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**

ANNUAL 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

AUTHORISED REPRESENTATIVES

Mr. Feng Yujian
Ms. Peng Sisi

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISERS

AS TO HONG KONG LAWS:

Norton Rose Fulbright Hong Kong

AS TO CAYMAN ISLANDS LAWS:

Conyers Dill & Pearman

AS TO PRC LAWS:

Beijing Jingtian & Gongcheng
Beijing Zhonglun W&D

REGISTERED OFFICE

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

Corporate Information

PRC HEADQUARTERS
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 China
Bank of Beijing
The Hongkong and Shanghai Banking Corporation Limited
Dah Sing Bank Limited

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	STOCK CODE
Ordinary shares	1329.HK

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

DEBT SECURITY LISTED ON THE SHENZHEN STOCK EXCHANGE	STOCK CODE
RMB2,700,000,000 Senior Class ABS due 2024	119487
RMB879,000,000 Subordinated Class ABS due 2024	119488

INVESTOR RELATIONS CONTACT
Email: contactus@bcgrand.com

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

鉅宝汇
PRIVILEGE VIP

Major Events of the Year

JAN

- Beijing Capital Grand was granted nine awards, and was appointed as the first chairman of CGCC Outlet Branch (中商聯奧萊分會)

JAN

- Beijing Capital Outlets was awarded the "Outstanding Contribution to Business in Beijing for the 40th Anniversary of the Reform and Opening Up" (改革開放四十年北京商業卓越貢獻獎)

JAN

- Jinan Capital Outlets staged its grand opening with record opening sales

Major Events of the Year

MAR

- Beijing and Wanning stores were listed in Top 20 China Outlets in terms of sales in 2018

APR

- Wuhan Capital Outlets was awarded the "China Commercial Real Estate Operation Management Innovation Award" (中國商業地產運營管理創新大獎) by the China Commercial Real Estate Industry Development Forum (中國商業地產行業發展論壇)

APR

- Beijing Capital Grand was granted the honor of "Golden Coordinates – 2018 Outstanding Commercial Property Firm in China" (金坐標－2018年度中國商業地產卓越企業大獎)

Major Events of the Year

APR

- Beijing Capital Grand as the new retail pioneer of Capital Group to carry out in-depth cooperation with Alibaba Cloud

MAY

- Phase II of Beijing Capital Outlets staged its grand opening, recording over 170,000 customer visits with sales of RMB50 million on the first day, breaking record for daily sales

JUN

- Wuhan Capital Outlets was granted the honor of the "2019 Golden Lily Best Marketing Award for Shopping Centers" (2019金百合購物中心最佳營銷大獎) by China Chain Store & Franchise Association (CCFA)

Major Events of the Year

SEP

- Xi'an Capital Outlets staged its grand opening and the strong presence of Capital Outlets in the Northwestern market

SEP

- Chongqing Capital Outlets staged its grand opening and reshaping the business landscape of "South Chongqing"

NOV

- Beijing Capital Grand was listed as the "Guardian Property Top 100 Commercial Property Companies in China" (觀點地產中國商業地產100強), ranking the highest in the outlet sector

DEC

- Beijing Capital Grand successfully issued the first phase of the asset backed securitization scheme by the amount of RMB3.579 billion

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, the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2019.

Since 2019, amidst the complex domestic and international economic situations, China's national economy has continued to perform within an appropriate range. With the deepening of supply-side reform and structural adjustment, the stability, coordination and sustainability of economic development have increased. The country's gross domestic product for the year amounted to approximately RMB99.1 trillion, representing a year-on-year increase of 6.1% on the basis of comparable prices. The GDP per capita exceeded US$10,000 for the first time. Owing to the steadily expanding consumer goods market, the continuously optimizing consumption structure, the continuous progress of transformation and upgrade and the accelerated formation of a new source of consumption growth, domestic consumption continued to play a major role in economic growth. Driven by a combination of factors such as economic structural transformation, rising household income, accelerated urbanization and consumption upgrades, the domestic outlets (including the Group) have been actively innovating business operation models and promoting online-offline integrated development, which led to a ramp-up in sales.

As part of the intensive efforts on the membership economy during the period, the Group kept its focus to centering on consumers, continuously deepened the refined management mechanism, innovated the operation management model, strengthened the coordination of brand resources, optimized the category portfolio structure, promoted the digital empowerment and upgrade, and gave full play to its advantageous chain operation and scale effects to achieve solid growth in operating efficiency. During the year, the Group realized a turnover of RMB7.83 billion in outlets operation, representing a year-on-year increase of over 53%. In particular, the Group summarized past marketing activities experience and consumer preferences through in-depth research, innovated marketing models and integrated various resources to achieve unified activity time, theme and content across the 12 cities in China. Leveraging on online channels such as short videos and live broadcasts by using the new diversified marketing model of "online attraction + theme IP + new service function" to deepen consumer stickiness. Customer visits during the activities surpassed 10 million with sales exceeding RMB1.8 billion, which further bolstered the brand influence and industry recognition of the Group. During the period, Phase II of Beijing Project, Jinan Project, Xi'an Project, and Chongqing Project opened on schedule, bringing the number of operating projects to 12 and maintaining its industry championship by the number of projects acquired and in operation.

While putting full efforts in promoting lean operations management, the Group continued to iterate and upgrade the digital operation system. By the end of 2019, we have reached a strategic cooperation agreement with Alibaba Cloud. In the future, we will combine Alibaba's strong mid-to-back office technical support with the advanced new retail business philosophy. Centering on the Group's goal of digital upgrading, we will take these measures to lay a solid foundation in various aspects such as smart shopping malls, online-offline integration, intelligent data analysis and precise membership marketing, and continue to reshape the traditional retail value chain, leading to a consumption upgrade.

Chairman's Statement

During the period under review, the Group recorded operating revenue of RMB1,864,672,000, representing an increase of 52% over the same period of last year; and net loss attributable to the parent amounted to RMB223,539,000. The Board has resolved not to declare an annual dividend for the year ended 31 December 2019.

During the period, despite the adverse effects of the increasingly tight financing channels in the industry, by virtue of the strong shareholders' background, excellent basic assets and superb business operation capability, the Group was agile in seizing opportunities under favorable policies. In December 2019, the Group successfully issued the first phase of asset backed securitization scheme, which has unleashed the potential of existing property assets and realized capital recovery, while allowing the Company to benefit from potential asset appreciation and have the flexibility to increase its investment. It has enabled the Group to become another domestic benchmark of separation of capital and management, the combination of heavy and light assets, and industry-finance integration for the retail sector, which has set a very positive precedent in this regard. At the same time, the Group took advantage of the existing business model and strategic resources to actively promote the transformation of asset operation mode, and worked on real estate re-development in the core areas of first tier cities. By doing so, the Group strives to develop a market-oriented operations management team for properties that holds diverse types of business operations, and gradually realize the transformation of operation mode from "heavy" to "light".

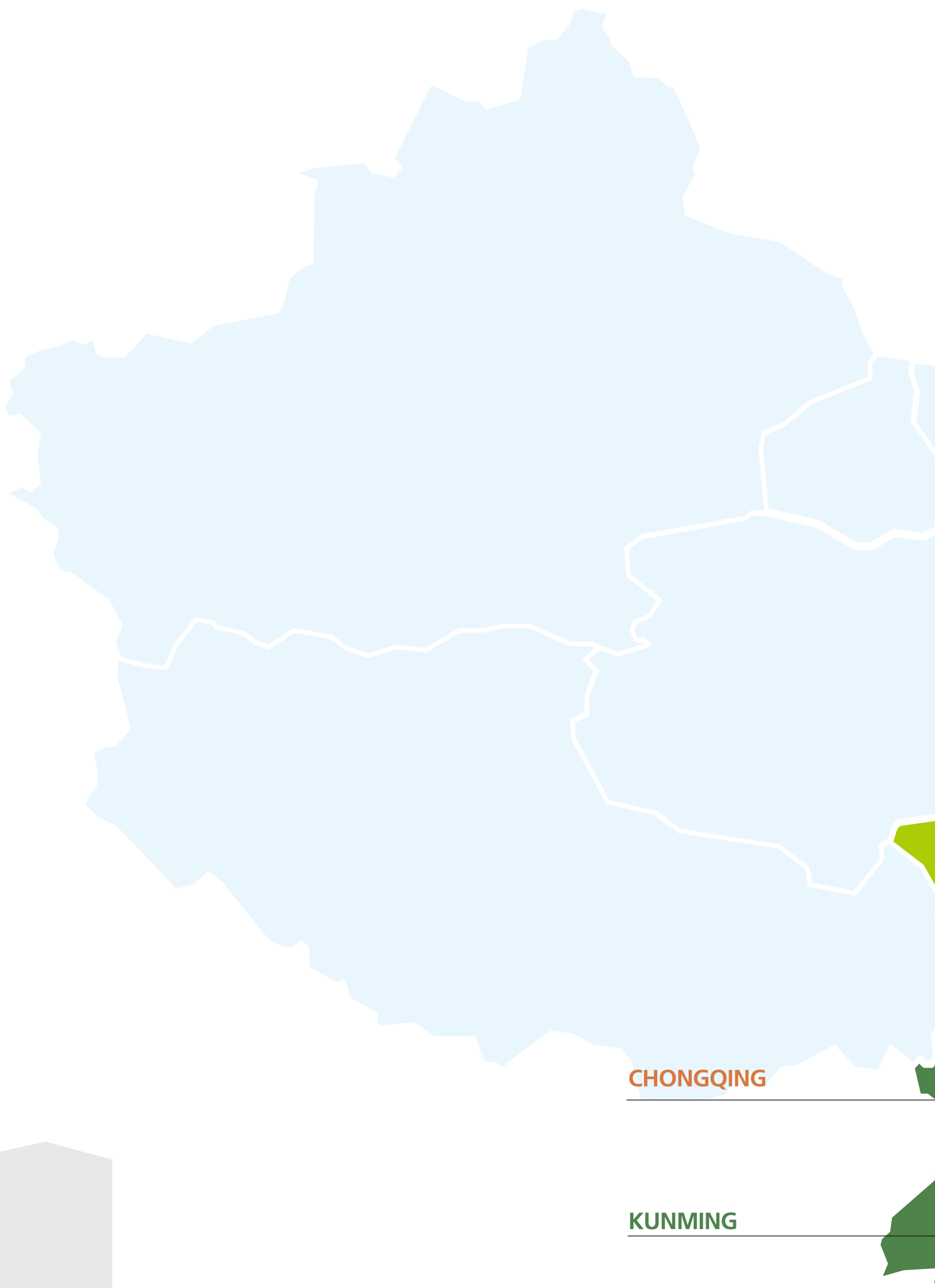
Looking into 2020, while residential income is steadily increasing and consumption promotion policies being implemented effectively step by step, the continuously optimizing consumption structure and the ongoing consumption upgrade, new trends and new models are developing rapidly, and thus, the consumption market is expected to maintain steady growth. However, the delayed effect of the international trade friction remains, and the novel coronavirus pneumonia will also affect the commercial and retail industry in the short term. In the middle to long term, young free spenders will become the new driver of consumption growth, and there will be increasingly trending toward consumption upgrade and differentiation. In order to maintain robust business growth and sustainable development, the key is to find out how to explore the best business operation mode from the dimensions of experience and efficiency, and to provide better quality products, more cost-effective prices and better services. The Group will steadily carry out construction of new projects and promote lean operations of existing projects. Centered on our core operational concept of regarding products as the soul, adjustment as a constant necessity, surroundings to be enticing and service as a fundamental principle, we focused on implementing strategies according to different projects and operating conditions so as to stimulate organic growth. Meanwhile, the Group will focus on services and mechanism innovation, seize the opportunity of consumption upgrade, improve customer experience and meet their personalized demands. The Group will also build the character and connotation of Capital Outlets brands and lead the industry to explore innovative business models and ecological cooperation modes, which bring about a transformation in consumer lifestyle, thus reinventing retail value.

