704**	**275,109**	**70,768**	**1,265,581**	**–**	**1,265,581**
Segment operating profit/(loss)	**465,803**	**36,091**	**(68,792)**	**433,102**	**(288)**	**432,814**
Depreciation and amortisation *(Note 8)*	**–**	**(28,878)**	**(1,376)**	**(30,254)**	**–**	**(30,254)**
Income tax expenses *(Note 10)*	**(245,420)**	**(2,032)**	**237**	**(247,215)**	**–**	**(247,215)**
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 expenses *(Note 10)*	(42,684)	(47,721)	(656)	(91,061)	–	(91,061)

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*
As at 30 June 2019 (Unaudited)						
Total segment assets	**1,659,497**	**12,327,879**	**869,185**	**14,856,561**	**(12,087)**	**14,844,474**
Total segment liabilities	**(280,911)**	**(1,990,766)**	**(38,646)**	**(2,310,323)**	**12,087**	**(2,298,236)**
As at 31 December 2018 (Audited)						
Total segment assets	1,936,843	11,782,247	396,197	14,115,287	(14,045)	14,101,242
Total segment liabilities	(1,542,512)	(1,344,441)	(58,911)	(2,945,864)	14,045	(2,931,819)

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Segment operating profit	**432,814**	160,846
Share of gains/(losses) of investments accounted for using the equity method *(Note 16)*	**34**	(1,251)
Interest income *(Note 7)*	**14,750**	10,651
Finance costs *(Note 9)*	**(177,465)**	(66,736)
Profit before income tax	**270,133**	103,510

6 OPERATING SEGMENT INFORMATION (CONTINUED)

(B) Segment assets and liabilities are reconciled to total assets and liabilities as follows:

	30 June 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Total segment assets	**14,844,474**	14,101,242
Cash and cash equivalents	**1,930,129**	3,408,491
Restricted cash	**13,759**	33,173
Deferred income tax assets	**21,313**	16,176
Amounts due from related parties *(Note 30(f))*	**66,443**	47,704
Total assets per interim condensed consolidated statement of financial position	**16,876,118**	17,606,786
Total segment liabilities	**(2,298,236)**	(2,931,819)
Borrowings *(Note 19)*	**(5,542,807)**	(5,648,474)
Guaranteed notes *(Note 20)*	**(2,759,926)**	(2,759,458)
Amounts due to related parties *(Note 30(g))*	**(118,242)**	(118,242)
Deferred income tax liabilities	**(587,076)**	(605,077)
Derivative financial liabilities *(Note 21)*	**(55,099)**	(32,871)
Total liabilities per interim condensed consolidated statement of financial position	**(11,361,386)**	(12,095,941)

6 OPERATING SEGMENT INFORMATION (CONTINUED)

(C) Assets and liabilities related to contracts with customers:

	30 June 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Sales commission for properties	–	16,255
Total incremental costs of obtaining a contract	–	16,255
Advances from sales of properties	**86,416**	991,481
Advances from rental of properties	**6,888**	7,150
Others	**9,129**	5,552
Total contract liabilities	**102,433**	1,004,183

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 2019 and 2018.

As at 30 June 2019, total non-current assets other than deferred income tax assets located in the PRC is RMB12,399,837,000 (31 December 2018: RMB11,270,098,000), none of these non-current assets located in Hong Kong (31 December 2018: RMB6,000).