On behalf of the Board, I would like to express our sincere gratitude to all our shareholders, partners and clients for their care and strong support to Capital Grand. We will regard digital innovation as a point for breakthrough and leverage intelligent operation to gain insights into consumer demand, offer customized products and services with low costs, higher efficiency and greater experience, and continuously create value for our shareholders, clients and partners.

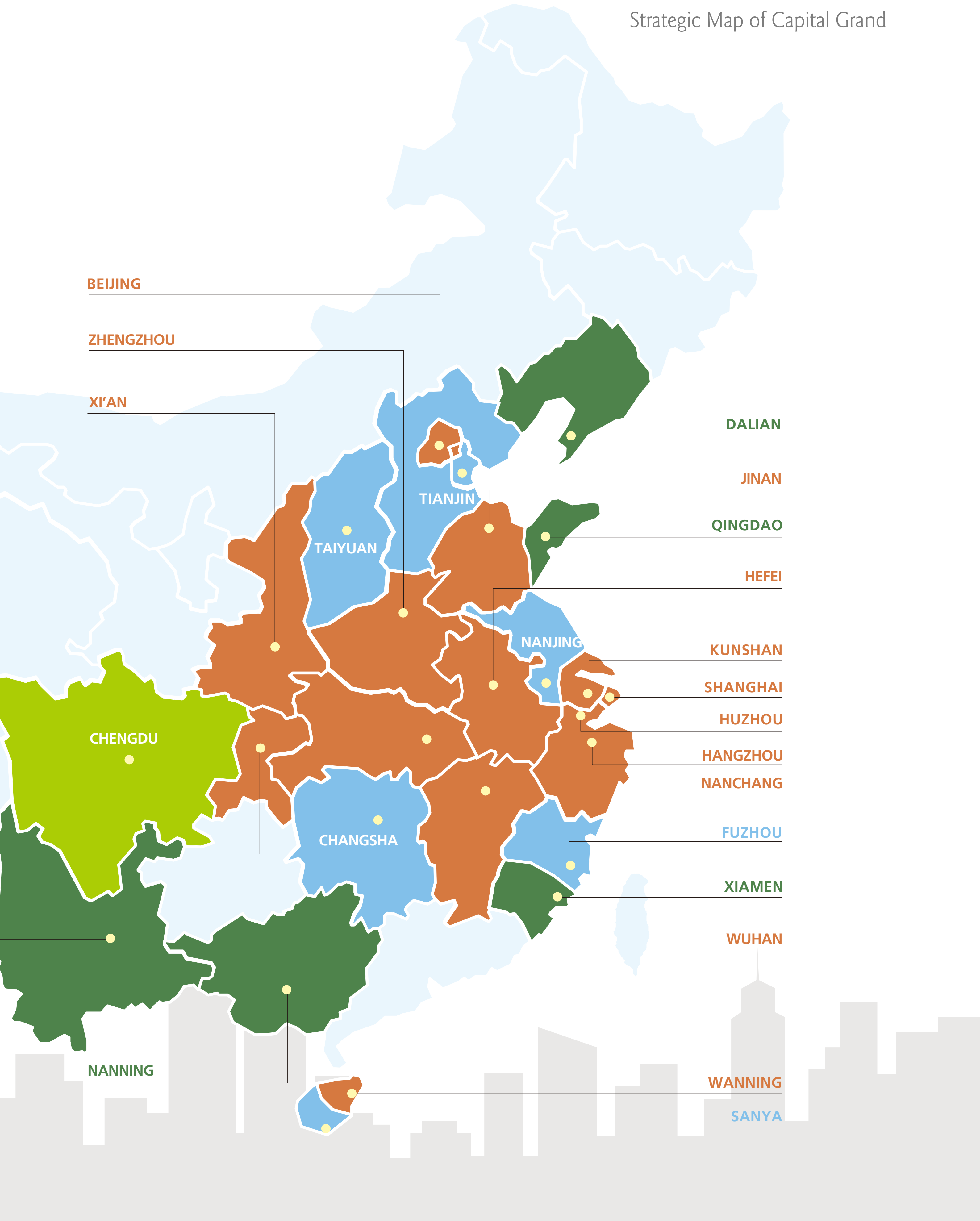
Mr. Zhong Beichen
Chairman
Beijing, 6 March 2020

Strategic Map of Capital Grand

- OPENED
- UNDER CONSTRUCTION
- SIGNED
- PLANNING



Strategic Map of Capital Grand



Management Discussion and Analysis


CAPITAL OUTLETS
首创奥特莱斯
CHANEL
LOUIS VUITTON
FENDI
FENDI
BOSS
CHINA TELECOM

INVESTMENT PROPERTIES

Project	Approximate Site Area (m^2) (Note 1)	Total Gross Floor Area (m^2) (Note 2)	Property Type (m^2)	Expected Time of Launching	Attributable Interest
Fangshan Capital Outlets (Changyang Town, Fangshan District, Beijing)	90,770 (note 3)	108,720	Outlets: 104,340 Parking Space: 4,380	2013	100%
	90,770 (note 3)	87,770	Outlets: 39,540 Supermarket: 3,260 Parking Space: 44,970	2019	100%
Kunshan Capital Outlets (Kunshan Development Zone)	46,240	50,420	Outlets: 50,420	2015	100%
	46,790	50,110	Outlets: 50,110	2017	100%
Huzhou Capital Outlets (Huzhou Taihu Lake Tourism Resort) (Note 4)	109,940	54,700	Outlets: 54,700	2013	100%
Nanchang Capital Outlets (Xinjian District, Nanchang)	56,830	129,700	Outlets: 85,240 Parking Space: 44,460	2017	100%
	30,150 (note 5)	28,370	Cinema: 4,990 Supermarket: 7,660 Parking Space: 15,720	2018	40%
Hangzhou Capital Outlets (Fuyang District, Hangzhou)	101,690	112,280	Outlets: 88,980 Parking Space: 23,300	2017	100%
Wuhan Capital Outlets (Wuhan East Lake High-tech Development Zone)	89,760	107,560	Outlets: 83,740 Parking Space: 23,820	2018	99%
Xi'an Capital Outlets (Xi'an Hi-tech Industrial Development Zone)	119,650	118,840	Outlets: 83,040 Parking Space: 35,800	2019	100%

INVESTMENT PROPERTIES (CONTINUED)

Project	Approximate Site Area (m²) *(Note 1)*	Total Gross Floor Area (m²) *(Note 2)*	Property Type (m²)	Expected Time of Launching	Attributable Interest
Zhengzhou Capital Outlets (Xingyang City, Zhengzhou)	80,860	96,580	Outlets: 81,070 Parking Space: 15,510	2018	100%
Jinan Capital Outlets (Tangye New Area, Jinan)	114,930 *(note 6)*	121,520	Outlets: 76,990 Parking Space: 44,530	2018	100%
Hefei Capital Outlets (Binhu New District, Hefei)	87,910	96,270	Outlets: 75,230 Parking Space: 21,040	2018	100%
Chongqing Capital Outlets (Banan District, Chongqing)	74,350 *(note 7)*	110,560	Outlets: 79,110 Parking Space: 31,450	2019	100%
Kunming Capital Outlets (Wuhua District, Kunming)	67,920	136,040	Outlets: 86,010 Parking Space: 50,030	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	145,590	Outlets: 113,740 Parking Facility and Parking Space: 31,850	2021	100%
Xiamen Capital Outlets (Xiang'an District, Xiamen)	55,660	124,870	Outlets: 83,480 Parking Space: 34,890 Supermarket: 6,500	2021	100%

DEVELOPMENT PROPERTIES

Project	Approximate Site Area (m²)	Unsold Gross Floor Area (m²)	Unsold Land Floor Area (m²)	Property Type	Attributable Interest
Xi'an First City (Xi'an Economic Technology Development Zone)	355,900	368,195	232,854	Residential/ Commercial/ Office Buildings/ Parking Space	100%
Nanchang Capital Outlets (Xinjian District, Nanchang)	30,150 *(Note 5)*	24,370	24,370	Commercial	40%
Jinan Capital Outlets (Tangye New Area, Jinan)	114,930 *(Note 6)*	1,273	1,273	Commercial	100%
Chongqing Capital Outlets (Banan District, Chongqing)	74,350 *(Note 7)*	6,571	6,571	Commercial	100%
Nanning Capital Outlets (Xingning District, Nanning)	101,970 *(Note 8)*	8,046	8,046	Commercial	100%