For the six months ended 30 June 2019 and 2018, 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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of properties	**919,704**	196,645
Rental revenue of investment properties	**275,109**	157,667
Sale of goods	**70,768**	36,924
	1,265,581	391,236
Other gains – net		
Fair value gains on investment properties *(Note 15(c))*	**45,583**	183,281
Net foreign exchange gains	**871**	1,041
Others	**2,019**	1,089
	48,473	185,411
Other income		
Bank interest income	**14,750**	10,651
Others	**11,262**	3,523
	26,012	14,174

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**427,686**	116,593
Cost of goods sold	**59,180**	31,922
Depreciation of right-of-use assets	**4,083**	6,521
Depreciation and amortisation	**30,254**	11,663
Employee benefit expenses	**137,787**	102,545
– *Wages, salaries and staff welfare*	**113,175**	85,938
– *Pension scheme contributions*	**9,842**	6,309
– *Other allowance and benefits*	**14,770**	10,298
Advertising and marketing	**71,973**	49,769
Property management fee	**62,051**	41,274
Business taxes and other surcharges	**36,292**	20,417
Office and traveling expenses	**26,840**	16,877
Consultancy fee	**8,308**	7,905
Service fee for keepwell deed *(Note 30(b))*	**4,067**	1,950
Others	**23,981**	11,888
	892,502	419,324

9 FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings	**160,997**	113,708
Net fair value loss on derivative financial instruments:		
Reclassified from cash flow hedge reserve	**6,061**	–
Reclassified from costs of hedging reserves	**725**	–
Ineffectiveness of cash flow hedges	**4,592**	–
Interest expenses on guaranteed notes	**75,023**	35,555
Others	**6,788**	–
Less: interests capitalised	**(76,721)**	(82,527)
	177,465	66,736

10 INCOME TAX EXPENSES

Hong Kong corporates are mainly subject to Hong Kong profits tax rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong during the period (six months ended 30 June 2018: Nil).

PRC corporate income tax has been provided at the rate of 25% (six months ended 30 June 2018: 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 expenditures and other related expenditures.

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC corporate income tax	**96,300**	11,558
– PRC land appreciation tax	**171,554**	31,293
Deferred income tax	**(20,639)**	48,210
Total tax charges for the period	**247,215**	91,061

11 DIVIDENDS

No dividend has been paid or declared by the Board of Directors during the period (six months ended 30 June 2018: 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 2019 is based on the profit for the period attributable to owners of the Company of RMB22,711,000 (six months ended 30 June 2018: RMB12,476,000), the weighted average number of ordinary shares of 961,538,462 (six months ended 30 June 2018: 961,538,462), the weighted average number of convertible preference shares ("CPS") of 1,072,928,106 (six months ended 30 June 2018: 1,072,928,106) and the weighted average number of shares of 513,185,911 (six months ended 30 June 2018: 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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	**22,711**	12,476
	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 2019 (Unaudited)				
At 1 January 2019	**9,041**	**13,364**	**4,681**	**27,086**
Additions	**9**	**15,099**	**3,098**	**18,206**
Disposals	**(7,114)**	**(5,303)**	**(2,643)**	**(15,060)**
Depreciation provided during the period	**(31)**	**(2,840)**	**(692)**	**(3,563)**
At 30 June 2019	**1,905**	**20,320**	**4,444**	**26,669**
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

14 LONG-TERM PREPAID EXPENSES

	Prepaid decoration expenses *RMB'000*	Others *RMB'000*	Total *RMB'000*
Six months ended 30 June 2019 (Unaudited)			
At 1 January 2019	**134,245**	**17,092**	**151,337**
Additions	**22,701**	**7,689**	**30,390**
Depreciation provided during the period	**(28,365)**	**(9,227)**	**(37,592)**
At 30 June 2019	**128,581**	**15,554**	**144,135**
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

15 INVESTMENT PROPERTIES

(A) INVESTMENT PROPERTIES UNDER CONSTRUCTION

	Cost *RMB'000*	Fair Value *RMB'000*	Total *RMB'000*
Six months ended 30 June 2019 (Unaudited)			
At 1 January 2019	**1,491,696**	**2,459,000**	**3,950,696**
Additions	**559,516**	**565,762**	**1,125,278**
Transfer to investment properties in operation	**–**	**(2,323,750)**	**(2,323,750)**
Transfer to investment properties under construction at fair value	**(638,990)**	**–**	**(638,990)**
Transfer from investment properties under construction at cost	**–**	**638,990**	**638,990**
Net gains from fair value adjustment	**–**	**9,998**	**9,998**
At 30 June 2019	**1,412,222**	**1,350,000**	**2,762,222**
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

15 INVESTMENT PROPERTIES (CONTINUED)

(B) INVESTMENT PROPERTIES IN OPERATION

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At 1 January	**6,812,400**	5,344,200
Additions	**1,765**	21,486
Transfer from investment properties under construction	**2,323,750**	656,200
Net gains from fair value adjustment	**35,585**	132,614
At 30 June	**9,173,500**	6,154,500

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net gains from fair value adjustment	**45,583**	183,281
Rental income	**275,109**	157,667
Direct operating expenses from investment properties that generated rental income	**(4,398)**	(1,043)
Direct operating expenses from investment properties that did not generate rental income	**(308)**	(75)

Profit or loss recognised in the interim condensed consolidated 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:

Investment properties	Fair value as at 30 June 2019 *RMB'000*	Valuation techniques	Unobservable inputs: Title	Unobservable inputs: Range	Unobservable inputs: Relationship of unobservable inputs to fair value
North region	3,503,000	Income capitalisation approach	Discount rate	6% to 7%	The higher discount rate is, the lower fair value
			Market rental price	RMB 64 to RMB 256 per square meter per month	The higher market rental price is, the higher fair value
Central region	5,670,500	Income Capitalisation approach	Discount rate	6% to 7%	The higher discount rate is, the lower fair value
			Market rental price	RMB 30 to RMB 154 per square meter per month	The higher market rental price is, the higher fair value
	1,350,000	Residual method	Interest rate	4.35%	The higher interest rate is, the lower fair value
			Profit margin rate	5.00%	The higher profit margin rate is, the lower fair value

15 INVESTMENT PROPERTIES (CONTINUED)

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

			Unobservable inputs		
Investment Properties	Fair value as at 31 December 2018 *RMB'000*	Valuation techniques	Title	Range	Relationship of unobservable inputs to fair value
North region	1,861,000	Income capitalisation approach	Discount rate	6% to 7%	The higher discount rate is, the lower fair value
			Market rental price	RMB32 to RMB229 per square meter per month	The higher market rental price is, the higher fair value
	1,315,000	Residual method	Interest rate	4.35%	The higher interest rate is, the lower fair value
			Profit margin rate	1.07% to 10%	The higher profit margin rate is, the lower fair value
Central region	5,642,400	Income capitalisation approach	Discount rate	6% to 7%	The higher discount rate is, the lower fair value
			Market rental price	RMB30 to RMB154 per square meter per month	The higher market rental price is, the higher fair value
	453,000	Residual method	Interest rate	4.35%	The higher interest rate is, the lower fair value
			Profit margin rate	12%	The higher profit margin rate is, the lower fair value

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

16.1 INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At 31 December	**29,034**	104,125
Effect of first-time adoption of HKFRS15	**–**	798
At 1 January	**29,034**	104,923
Share of losses	**(272)**	(615)
At 30 June	**28,762**	104,308

16.2 INVESTMENTS IN JOINT VENTURES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At 1 January	**2,205**	3,890
Capital injection	**233,300**	–
Share of gains/(losses)	**306**	(636)
At 30 June	**235,811**	3,254

17 INVENTORIES

	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Properties under development	**620,820**	982,804
Completed properties held for sale	**980,317**	947,100
Merchandise inventories	**190,361**	153,483
	1,791,498	2,083,387

18 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Trade receivables	**35,346**	28,758
Prepayments for land use rights and construction costs of investment properties	**–**	295,027
Prepayments to related parties *(Note 30(e))*	**3,571**	7,109
Prepayments of merchandise inventories	**85,418**	43,029
Other prepayments	**9,727**	12,089
Prepaid income tax and land appreciation tax	**1,762**	53,805
Prepaid other taxes	**288,977**	284,342
Other deposits	**33,952**	45,218
Amounts due from related parties *(Note 30(e)(f))*	**74,315**	49,856
Receivables from government repurchase of land use rights	**74,365**	74,360
Deposits for land use rights	**29,000**	29,000
Other receivables	**83,149**	78,395
	719,582	1,000,988
Less: non-current portion – Prepayments for land use rights and construction costs of investment properties	**–**	(295,027)
Current portion	**719,582**	705,961

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.