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

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

Note 3: The site area of Fangshan Capital Outlets is 90,800 m², of which the gross floor areas of Phase I and Phase II are 108,700 m² and 87,800 m², respectively;

Note 4: The total site area of Huzhou Capital Outlets is 214,300 m², of which the site area of Phase I and Phase II are 109,900 m² and 104,400 m², respectively;

Note 5: The site area of Nanchang Capital Outlets Plot B is 30,200 m², of which 28,400 m² of the gross floor area is investment property and 30,800 m² is development property;

Note 6: The site area of Jinan Capital Outlets is 114,900 m², of which 121,500 m² of the gross floor area is investment property and 63,000 m² is development property;

Note 7: The site area of Chongqing Capital Outlets is 74,400 m², of which 110,600 m² of the gross floor area is investment property and 17,400 m² is development property;

Note 8: The site area of Nanning Capital Outlets is 102,000 m², of which 145,600 m² of the gross floor area is investment property and 15,300 m² is development property;

MARKET REVIEW OF OUTLETS

In 2019, China's economy was transitioning from high-speed growth to high-quality development, with a GDP growth rate of 6.1% for the whole year. Total retail sales of consumer goods amounted to RMB41.2 trillion, representing a year-on-year nominal increase of 8%. The contribution of consumption expenditure to economic growth increased notably. Per capita GDP exceeded US$10,000 for the first time, while household income and consumption expenditure also increased steadily. Per capita consumption expenditure was RMB21,559, exceeding RMB20,000 for the first time, with a nominal growth of 8.6%. Household consumption continued to upgrade, and the quality of life steadily improved.

With the change of consumers' shopping habits, shopping scenes have been under constant diversification, and the retail market has undergone tremendous changes, traditional retail technique are unable to address the basic demands of customers. The transformation and upgrading of the physical retail industry is accelerating. As the exploration of new retail models proceeds with profits below expectation, the industry has started to reflect and returned to the consumer-centric nature of retail. Consumer markets are further localized as the rise of new consumer groups in mid- and low-tier cities inject new vitality to the consumer market, extending the momentum of national consumption, consumption upgrades and consumer differentiation.

According to the data released by Outlets Leader Big Data Center (奧萊領秀大數據中心), the industrial scale of outlets continued to increase across China in 2019, launching 16 new projects for the whole year which represented a slower growth pace. The outlets industry reflected an obvious trend of integration and differentiation, while domestic professional outlets operators displayed a salient scale advantage in chain-based operation and a stable expansion. Leading operators proactively pushed for the transformation of physical stores, optimized the business portfolio of its brands, and strengthened its capabilities in digital operation and management to improve the precision of its marketing reach and broaden the channels of customer coverage. Some of professional outlets operators were active in capitalizing on their asset operation and management capabilities through output of asset-light strategy and management as well as asset securitization, in a bid to revitalize the existing property assets.

BUSINESS REVIEW

ALIGNING CONSTRUCTION WITH SHOP-OPENING TO GAIN INCREMENTAL MOMENTUM

– During the period, the Group launched four new projects, namely Jinan Project and Phase II of Beijing Project, Xi'an Project and Chongqing Project, bringing the total number of operating projects to 12 and maintaining its industry championship by the number of projects acquired and in operation. The Group realized a total turnover of nearly RMB7.83 billion, representing a year-on-year increase of 53%; and customer visits amounted to 41.29 million for the entire year, which represented a year-on-year increase of 32%, both indicating steady improvement in operating results.

– On 18 January 2019, 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 2019, Phase II of Beijing 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;

– On 13 September 2019, Xi'an Capital Outlets staged its grand opening, recording nearly RMB30 million in sales and 150,000 customer visits for the three-day Mid-Autumn Festival;

– On 28 September 2019, Chongqing Capital Outlets staged its grand opening, recording over 110,000 customer visits and nearly RMB20 million in sales on its first day.

EXPLORING INVENTORY POTENTIAL THROUGH LEAN OPERATION

– The Group capitalized on the scale advantage of its chain operation. Unified project operation and management standards have been established together with core indicators such as whole-process monitoring of goods display, the efficiency of cargo allocation and replenishment, the availability of seasonal commodities, and the inventory rate on holidays, to adjust the distribution of existing brands and formats in a dynamic way. Meanwhile, the Group has been actively exploring the core advantage categories of self-operated businesses, building a complementary and win-win system for brand collection stores and independent brand stores, and providing consumers with diversified, personalized, and differentiated goods in order to gradually form a competitive advantage of "Unique Offerings and Better Products" (你無我有，你有我優).

– The Group delved deep into the membership economy and enhanced its customer relations management capability to enable better consumer service experience. Precise push notifications, rewards, membership salons and other activities have ramped up the added value of membership benefits effectively, and offered members enjoyable shopping experience. For the year as a whole, the Group recruited 690,000 new members, representing a year-on-year increase of 75.5%.

– The Group has carried out smart transformation for its projects, by leveraging on venue consumption data to optimize the movement routes of its consumers in stores and brand layout, enable high-relevance stores to bring more customer flow to each other according to thermodynamic charts, introduce intelligent equipment to provide more interaction and fun to experience, and integrate venue characteristics into design and atmosphere creation, all in an effort to effectively improve consumers' shopping experience.

CONTINUOUSLY RAMPING UP THE BRAND INFLUENCE OF "CAPITAL OUTLETS" THROUGH UNIFIED MARKETING

– During the period, the Group launched unified themes, timelines and content for its events, with coordinated brand resources and marketing content in place to connect its projects nationwide. "Super Joint Celebration, Shopping Bonanza for All", a self-operated IP event with Capital Outlets characteristics, integrated internal and external resources to develop an omni-channel marketing platform that conducts classified membership management and classified information notification to achieve accurate marketing. Meanwhile, the Group leveraged on unified operation to explore online marketing models, under which content is released offline to convert online traffic. During the unified marketing period, the Group recorded sales of RMB1.8 billion for 18 days and more than 10 million visitors, which further raised the brand image and influence of Capital Outlets.

– In November 2019, the Group, as the sole Outlets operator, was listed in "China Top 100 Players of The Commercial Real Estate" (中國商業地產 TOP 100) for the fourth consecutive year, a renewed recognition of the Group's management, innovation capability and brand value by the industry.

– Our Wuhan store received 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).

STRENGTHENING DIGITAL OPERATION CAPABILITIES THROUGH INNOVATIVE UPGRADING

– During the period, the Group entered into strategic cooperation with Alibaba Cloud to accelerate construction of central business platforms and central data platforms. It also tapped into Alibaba's strong mid and backstage technical support with the advanced new retail business concepts to develop full-scenario data modeling and analysis capabilities on Outlets consumption. At the same time, Capital Outlets' membership management system was under constant optimization. With such infrastructure in place, efforts were made to combine the resources of existing merchants and other sectors to empower offline stores in innovative marketing opportunities, enhancing user loyalty and many other aspects, for the purpose of provide members with lifetime maintenance, operation and management.

FINANCIAL REVIEW

1. REVENUE AND OPERATING RESULTS

In 2019, the revenue of the Group was approximately RMB1,864,672,000 (2018: RMB1,224,040,000), representing an increase of 52% as compared to that of 2018. The increase in revenue was mainly attributable to: i) additional rental income from investment property as a result of the continuously robust sales performance of outlets shops; and ii) an increase in property sales revenue from the carry-forward revenue upon delivery of the strata sales of outlets shops.

In 2019, the gross profit margin of the Group was approximately 47%, representing an increase of 14 percentage points from 33% in 2018. Higher gross profit margin was mainly attributable to the higher gross profits of the outlets rental business and of the sales of outlets business that carried forward to revenue for the current year, which lifted the overall gross profit margin.

In 2019, operating profit of the Group was approximately RMB456,831,000 (2018: RMB255,855,000), representing an increase of 79% as compared to that of 2018. Such increase was mainly attributed to the additional commercial rental income and the additional sales revenue from the strata sales of outlets shops.

In 2019, the Group's loss for the year was approximately RMB223,052,000 (2018: RMB197,458,000), representing an increase of 13% as compared to that of 2018. Such increase was mainly attributable to: i) an increase in selling expenses and administrative expenses of the Group of 17% and 24%, respectively, as compared to that of 2018 due to the continued investment in newly launched projects and operating projects in 2019; ii) an increase in the weighted average finance amount, increase in the total interest expense and a decrease in the capitalized interest expense of the Group in 2019, resulting in an increase in financial cost of 84% as compared to that of 2018; and iii) The appreciation of the fair value of investment properties of the Group slowed down, representing a decrease of 79% as compared to that of 2018.

2. LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remained at a healthy level with reasonable distribution of financial resources. As at 31 December 2019, the Group's cash and cash equivalents and restricted cash totaled approximately RMB2,178,729,000 (31 December 2018: approximately RMB3,441,664,000), of which approximately RMB2,162,610,000 (31 December 2018: approximately RMB3,411,542,000), approximately RMB1,141,000 (31 December 2018: approximately RMB1,543,000) and approximately RMB14,978,000 (31 December 2018: approximately RMB28,579,000) were denominated in RMB, Hong Kong Dollar ("HK$") and US Dollar ("US$"), respectively. The majority of the Group's cash and cash equivalents and restricted cash are deposited with creditworthy banks with no recent history of default.

As at 31 December 2019, the Group's current ratio was 1.25 (31 December 2018: 1.66).

As at 31 December 2019, the Group's net gearing ratio was 134% (31 December 2018: 90%), based on the division of net debt by total equity. Net debt includes total bank and other borrowings, guaranteed notes (including current and non-current portions) and the asset-backed securities scheme senior class (including current and non-current portions), etc. less cash and cash equivalents and restricted cash. The change of net gearing ratio was primarily due to the increase in net debt of the Group in 2019.