18 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 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Up to 3 months	**35,283**	28,758
Over 6 months	**63**	–
	35,346	28,758

Included in the trade receivables are trade receivables of RMB1,200,000 (31 December 2018: Nil) 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 BORROWINGS

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Non-current		
Bank and other financial institution borrowings	**4,972,007**	4,912,007
Current		
Current portion of long-term bank borrowings	**211,000**	306,667
Short-term bank borrowings	**359,800**	429,800
	570,800	736,467
	5,542,807	5,648,474

19 BORROWINGS (CONTINUED)

(A) As at 30 June 2019, bank borrowings amounting to RMB690,007,000 (31 December 2018: RMB750,007,000) were secured by the land use rights and buildings of investment properties with carrying amount of RMB2,779,000,000 (31 December 2018: RMB2,546,000,000).

As at 30 June 2019, bank borrowings amounting to RMB85,000,000 (31 December 2018: RMB90,000,000) were secured by the land use rights and the buildings of investment properties with carrying amount of RMB212,406,000 (31 December 2018: 197,941,000) and guaranteed by the Company.

As at 30 June 2019, bank borrowings amounting to RMB1,250,000,000 (31 December 2018: RMB700,000,000) were secured by the land use rights and buildings of investment properties with carrying amount of RMB2,355,793,000 (31 December 2018: RMB1,549,229,000) and guaranteed by BCL.

As at 30 June 2019, bank borrowings amounting to RMB658,000,000 (31 December 2018: RMB900,000,000) were secured by the land use rights of investment properties with carrying amount of RMB175,823,000 (31 December 2018: RMB458,301,000) and guaranteed by BCL.

As at 30 June 2019, bank and other financial institution borrowings amounting to RMB2,859,800,000 (31 December 2018: RMB2,929,800,000) 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 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Total borrowings		
– Within 1 year	**570,800**	736,467
– Between 1 and 2 years	**2,820,000**	1,285,000
– Between 2 and 5 years	**1,030,007**	2,490,007
– Over 5 years	**1,122,000**	1,137,000
	5,542,807	5,648,474

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

19 BORROWINGS (CONTINUED)

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

	30 June 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Bank and other financial institution borrowings	**5.54%**	5.51%

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

20 GUARANTEED NOTES

	30 June 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
As at 1 January	**2,759,458**	1,326,329
Nominal value of guaranteed notes issued	**–**	2,738,440
Direct transaction costs	**–**	(16,547)
Interest expenses	**75,023**	101,822
Interest paid	**(71,465)**	(103,049)
Repayment upon maturity	**–**	(1,300,000)
Exchange rate effect on guaranteed notes	**(3,090)**	12,463
	2,759,926	2,759,458
Accrued interests for guaranteed notes, classified as other payables under current liabilities	**(24,432)**	(23,139)
Non-current portion	**2,735,494**	2,736,319

On 2 August 2018, Trade Horizon Global Limited ("Trade Horizon"), a wholly-owned subsidiary of the Company, issued floating rate guaranteed notes (the "Notes") amounted to US$400,000,000, which is due in August 2021. The Notes bear interest from and including 2 August 2018, payable quarterly in arrear on 2 February, 2 May, 2 August and 2 November in each year.

21 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has the following derivative financial instruments:

	30 June 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Cash flow hedges		
Cross currency interest rate swaps *(i)*	**55,099**	32,871

(i) On 6 August 2018, Trade Horizon entered into a cross currency interest rate swaps ("CCIRS") to hedge the US$/Chinese Yuan ("CNY") exchange risk and the interest rate risk arising from the US$-denominated floating rate Notes issued on 2 August 2018. According to the contract of the CCIRS, the Group receives US$ floating rate interest and pays CNY fixed rate interest, and receives US$ notional amount and pays CNY equivalent of the notional amount at the strike rate (strike rate varies if the spot rate on the maturity date is above higher cap strike or below the lower cap strike). The CCIRS meets the criteria to apply hedging accounting in accordance with the Group's economic purpose of the hedging activities.

(ii) Fair value measurement

Information about the methods and assumptions used in determining the fair value of derivatives are set out below:

Financial Instruments	Valuation techniques	Significant inputs
Cross currency interest rate swaps	Black-Scholes formula	Observable exchange rates, interest rates and volatility levels
	Discounted cash flow	Observable exchange rates and interest rates of respective currency

21 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Hedging reserves

	Cash flow hedge reserve *RMB'000*	Costs of hedging reserves *RMB'000*	Total *RMB'000*
At 31 December 2018 (Audited)	(23,815)	(11,478)	(35,293)
Other comprehensive loss			
Cash flow hedges			
Net fair value losses	**(49,213)**	–	**(49,213)**
Reclassification to profit or loss	**8,913**	–	**8,913**
Total cash flow hedges	**(40,300)**	–	**(40,300)**
Costs of hedging			
Net fair value losses	–	**20,578**	**20,578**
Amortisation to profit or loss	–	**725**	**725**
Total costs of hedging	–	**21,303**	**21,303**
At 30 June 2019 (Unaudited)	**(64,115)**	**9,825**	**(54,290)**

21 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(iv) The effects of applying hedge accounting on the Group's financial position and performance are as follows:

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Cross currency interest rate swaps		
Carrying amount (liabilities)	**(55,099)**	(32,871)
Notional amount	**2,744,800**	2,744,800
Maturity date	**26 July 2021**	26 July 2021
Hedge ratio	**1:1**	1:1
Changes in fair value of the hedging instrument used for measuring effectiveness	**(49,213)**	(23,230)
Changes in fair value of the hedged item used for measuring effectiveness	**49,213**	23,041
Strike rate	**CNY6.862: US$1**	CNY6.862: US$1
Higher cap	**CNY 7.7: US$1**	CNY 7.7: US$1
Lower cap	**CNY 6.2: US$1**	CNY 6.2: US$1
US$ floating interest rate receive leg	**3 months US$–LIBOR+2.575% per annum based on US$ notional**	3 months US$–LIBOR+2.575% per annum based on US$ notional
CNY fixed interest rate pay leg	**5.925% per annum based on CNY notional**	5.925% per annum based on CNY notional

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 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Within 1 year	**1,547,538**	1,563,754
1 to 2 years	**184,696**	98,786
	1,732,234	1,662,540

Included in the trade payables are trade payables of RMB839,000 (31 December 2018: RMB802,000) 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 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Other tax payables	**21,896**	19,810
Employee benefit payable	**7,485**	27,228
Amounts due to related parties *(Note 30(e)(g))*	**122,530**	123,993
Accrued interests for guaranteed notes *(Note 20)*	**24,432**	23,139
Accrued interest for bank borrowings	**5,089**	5,685
Guarantee deposits	**89,279**	76,595
Amounts received as government grants	**25,500**	25,500
Collect and remit payment on behalf	**14,018**	10,742
Others	**17,305**	16,594
	327,534	329,286

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

24 SHARE CAPITAL

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Authorised:		
Ordinary shares		
20,000,000,000 (31 December 2018: 20,000,000,000) ordinary shares of HK$0.01 each	**160,009**	160,009
Class A CPS		
738,130,482 (31 December 2018: 738,130,482) CPS of HK$0.01 each	**5,875**	5,875
Class B CPS		
905,951,470 (31 December 2018: 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 2018: 961,538,462) ordinary shares of HK$0.01 each	**7,828**	7,828
Class A CPS		
166,976,636 (31 December 2018: 166,976,636) CPS of HK$0.01 each	**1,329**	1,329
Class B CPS		
905,951,470 (31 December 2018: 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 Property 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 receive 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 2019, the Group has accrued interest amounting to RMB232,000 (31 December 2018: RMB185,000).