3. CHANGES IN MAJOR SUBSIDIARIES, PRINCIPAL JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

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 (北京盛煦企業管理咨詢有限公司), 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 (北京魔博管理咨詢有限公司) for investment in real estate re-development projects. The Fund is accounted for investment using the equity method by the Group.

On 8 January 2019, the Group entered into the Equity Transaction Contract with Hunan Xiangjiang District Culture and Tourism Investment Co., Ltd. (湖南湘江新區文化旅遊投資有限公司), pursuant to which the Group sold the entire 30% equity interests of Changsha Joy City Investment Co., Ltd. (長沙歡樂天街投資有限公司) ("Changsha Joy City") held at the price of approximately RMB74,841,000. Such sales transaction has been completed in 2019, and the Group ceased to hold any equity of Changsha Joy City.

4. BORROWINGS, GUARANTEED NOTES AND ASSET BACKED SECURITIZATION SCHEME

As at 31 December 2019, the Group's borrowings from banks and other financing institutions were approximately RMB3,765,000,000 (31 December 2018: approximately RMB5,648,474,000). As at 31 December 2019, the borrowings from bank approximately RMB610,000,000 were secured by the land use rights and the buildings of investment properties and guaranteed by Beijing Capital Land Ltd. ("BCL"). The borrowings from bank approximately RMB655,000,000 were secured by the land use rights of investment properties and guaranteed by BCL. The borrowings from other financial institutions approximately RMB2,500,000,000 were guaranteed by BCL.

As at 31 December 2019, the amortised cost of the Group's guaranteed notes (the "Notes") was approximately RMB2,796,677,000 (31 December 2018: RMB2,759,458,000), including the current portion of RMB20,946,000 (31 December 2018: RMB23,139,000) and the non-current portion of RMB2,775,731,000 (31 December 2018: RMB2,736,319,000). The three-year floating-rate guaranteed notes with a nominal value of US$400,000,000 were listed for trading on the Stock Exchange in August 2018. The details of the Notes are set out in the announcements dated 27 July 2018 and 2 August 2018.

On 9 December 2019, the Group non-publicly issued an asset-backed securities scheme known as Zhonglian Yichuang — Beijing Capital Grand Outlets No.1 Phase I Asset-backed Securities Scheme* (中聯一創一首創鉅大奧特萊斯一號第一期資產支持專項計劃). The issuance of the asset-backed securities scheme was for the purpose of securitizing the properties held by the Group, namely the Fangshan Capital Outlets and the Kunshan Capital Outlets, and raising funds for the operation and development of the businesses of the Group. The total issuance of the scheme was RMB3,579,000,000, including: (i) the Senior Class ABS in the principal amount of RMB2,700,000,000 with a fixed coupon rate of 5.2% per annum and a maturity term of five years, all of which were subscribed by qualified investors (which were Third Parties) and will be listed and tradeable on the Integrated Negotiated Trading Platform (綜合協議交易平台) of the Shenzhen Stock Exchange (the "Listing"); and (ii) the Subordinated Class ABS in the principal amount of RMB879,000,000 with no fixed coupon rate and a maturity term of five years, all of which were subscribed by Zhuhai Hengqin Hengsheng Huachuang Business Management Co., Ltd (珠海橫琴恒盛華創商業管理有限公司) ("Hengsheng Huachuang"), a wholly-owned subsidiary of the Group. The Subordinated Class ABS will not be listed. It will be treated as equity investment of Hengsheng Huachuang from an accounting perspective and offset in the consolidated financial statements of the Group. As at 31 December 2019, the amortised cost of the Group's Senior Class ABS was approximately RMB2,700,839,000 (31 December 2018: Nil), including the current portion of RMB8,939,000 (31 December 2018: Nil) and the non-current portion of RMB2,691,900,000 (31 December 2018: Nil).

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$400,000,000. Accordingly, the Group has entered into a structured cross swap agreement to manage the risk of US$ 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 31 December 2019, the financial guarantees amounted to approximately RMB1,163,279,000 (31 December 2018: RMB1,375,293,000).

7. **CAPITAL COMMITMENTS**
As at 31 December 2019, the Group had capital commitments relating to the development properties under construction of approximately RMB142,096,000 (31 December 2018: RMB397,292,000), and had capital commitments relating to the investment properties under construction of approximately RMB415,591,000 (31 December 2018: RMB561,152,000).

EVENT AFTER THE REPORTING PERIOD

Details of the subsequent events of the Group are set out in Note 40 to the Consolidated Financial Statements on page 146 of this Annual Report.

COST OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had 1,297 employees (as of 31 December 2018: 1,076). The remuneration policy and package of the Group's employees are structured in accordance to market conditions, the performance, educational background and experience of individual employees as well as statutory requirements where appropriate. In addition, the Group also provides other staff benefits such as pension scheme, medical insurance scheme, unemployment insurance scheme, housing provident fund and share options to motivate and reward employees at all levels to meet the Group's business performance targets.

FUTURE DEVELOPMENT AND PROSPECTS

Looking into 2020, trade frictions and the novel coronavirus pneumonia will leave lingering downward pressure on the economy within the short term. This, however, will not alter the trend of stability and long-term positive development for the Chinese economy. Household income will grow further, boosting consumption capacity and willingness to spend as consumption structure continues to upgrade. According to industry think tanks, in 2019, the global luxury market was worth about US$381.7 billion; China's global luxury consumption, in particular, reached US$152.7 billion, with total domestic luxury consumption increased to US$47.5 billion at a growth increase of 24%. With the influence of consumption upgrade and deepening brand awareness, the outlets industry featuring famous products and discounts still boasts considerable growth potential.

At the same time, the commercial application of 5G network enables more efficient online-offline interaction, and generates more brand-new consumption application scenarios. Additionally, new technology and digitization will continue to empower retail and break its geographical boundaries further. The nature of shopping has gradually evolved into "consumer + entertainment + socializing", imposing higher requirements on digital operation and consumer insight capabilities for the whole retail industry. In particular, flexible organizational structure and decision-making mechanism as well as a favorable internal innovation and learning environment are particularly essential to the strategic process of digital upgrading.

The Group will remain attentive to the development and consumer trends of the outlets industry under the impact of structural differentiation of the consumption market and new technology. By way of strategic cooperation with Alibaba Cloud, we will strengthen the statistical analysis and application capabilities for outlets business scenarios, upgrade our digital operation and management system; and build a management team for commercial property assets, gradually convert corporate assets operation from heavy to light asset, and explore diversified realization of asset management. In addition, we will continue to iterate and upgrade our innovative marketing and unified marketing activities, forge a unique label characteristic of Capital Outlets for stronger consumer awareness and brand influence, with precision marketing in place to achieve higher income, lower expenditure and maximum value for our shareholders!

Mr. Feng Yujian
Chief Executive Officer

Beijing, 6 March 2020

Biographical Details of the Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhong Beichen (鍾北辰), aged 45, was appointed as the chairman of the Board and the chairman of the nomination committee of the Company in January 2017, and was appointed as the executive Director and president of BCL in April 2018. He is also a director of certain subsidiaries of the Company. Mr. Zhong served as an architect of the Planning and Design Institute of the Department of Light Industry of the PRC (中國輕工業部規劃設計院) from July 1996 to August 2000. Mr. Zhong served as an architect of Beijing Sunshine Real Estate Comprehensive Development Company (北京陽光房地產綜合開發公司) from August 2000 to December 2001 and the deputy general manager of Beijing Anhua Shiji Real Estate Development Co., Ltd. (北京安華世紀房地產開發有限公司) and Beijing Sunshine City Real Estate Development Co., Ltd. (北京陽光城房地產有限公司) from January 2003 to December 2007. Mr. Zhong served as the general manager of the Product R&D Centre of BCL from January 2008 to May 2010 and the vice-president of Outlets Investment Management Co., Ltd. (奧特萊斯投資管理有限公司) from June 2010 to August 2011. He served as the general manager of the Commercial Property Development Department of BCL from September 2011 to December 2013, and the assistant president of BCL from September 2011 to February 2012. Mr. Zhong acted as the executive Director and chief executive officer of the Company from December 2013 to January 2017. He was the vice-president of BCL from January 2017 to April 2018. Mr. Zhong obtained a bachelor's degree in Architecture from Xiamen University in 1996.

Mr. Feng Yujian (馮瑜堅), aged 46, was appointed as an executive Director and the chief executive officer of the Company in January 2017, the chairman of the strategic investment committee of the Company in February 2018, and the assistant president of BCL in October 2018. He is also a director in certain subsidiaries of the Company. He was the vice-president of the Company from March 2015 to January 2017. He joined BCL and served as the securities business manager in the Business Development Department in March 2003, the deputy general manager of the Strategic Development Centre from April 2008 to January 2010, the general manager of the Capital Management Centre from January 2010 to July 2014, as well as the general manager and investment relationship director of BCL Hong Kong Office from August 2012 to April 2017. Prior to joining BCL, Mr. Feng served as a senior analyst in Foshan Securities Co., Ltd., an analyst in Beijing Xinminsheng Financial Advisory Co., Ltd. and a securities trader in Zhejiang Jinma Property Development Co., Ltd.. Mr. Feng obtained a bachelor's degree in Economics from Renmin University of China in July 1994 and a master's degree in Business Administration from Beijing International MBA (BiMBA) in February 2003.

NON-EXECUTIVE DIRECTORS

Mr. Wang Hao (王昊), aged 37, was appointed as a non-executive Director and a member of the strategic investment committee of the Company in May 2018. Mr. Wang served as a senior manager of the Investment Banking Department of CITIC Securities Co., Ltd. from June 2007 to August 2010. Mr. Wang joined Beijing Capital Group Co., Ltd. (the "Capital Group") as an assistant to the chairman in August 2010 and served as the deputy general manager of the Synergy Development Department of the Capital Group from October 2015 to February 2017, and also served as the deputy general manager of the Real Estate Department of the Capital Group since February 2017. Mr. Wang obtained a bachelor's degree in Electrical Engineering from University of Bristol in the United Kingdom in August 2006.