27 COMMITMENTS

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

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Contracted, but not provided for:		
Properties under development	**148,828**	397,292
Investment properties	**349,889**	561,152
	498,717	958,444

28 FINANCIAL GUARANTEES

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

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Mortgage facilities for certain purchasers of the Group's properties	**1,256,719**	1,375,293

As at 30 June 2019, 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 LEASE ARRANGEMENTS

AS LESSOR

The terms of the lease arrangements of the Group are generally more than two 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 2019, the Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Within one year	**13,635**	15,150
In the second to fifth years, inclusive	**40,002**	46,990
After five years	**4,228**	4,470
	57,865	66,610

29 LEASE ARRANGEMENTS (CONTINUED)

AS LESSEE

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

At 30 June 2019, the Group had total future minimum lease payments under non-cancellable leases falling due as follows:

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Within one year	**8,676**	8,676
In the second to fifth years, inclusive	**2,009**	6,026
	10,685	14,702

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	
	2019 *RMB'000* **(Unaudited)**	2018 *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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Purchases of services		
– Rental expense to BCL	**879**	846
– Service fee for keepwell deed to Capital Group(i)	**4,067**	1,950
– Rental expense to a joint venture of BCL	**3,796**	3,796

(i) Capital Group provide Keepwell and Liquidity Support Deed and the Deed of Equity Interest Purchase Undertaking to Trade Horizon for the issuance of US$ 400,000,000 guaranteed notes, Trade Horizon would pay Capital Group with an amount of 0.3% of the issued aggregate principal, amounted to US$1,200,000 (equivalent to RMB 8,119,000) per annum. Trade Horizon recorded administrative expenses amounting to RMB 4,067,000 during the current period. The service fee fall within the exemption for connected transactions pursuant to Rule14A.90 of the Listing Rules.

(c) PURCHASE OF GOODS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Purchase of goods from a fellow subsidiary	**1,742**	2,129

(d) KEY MANAGEMENT COMPENSATION

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kinds	**5,157**	5,762
Pension scheme contributions	**284**	190
	5,441	5,952

30 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	30 June 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Prepayments to related parties		
– Capital Group	**687**	4,814
– Fellow subsidiaries	**2,559**	302
– A joint venture of BCL	**325**	1,993
	3,571	7,109
Trade payables		
– Fellow subsidiaries	**839**	802
Other payables and accruals		
– BCL	**4,288**	5,654
– Fellow subsidiaries	**–**	97
	4,288	5,751
Trade receivables due from related parties		
– BCL	**1,200**	–
Other receivables		
– BCL	**966**	–
– Fellow subsidiaries	**4,719**	–
– A joint venture of BCL	**1,993**	1,993
– An associate of BCL	**194**	159
	7,872	2,152

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(f) AMOUNTS DUE FROM RELATED PARTIES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
– An associate of the Group	**64,043**	47,704
– A joint venture of the Group	**2,400**	–
	66,443	47,704

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

(g) AMOUNTS DUE TO RELATED PARTIES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Fellow subsidiaries	**17**	17
Non-controlling interests	**118,225**	118,225
	118,242	118,242

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

(h) As at 30 June 2019, BCL provided irrevocable guarantee for the bank borrowings of the Group amounted to RMB4,767,800,000 (31 December 2018: RMB4,529,800,000) (Note 19 (A)).