Ms. Qin Yi (秦怡), aged 41, was appointed as a non-executive Director and a member of the remuneration committee of the Company in December 2018. Ms. Qin served in the financial department of Beijing Saike Pharmaceutical Co., Ltd. (北京賽科藥業股份有限公司) from 2000 to 2001. Ms. Qin joined BCL in July 2004 and served as a professional supervisor of the Business Development Department, a senior manager of the Strategic Development Centre, as well as the assistant general manager and deputy general manager of the Capital Management Centre successively. Ms. Qin has served as the general manager of the Capital Management Centre of BCL since February 2014. She was appointed as the Secretary of the Board of Directors of BCL in March 2016. Ms. Qin obtained a bachelor's degree in Economics from China Institute of Finance and Banking in 2000 and a master's degree in Economics from the School of Economics of Peking University in 2004.

Mr. Wang Honghui (王洪輝), aged 40, was appointed as a non-executive Director as well as a member of the nomination committee and strategic investment committee of the Company in December 2016. He is the vice president of Sino-Ocean Group (Stock Code: 3377.HK), and also the general manager of Sino-Ocean Capital Limited. He served several positions in Sino-Ocean Group, including the general manager of the CEO Management Centre from February 2015 to October 2016, the general manager of the Investment Department from March 2014 to January 2015, the deputy general manager and subsequently the general manager of the Secretarial and Administration Department from August 2010 to February 2014, and the person-in-charge for investment expansion of the Development Department from July 2005 to July 2010. Mr. Wang was a management officer of Beijing Municipal Commission of Construction from July 2004 to July 2005. He obtained a bachelor's degree in Real Estate Management from Renmin University of China in July 2002 and a master's degree in Regional Economics from the Chinese Academy of Social Sciences in July 2004. Mr. Wang is a senior economist and a real estate appraiser.

Mr. Yang, Paul Chunyao (楊文鈞), aged 51, was appointed as a non-executive Director, a member of the remuneration committee and the strategic investment committee of the Company in February 2018. He joined KKR as a member and head of Greater China in 2017. Prior to joining KKR, Mr. Yang was the president and CEO of China Development Financial Holding Corporation ("CDFC", a company listed on the Taiwan Stock Exchange, stock code: 2883.TW). Prior to joining CDFC, Mr. Yang was the managing director and head of private equity and mezzanine finance at DBS Bank in Hong Kong. Mr. Yang also held positions at the branches of ICG Asia, Goldman Sachs, General Atlantic and Boston Consulting Group in the U.S. and Asia. He is currently a director of CDFC. He received his BS and MS in Mechanical Engineering at MIT and his MBA at Harvard.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Ngai Wai Fung (魏偉峰), aged 58, was appointed as an independent non-executive Director, the chairman of the audit committee and a member of the remuneration committee and nomination committee of the Company in December 2013. He is the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited, a specialty company secretarial, corporate governance and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. He has over 30 years of professional practices senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and regulatory compliance, corporate governance and secretarial work for listed issuers including major red chips companies. Dr. Ngai had led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. He is a member of the General Committee of the Chamber of Hong Kong Listed Companies and has been appointed as a Finance Expert Consultant by the Ministry of Finance of the PRC since 2016. Dr. Ngai was the President of Hong Kong Institute of Chartered Secretaries (2014-2015), an unofficial member of Working Group on Professional Services under the Hong Kong Special Administrative Region Economic Development Commission (2013-2018) and a member of the Qualification and Examinations Board of the Hong Kong Institute of Certified Public Accountants (2013-2018). Dr. Ngai is currently the independent non-executive director of BaWang International (Group) Holding Limited (Stock Code: 1338.HK), Powerlong Real Estate Holdings Limited (Stock Code: 1238.HK), Health and Happiness (H&H) International Holdings Limited (Stock Code: 1112.HK), Bosideng International Holdings Limited (Stock Code: 3998.HK), SITC International Holdings Company Limited (Stock Code: 1308.HK), BBMG Corporation (Stock Code: 2009.HK), TravelSky Technology Limited (Stock Code: 696.HK) and China Communications Construction Company Limited (Stock Code: 1800.HK) and also the independent director of LDK Solar Co., Ltd. and SPI Energy Co., Ltd. Apart from LDK Solar Co., Ltd. and SPI Energy Co., Ltd., which are now listed on the OTC Pink Limited Information and Nasdaq respectively, all of which are companies listed on the Stock Exchange of Hong Kong and/or the Shanghai Stock Exchange. Dr. Ngai was the independent non-executive director of China Coal Energy Company Limited (Stock Code: 1898.HK) from December 2010 to June 2017, China Railway Group Limited (Stock Code: 390.HK) from June 2014 to June 2017, HKBridge Holdings Limited (Stock Code: 2323.HK) from March 2016 to April 2018 and Yangtze Optical Fibre and Cable Joint Stock Limited Company (Stock Code: 6869.HK) from September 2014 to January 2020.

Dr. Ngai is a fellow of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators), a fellow of Hong Kong Institute of Directors, a member of the Hong Kong Securities and Investment Institute, and a member of the Chartered Institution of Arbitrators. Dr. Ngai received a doctoral degree in Finance from Shanghai University of Finance and Economics, a master's degree in Corporate Finance from the Hong Kong Polytechnic University, a bachelor honor degree in Laws from University of Wolverhampton in the United Kingdom and a master's degree in Business Administration from Andrews University of Michigan in the United States.

Ms. Zhao Yuhong (趙宇紅), aged 51, was appointed as an independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company in December 2013. Ms. Zhao has worked as an associate professor of Faculty of Law, The Chinese University of Hong Kong ("CUHK") since August 2008. Ms. Zhao was the assistant dean (UG student affairs) and associate dean (undergraduate studies) of Faculty of Law at CUHK from September 2008 to August 2010 and from September 2010 to July 2013, respectively. Ms. Zhao was a lecturer and subsequently assistant professor of School of Law at City University of Hong Kong from January 1996 to June 2002 and from July 2002 to August 2006, respectively. From September 2006 to July 2008, Ms. Zhao served as an assistant professor of School of Law at CUHK. Ms. Zhao obtained her Bachelor of Arts degree in English Language and Literature and Bachelor of Laws degree from Peking University in July 1991. Ms. Zhao obtained her Master of Studies in Law degree with Magna Cum Laude from Vermont Law School, the USA in February 1993 and her PhD degree in Law from City University of Hong Kong in November 2000.

Mr. He Xiaofeng (何小鋒), aged 64, was appointed as an independent non-executive Director and a member of each of the audit committee and the strategic investment committee of the Company in December 2013, and was appointed as a member of the remuneration committee and the nomination committee of the Company in December 2016. Mr. He obtained a bachelor's degree and a master's degree in Economics in 1982 and 1984 from Peking University, respectively. He is currently a professor of the Department of Finance, School of Economics of Peking University (北京大學經濟學院金融學系) since August 2000, and has been a doctoral supervisor since August 2001 and a director of the Research Center of Financial and Industrial Development of Peking University (北京大學金融與產業發展研究中心) since August 2005. He has taught in the School of Economics of Peking University (北京大學經濟學院) since 1984. Mr. He has also has served as a council member of China Enterprises Investment Association (中國企業投資協會) and the deputy director of Financial Enterprises Investment Committee (金融企業投資委員會) since 2006, the vice chairman of Beijing Private Equity Association (北京股權投資基金協會) since 2008, a director of Beijing FOF Capital Co., Ltd (Stock Code: 833962.NEEQ). since 2015, an independent non-executive director of Hanergy Thin Film Power Group Limited (Stock Code: 566.HK) from September 2017 to June 2019, and an independent director of Beijing Life Insurance Co., Ltd (北京人壽保險有限公司) since March 2018.

SENIOR MANAGEMENT

Ms. Liu Jing (劉靜), aged 43, was appointed as a vice president of the Company in December 2017. She serves as an assistant president of the Company from March 2015 to December 2017, an assistant general manager of the Commercial Property Development Department of BCL from August 2012 to March 2015, the deputy general manager of the Human Capital Centre of BCL from January to August 2012, an assistant general manager of the Human Capital Centre of BCL from January 2010 to December 2011, a senior professional manager in charge of remuneration management of the Human Capital Centre of BCL from August 2007 to December 2009, the human resources manager of Canon Information Technology (Beijing) Co., Ltd. (佳能資訊技術(北京)有限公司) from April 2005 to July 2007, and the remuneration and benefits manager of Legend Holdings Corporation from October 2000 to March 2005, from July 1999 to October 2000 as market management director of Lenovo (Hong Kong) Limited. Ms. Liu obtained a master's degree in Business Administration from Zhongnan University of Economics and Law in December 2012 and a bachelor's degree in Insurance from Central University of Finance and Economics in June 1998.

Ms. Wang Hongli (王鴻麗), aged 53, was appointed as a vice president of the Company in June 2019. She joined BCL in September 2005 and served as the chief general manager of Brand Marketing Center of BCL. She served as a civil engineer of Tianjin Architecture Design Institute (天津建工設計院) from July 1988 to September 1994, a project manager of Shenzhen Building Materials Group Real Estate Company (深圳建材集團房地產公司) from October 1994 to December 1998, a business assistant of Putian System Integration Company. (普天系統集成公司) from August 1999 to June 2000, a deputy general manager of Century East City Real Estate Company (世紀東方城房地產公司) from October 2003 to August 2005, the chief general manager of Brand Marketing Center of BCL from September 2005 to December 2011, the vice president and marketing director of Outlets Investment Management Co., Ltd. from January 2010 to December 2011, a deputy general manager of Commercial Property Development Department in BCL from January 2012 to August 2012, a deputy general manager of the preparatory team in an Asset Management Corporation from August 2012 to December 2012, a deputy general manager and general manager of Capital Tianshun Company (首創天順公司) from January 2013 to February 2017, the senior deputy general manager of the Beijing company in BCL from February 2017 to June 2019. Ms. Wang obtained a bachelor's degree in civil engineering from Tianjin Institute of Urban Construction (天津城市建設學院) in July 1988, and an MBA degree from Tsinghua University in December 2003.

Ms. Lu Yi (陸屹), aged 54, was appointed as a vice president of the Company in August 2016. She joined the Company in July 2015. From July 2010 to June 2015, Ms. Lu served as the person-in-charge of retail business at Fu Wah International Group and the general manager of Beijing Jinbao Place Co., Ltd. (北京金寶匯購物中心有限公司). From February 2009 to July 2010, she served as the general manager of Beijing North Star King Power Co., Ltd (北京北辰嘉權時代名門商業有限公司), a joint venture company by Hong Kong King Power Group and Beijing North Star Industrial Group. From November 2006 to February 2009, she served as the deputy director of retail business of Beijing Yintai Property Co., Ltd. (北京銀泰置業有限公司) under Yintai Group. From July 2004 to November 2006, she served as the deputy general manager of Hangzhou Hubin International Boutique Compound (Euro-street) under Narada Group. From August 2003 to July 2004, she served as the store manager of Cartier Boutique at The Peninsula Beijing. From September 1999 to July 2003, she was a manager at Watches of Switzerland in Sydney. From July 1987 to August 1999, she was a manager of Beijing Yanshan Hotel. Ms. Lu obtained a bachelor's degree in Tourism Economics from Zhejiang University (formerly known as "Hangzhou University") in July 1987.

Mr. Yuan Zelu (袁澤路), aged 53, was appointed as a vice president of the Company in October 2018. He is a senior business operator. He joined BCL in June 2012 and served as the general manager of Beijing Capital Outlets Property Investment Fang Shan Ltd. (北京首創奧特萊斯房山置業有限公司). He served as an assistant manager of Beijing Wangfujing Department Store (北京王府井百貨大樓) from September 1987 to April 1992, the department manager of Beijing Jianguomen Scitech Plaza (北京建國門賽特購物中心) and Xidan Scitech Plaza (西單賽特購物中心) from May 1992 to May 2003, and the deputy general manager of Oriental Kenzo (Beijing) Company Limited (東方銀座商業(北京)有限公司) from June 2003 to March 2007. Later, Mr. Yuan worked as the general manager of the Beijing Project and Tianjin Project of Capital Commercial Real Estate Management Consultation (Shanghai) Company Limited (凱德商用房產管理諮詢(上海)有限公司) Beijing Branch from April 2007 to September 2009. He was the deputy director of the national commercial property business department of Beijing Glory Commercial Management Co., Ltd. (北京國瑞興業商業管理有限公司) and the general manager of Beijing Commercial Management Company (北京商業管理公司) from September 2009 to September 2010. He also served as the executive director for national business management of Beijing Huian Investment Management Co., Ltd. (北京匯安投資管理有限公司) and the general manager of Beijing City Mall (北京都匯天地購物中心) from September 2010 to June 2012. Mr. Yuan obtained a diploma in Commercial Economics (Corporate) Management (商業經濟(企業)管理專業大專文憑) from the School of Continuing Education, Beijing Normal University in March 2000, a bachelor's degree in Business Administration from Beijing Municipal Party Committee School (北京市委黨校) in July 2006, and an MBA degree from the International Business University of Beijing in July 2012.

Mr. Yuan Qinghua (袁慶華), aged 51, was appointed as a vice president of the Company in September 2019. He served as the chief project engineer of 5th Construction Company of China Construction First Building (Group) Corporation Limited (中國建築一局(集團)有限公司第五建築公司) from July 1989 to December 2002. He joined BCL in December 2002. He served as the department manager of Beijing Heng Yang Huarong Real Estate Co. Ltd. (北京恒陽華隆房地產有限公司) from December 2002 to May 2006, an assistant general manager of Operation Management Department of BCL from June 2006 to December 2006, an assistant general manager of Cost Management Center of BCL from January 2007 to April 2008, a deputy general manager of the Chongqing Company of BCL from May 2008 to January 2011, a deputy general manager and a general manager of Innovation and Research Center of BCL respectively from January 2011 to July 2014, the general manager of Customer Service Development Platform of BCL from July 2014 to October 2017. He served as the general manager of Jinan Company from October 2017 to September 2019. Mr. Yuan obtained a bachelor's degree in civil engineering from Chongqing University (formerly known as "Chongqing Institute of Architectural Engineering, Chongqing Jianzhu University") in July 1989, and an EMBA degree from Beijing Institute of Technology in March 2001.

Mr. Chi Chao (遲超), aged 40, was appointed as the chief financial officer of the Company in October 2017. He was the general manager of the group financial department of Yang Guang Co., Ltd. (陽光新業地產股份有限公司) (Listed on the Shenzhen Stock Exchange, Stock Code: 000608) from August 2014 to October 2017. He successively served as the financial director and deputy general manager of the BCL Qingdao office from March 2012 to August 2014, the senior financial manager of Beijing Chaoyang Jindu Company (北京朝陽金都公司) from March 2011 to March 2012, and the senior manager of the Financial Management Centre of BCL from September 2007 to March 2011. In addition, he worked as a cashier, finance staff of the planning and accounting department, customer manager and deputy manager of the customer management department in China Construction Bank (sales department of Anhui branch, Beijing) from July 2001 to September 2007. Mr. Chi obtained a bachelor's degree in Accounting from North China Electric Power University in June 2001.

SECRETARY OF THE BOARD OF DIRECTORS

Ms. Wang Xia (汪霞), aged 44, was appointed as the secretary of the Board in October 2018. Ms. Wang is also the general manager of the Capital Management Centre. She served as the manager of the president's office of Dalian Hanfeng Group Company (大連漢楓集團公司) and the general manager of its Dalian company from January 2000 to April 2002, as well as a member of the preparatory office, the executive secretary of the general manager's office, the manager of the strategic planning department, and the manager of the process planning and customer relationship management department of ING Capital Life Insurance Co. Ltd (首創安泰人壽保險有限公司) from May 2002 to November 2006. Ms. Wang was the communication and special project manager of the strategy and business development department of Pfizer Investment Limited (輝瑞投資有限公司) from August 2009 to March 2010. She joined BCL in July 2010 and served as the manager for securities affairs, senior manager for capital management and senior manager of the Capital Management Centre. She joined the Company in June 2015. Ms. Wang obtained a bachelor's degree and a master's degree in Engineering from Northwest Institute of Light Industry (西北輕工業學院) in July 1997 and April 2000 respectively, and earned her master's degree in Business Administration from Tsinghua University (Tsinghua-MIT Global MBA Program) in July 2009.

COMPANY SECRETARY

Ms. Peng Sisi (彭思思), aged 33, was appointed as the company secretary of the Company on 12 August 2019. She is a member of The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom and the Hong Kong Institute of Chartered Secretaries. She obtained a master's degree in Science in Information Technology in Education from the University of Hong Kong in 2011, and a master's degree in Corporate Governance from the Open University of Hong Kong in 2017.

Report of the Directors

The board of directors (the "Board" or the "Directors") of Beijing Capital Grand Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") hereby presents its report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Group is principally engaged in commercial property development, with a focus on the development, operation and management of outlets-backed commercial integrated projects and non-outlets retail property projects in the PRC, the details of which have been disclosed in the circular of the Company dated 14 November 2018. The activities of its principal subsidiaries are set out in Note 19 to the financial statements.

BUSINESS REVIEW

The Group's business review required by Schedule 5 to the Hong Kong Companies Ordinance is set out in the "Management Discussion and Analysis" of this annual report. A discussion of the Company's environmental policies and performance and an account of the Company's relationship with its key stakeholders will be disclosed in detail in the 2019 Environmental, Social and Corporate Governance Report to be published separately by the Company, which will be available for shareholders' inspection at the websites of the Company (www.bcgrand.com) and the Stock Exchange of Hong Kong (www.hkexnews.hk). A description of the key risks and uncertainties faced by the Company is set out below:

KEY RISK FACTORS

The following lists the key risks and uncertainties faced by the Group. As it is a non-exhaustive list, there may be other risks and uncertainties save as those disclosed below. Besides, this annual report does not constitute any recommendation or advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgment or consult professionals before making any investment in the securities of the Company

There are strategic risks, market risks, operation risks, financial risks, and legal risks, etc. during the development process of the Company, of which:

(1) Strategic risks are mainly attributable to domestic and overseas macro-economies, the overall trend of the industrial structure and the commensurate level of the scientific and sustainable standards of strategy establishment of the Company;

(2) Market risks are mainly attributable to changes to internal and external environment, such as domestic and overseas macro-economies, outbreak of COVID-19, market supply and demand, market competition and business partnership, as well as the risk of unexpected potential losses in value at the stock market due to changing stock market prices, interest rates and exchange rates;

(3) Operation risks are mainly attributable to the supervision and control procedures of each business segment involved in the daily operation and management process of the Company;

(4) Financial risks are mainly attributable to the supervision and control procedures of the financial system of the Company as a whole, including fund raising, investment management and revenue accounting;

(5) Legal risks are mainly attributable to the ongoing changes to domestic and overseas policies and regulations, and the internal contract management capability of the Company and the occurrence of relevant legal disputes.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2019, prepared in accordance with the Hong Kong Financial Reporting Standard and the disclosure requirements of the Hong Kong Companies Ordinance, are set out in the Consolidated Statement of Profit or Loss on page 55 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2019.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for each of the last five financial years is set out in the Five-year Financial Summary on pages 147 to 148 of this annual report. The summary does not form a part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the review period are set out in Note 15 to the Consolidated Financial Statements on pages 104 to 105 of this annual report.

INVESTMENT PROPERTY

Details of movements in the investment property of the Group during the review period are set out in Note 18 to the Consolidated Financial Statements on pages 108 to 111 of this annual report.

ISSUED SHARES

During the year, the Company did not issue any shares. Details of movements in the Company's share capital are set out in Note 31 to the Consolidated Financial Statements on page 133 of this annual report.

ISSUE OF THE PERPETUAL CONVERTIBLE BOND SECURITIES

Details of the perpetual convertible bond securities of the Company during the review period are set out in Note 33 to the Consolidated Financial Statements on page 135 of this annual report.

DEBT SECURITIES

Details of movements in the debt securities of the Company are set out in Note 26 to the Consolidated Financial Statements on page 126 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions on pre-emptive rights under the Company's Articles of Association or the Companies Law which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 39(a) to the Consolidated Financial Statements on page 145 of this annual report as well as in the Consolidated Statement of Changes in Equity on page 59 of this annual report.

As at 31 December 2019, the distributable reserves of the Company amounted to approximately RMB4.062 billion.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, sales to the Group's largest customer and five largest customers accounted for approximately 1% and 4%, respectively, of the total sales of the Group for the review period. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 10% and 36%, respectively, of the Group's total purchases for the year. None of the Directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interest in the five largest customers or five largest suppliers at any time during the year.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2019 are set out in Note 25 to the Consolidated Financial Statements on page 124 of this annual report.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

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

In accordance with Articles 84(1) and (2) of the Articles of Association of the Company, at each annual general meeting, one third of the Directors for the time being (or, if such number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation, provided that every Director shall be subject to retirement at least once every three years at the annual general meeting. Accordingly, Mr. Zhong Beichen, Mr. Wang Honghui and Mr. He Xiaofeng will offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 24 to 29 of this annual report.

DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

During the year, no Director entered into a service agreement with the Company which was not terminable by the Company within one year without payment of compensation (other than statutory compensation).

The Directors' remuneration policy and package shall be determined by the Board with the recommendation of the Remuneration Committee of the Company with reference to the market rate, individual qualifications as well as contribution and commitments to the Company. The details of Directors' remuneration are set out in Note 10 to the Consolidated Financial Statements on pages 98 to 101 of this annual report.

DIRECTORS' INTERESTS IN MATERIAL CONTRACTS

None of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

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

As at 31 December 2019, to the knowledge of the Directors, none of the Directors and chief executives of the Company and their associates had interests and short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange of Hong Kong 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 (the "Model Code"), to be notified to the Company and the Stock Exchange of Hong Kong.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this annual report, the following Directors are also directors and/or officers of Beijing Capital Land Ltd. ("BCL", a controlling shareholder of the Company).

Name of Director	Position held in BCL
Mr. Zhong Beichen	Executive Director and President
Ms. Qin Yi	Secretary of the Board

BCL is a controlling shareholder of the Company and a leading large integrated real estate developer in the PRC, focusing primarily on developing the four core business streams of residential property development, integrated outlets, urban core integrated complex and primary land development, complemented by innovative business areas such as high-tech industry properties, cultural and creative industries and rental housing.

On 28 June 2016, the Company entered into the amended non-competition deed (the "First Amended Non-Competition Deed") with BCL to delineate the business of the Company and BCL by cities and businesses, the details of which are set out in the circular of the Company dated 30 June 2016, and the First Amended Non-Competition Deed has come into effect on 18 July 2016.

On 10 October 2018, the Company entered into the second amended non-competition deed (the "Second Amended Non-Competition Deed") with BCL to replace the First Amended Non-Competition Deed in its entirety and to delineate their businesses according to (i) usage of the land and properties to be developed and (ii) the business models, the details of which are set out in the circular of the Company dated 14 November 2018, and the Second Amended Non-Competition Deed has come into effect on 30 November 2018.

In December 2019, BCL completed the acquisition of the remaining 45% minority interest in the Hainan Integrated Outlets Project (the "Hainan Outlets Project"), and held 100% interest in the Hainan Outlets Project as of 31 December 2019. According to the common intention previously reached between the Company and BCL stated in the Company's circular dated 14 November 2018, the Company is currently negotiating with BCL over the potential acquisition of interest in the Hainan Outlets Project (including the transaction terms involved). During the negotiation, the leasing, marketing, operation and management of the Hainan Outlets Project will continue to be entrusted to the Group until BCL ceases to hold any interest in the Hainan Outlets Project with management fees computed based on the total sales of Hainan Outlets Project for the entrustment period. Such entrustment arrangement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules but is subject to full exemption.

In addition, BCL has confirmed that during the year, it has complied with the non-competition undertaking under the Second Amended Non-Competition Deed. Therefore, none of the Directors or their respective associates had interests in such business that competes or may compete with the business of the Group.

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

As at 31 December 2019, to the knowledge of 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 shall be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Capacity	Number of shares	Approximate percentage of the issued share capital (%)	Total number of ordinary shares convertible from Class A Convertible Preference Shares, Class B Convertible Preference Shares and Perpetual Convertible Bond Securities (at the initial conversion price of HK$2.10 per share)	Total interests	Percentage of total interests to total issued shares
BECL Investment Holding Limited "BECL"	Beneficial owner	701,353,846	72.94%	1,072,928,106 *(Note 5)*	1,774,281,952	184.53%
BCL	Interest of controlled corporation *(Note 1)*	701,353,846	72.94%	1,072,928,106 *(Note 5)*	1,774,281,952	184.53%
BCG Chinastar International Limited	Beneficial owner	19,800,000	2.06%	–	19,800,000	2.06%
Beijing Capital Group Co., Ltd.	Interest of controlled corporation *(Note 2)*	721,153,846	75%	1,072,928,106 *(Note 5)*	1,794,081,952	186.58%
Smart Win Group Limited	Beneficial owner	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Sino-Ocean Land (Hong Kong) Limited	Interest of controlled corporation *(Note 3)*	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Faith Ocean International Limited	Interest of controlled corporation *(Note 3)*	95,192,308	9.9%	313,140,124	408,332,432	42.47%
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%

Name of shareholder	Capacity	Number of shares	Approximate percentage of the issued share capital (%)	Total number of ordinary shares convertible from Class A Convertible Preference Shares, Class B Convertible Preference Shares and Perpetual Convertible Bond Securities (at the initial conversion price of HK$2.10 per share)	Total interests	Percentage of total interests to total issued shares
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%
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 Robert Kravis	Interest of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
Roberts George R.	Interest of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%

Notes:

1. Total interests in 1,774,281,952 shares were deemed to be corporation interest under the SFO.

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

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

4. Total interests in 295,238,095 shares were deemed to be 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 31 December 2019, as recorded in the register of interests 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 shall 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 would remain in force for a period of 10 years 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 options 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 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 options 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 approved by the shareholders of the Company 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 options 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 fall below the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotation sheet 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.

During the year ended 31 December 2019, no share option was granted, exercised, expired or lapsed, and there was no outstanding share option under the Scheme.

MANAGEMENT CONTRACTS

Other than the contracts in relation to continuing connected transactions as mentioned in this report, during the year, no contracts were entered into or subsisted that concerned the management or administration of the whole or any substantial part of the business of the Company.

EQUITY-LINKED AGREEMENTS

Other than the Class A Convertible Preference Share Subscription Agreement entered into on 15 August 2014, the Class B Convertible Preference Share Subscription Agreement entered into on 8 June 2016 and the Subscription Agreement entered into on 25 November 2016 by the Company, and the share option scheme of the Company, during the year ended 31 December 2019, no equity-linked agreements were entered into by the Company or subsisted that would or may result in the Company issuing shares or require the Company to enter into any agreements that would or may result in the Company issuing shares.

CONTINUING CONNECTED TRANSACTIONS

Details of the continuing connected transactions are set out in Note 38 to the Consolidated Financial Statements.

A) CONTINUING CONNECTED TRANSACTIONS

1. *Strategic Purchases*

   As stated in the announcement of the Company dated 27 June 2017, the Company entered into the master sourcing agreement with Juyuan Xincheng (Tianjin) Commerce & Trading Co., Ltd.* (聚源信誠(天津)商貿有限公司) ("Juyuan Xincheng", a connected person of the Company) to procure building equipment and construction materials for the construction of property projects, with a contract term of less than three years. For each of the three financial years ended 31 December 2017, 2018 and 2019, the total transaction amount under the master sourcing agreement shall not exceed RMB49,800,000. This arrangement constituted a continuing connected transaction of the Company, and the master sourcing agreement was executed on 27 June 2017.

2. *Leasing of the Premises*

As stated in the announcement of the Company dated 1 February 2019, Beijing Hengsheng Huaxing Investment Management Co., Ltd. ("Hengsheng Huaxing", a wholly-owned subsidiary of the Company) entered into the lease with Beijing Shangbodi Investment Consultant Co., Ltd. ("Shangbodi", a connected person of the Company) and GoldenNet Yicheng Asset Management (Beijing) Co., Ltd. ("GoldenNet", an independent third party of the Group) in relation to the leasing of the premises that would serve as the offices of the Group, with a contract term of two years from 14 December 2018 to 13 December 2020 (the "Lease"). For each of the three financial years ended 31 December 2018, 2019 and 2020, the total transaction amount under the Lease shall not exceed RMB1,992,900, RMB7,971,600 and RMB7,971,600, respectively. This arrangement constituted a continuing connected transaction of the Company and the Lease was executed on 1 February 2019.

B) ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that such transactions (a) were in the ordinary and usual course of business of the Group; (b) were on normal commercial terms or better terms; and that (c) the agreements governing the transactions were entered into in a fair and reasonable manner and in the interests of the shareholders of the Company as a whole, and such transactions have been carried out in accordance with the agreements governing the transactions.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditors of the Company to conduct an audit of the above continuing connected transactions. The auditors have issued a letter containing their conclusions in respect of the continuing connected transactions of the Group disclosed above and their findings that there is no non-compliance with the Rule 14A.56 of the Listing Rules. The Board hereby adds that the auditors of the Company confirm that the continuing connected transactions (i) were approved by the Board; (ii) were conducted pursuant to the relevant agreements for such transactions; and (iii) did not exceed the caps.

The Company confirmed that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the transactions set out above.

RELATED PARTY TRANSACTIONS

As at 31 December 2019, the Group has carried out several related party transactions, please refer to Note 38 to the Financial Report. Save as the continuing connected transactions disclosed above, other transactions are not deemed as the connected transactions or continuing connected transactions under Chapter 14A or are exempted from the requirements of reporting, announcement and shareholders' approval under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the year and up to the date of this report.

CORPORATE GOVERNANCE

Details of the Company's corporate governance are set out in the Corporate Governance Report on pages 41 to 50 of this annual report.

INDEPENDENT AUDITOR

The financial statements for the year were audited by PricewaterhouseCoopers, who will retire at the forthcoming annual general meeting. The Company will propose a resolution at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as the Company's auditors for the coming year.

There has been no change in the auditors of the Company during the past three years.

It is the auditors' responsibility to form an independent opinion, based on their audit, on these financial statements and to report their opinion solely to the Company and for no other purpose. They do not assume responsibility towards or accept legal liability to any other person for the contents of the Independent Auditor's Report. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 51 to 54.

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, provided that such indemnity shall not be extended to any matters in respect of any fraud or dishonesty. During the year, the Company arranged appropriate insurance for its Directors and senior management to cover their responsibilities arising from the legal actions against the Directors and senior management in relation to corporate activities.

On behalf of the Board

Zhong Beichen
Chairman

Beijing, 6 March 2020

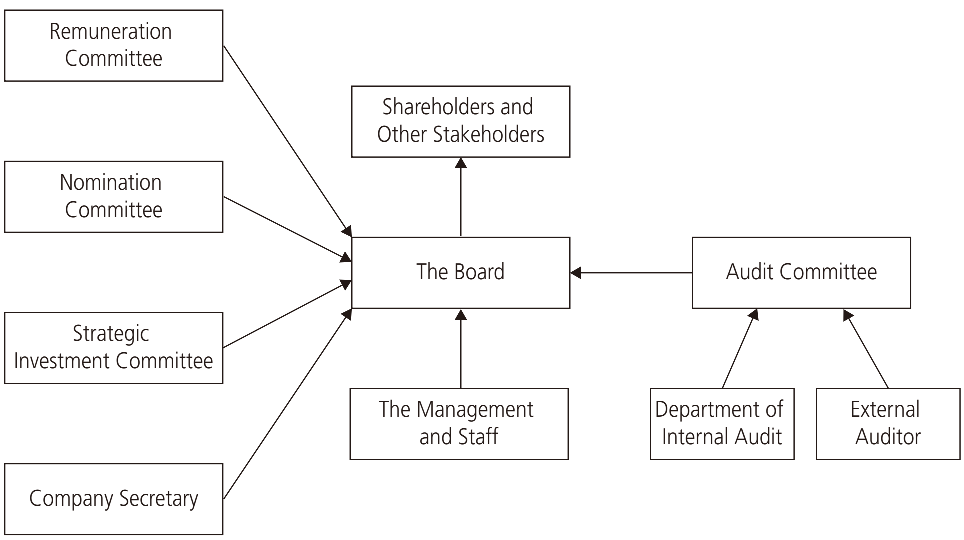
Corporate Governance Report

Both the board of directors of the Company (the "Board") and the management 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.

For the year ended 31 December 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 to 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.

CORPORATE GOVERNANCE STRUCTURE

The corporate governance structure of the Company is as follows:



BOARD OF DIRECTORS

As of the date of this report, the Board had nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. The Directors' biographical details are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 24 to 29 of this report. The current composition and structure of the Board are established with reference to the board diversity policy prepared and adopted by the Company. The professional background, skills or experience of the current Directors are also in line with the Group's demand for all-round sustainable development.

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

BOARD OF DIRECTORS (CONTINUED)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Ngai Wai Fung
Ms. Zhao Yuhong
Mr. He Xiaofeng

There is no financial, business, family or other material/relevant relationship among members of the Board. The latest list of Directors setting out their roles and responsibilities is available for inspection at the websites of the Company (www.bcgrand.com) and the Stock Exchange (www.hkexnews.hk).

For the year ended 31 December 2019, the Company held a total of five Board meetings. The respective Directors' attendance at the Board meetings, the Board committee meetings and general meetings is set out below:

DIRECTORS'/COMMITTEE MEMBERS' ATTENDANCE AT MEETINGS

	The Board	The Audit Committee	The Remuneration Committee	The Nomination Committee	The Strategic Investment Committee	General Meeting
Executive Directors						
Mr. Zhong Beichen	5/5	–	–	1/1	–	0/1
Mr. Feng Yujian	5/5	–	–	–	2/2	0/1
Non-executive Directors						
Mr. Wang Hao	5/5	–	–	–	2/2	0/1
Ms. Qin Yi	5/5	–	2/2	–	–	0/1
Mr. Wang Honghui	5/5	–	–	1/1	2/2	0/1
Mr. Yang, Paul Chunyao	5/5	–	2/2	–	2/2	0/1
Independent Non-executive Directors						
Dr. Ngai Wai Fung	5/5	2/2	2/2	1/1	–	1/1
Ms. Zhao Yuhong	3/5	1/2	2/2	1/1	–	0/1
Mr. He Xiaofeng	5/5	2/2	2/2	1/1	2/2	0/1

BOARD OF DIRECTORS (CONTINUED)

The Board is responsible to the shareholders for providing effective corporate leadership, and ensuring transparency and accountability of the Group's operations. The Board is responsible for, among other things:

– Setting up the Group's development strategies as well as medium and long-term development plans;

– Establishing and maintaining the Group's business policies and objectives;

– Monitoring the performance of the management and reviewing the functions and assignments regularly;

– Ensuring that the Company implements a prudent and effective control framework to assess and manage risks; and

– Ensuring that the financial statements truly and fairly reflect the financial position of the Group.

The Board delegates the day-to-day management, administration and operations of the Group's business to the management of relevant departments and divisions. The management is responsible for the implementation and adoption of the Company's strategies and policies.

The Company has purchased suitable and adequate insurance coverage for all Directors against their litigation liabilities arising from legal actions due to the performance of corporate activities. The Company reviews the insurance purchased annually to ensure the provision of reasonable and sufficient protection.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Zhong Beichen is the Chairman of the Board and Mr. Feng Yujian is the Chief Executive Officer of the Company. The Chairman of the Board is mainly responsible for taking the lead in the Board to ensure its effective operation, providing adequate, complete and reliable information for all Directors in a timely manner, establishing good corporate governance practices and procedures, and ensuring that proper approaches are adopted to maintain effective communication with shareholders. The Chief Executive Officer, on the other hand, is mainly responsible for the day-to-day operations and overall management of the Group, implementing the business policies and objectives determined and adopted by the Board, and reporting to the Board on the Group's overall operations.

NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors and independent non-executive Directors has signed a three-year service contract with the Company which shall start on the date of appointment, subject to the provision on retirement by rotation of Directors under the Articles of Association of the Company.

The Company has three independent non-executive Directors, representing one third of the Board members, of which at least one possesses the appropriate professional qualifications or accounting or relevant financial management expertise. The Company has received annual confirmations of their independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and considers them as independent.

BOARD OF DIRECTORS (CONTINUED)

DIRECTORS' TRAINING

The Company will provide each newly appointed Director with a comprehensive profile about the Group to ensure that he/she has a proper understanding of the Group's business and operation, and is fully aware of his/her responsibilities under the Listing Rules, laws and other regulatory requirements as well as the Group's business and governance policies. The Company issues monthly reports on the Group's business operations and information disclosure to the Directors. Meanwhile, it collates and sends information to the Directors on the updates of the Listing Rules and regulations to help ensure that the Directors are kept informed of the latest changes in the legal and regulatory environment and their duties.

During the year, the Directors participated in sufficient continuing professional development by attending seminars and training courses, accessing online learning resources, etc. Below sets out a summary based on the information provided by the Directors to the Company:

	Scope		
	Laws and governance	Corporate governance	The Group's business/ Directors' responsibilities
Executive Directors			
Mr. Zhong Beichen	✓	✓	✓
Mr. Feng Yujian	✓	✓	✓
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	✓	✓	✓

COMPANY SECRETARY

The Company Secretary assists the Chairman of the Board in preparing the agenda of the Board meetings and ensures compliance with all applicable rules and regulations of the procedures of such meetings. The Company Secretary shall file for and maintain the detailed minutes of each Board meeting, and make such minutes available to all Directors for inspection.

According to Rule 3.29 of the Listing Rules, the Company Secretary of the Company received no less than 15 hours of relevant professional training for the year ended 31 December 2019.

BOARD OF DIRECTORS (CONTINUED)

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 year ended 31 December 2019.

BOARD COMMITTEES

Under the Board are four committees, including the Company's Audit Committee ("AC"), Remuneration Committee ("RC"), Nomination Committee ("NC") and Strategic Investment Committee ("SIC"). Each of the Board committees has its respective written terms of reference approved by the Board, which cover its duties, authority and functions. Such terms of reference comply with the requirements of the Listing Rules and have taken into account the specific business needs of the Company. The Board committees have sufficient resources to perform their duties, report to the Board on the results of their meetings, raise key issues and findings, and provide recommendations to assist the Board in decision-making.

(a) AC

The AC was established on 14 March 2012 with written terms of reference determined in compliance with the CG Code and amended from time to time. As at the date of this report, the AC has been comprised of three members, including Dr. Ngai Wai Fung (as chairman), Ms. Zhao Yuhong and Mr. He Xiaofeng, all of whom are independent non-executive Directors. Dr. Ngai Wai Fung is a fellow of the Chartered Governance Institute (formerly known as the Association of Chartered Certified Accountants in the United Kingdom) and a member of the Hong Kong Institute of Certified Public Accountants, with appropriate professional qualifications required under Rule 3.10(2) of the Listing Rules.

The primary duties of the AC are to make recommendations to the Board on the appointment and removal of external auditors, review financial statements and express material advice in respect of financial reporting matters, as well as review the financial control, internal control and risk management systems of the Company. The terms of reference of the AC are available for inspection at the websites of the Company (www.bcgrand.com) and the Stock Exchange (www.hkexnews.hk).

For the year ended 31 December 2019, the AC held two meetings. Details of each committee member's attendance at the AC meetings are set out in "Directors'/Committee Members' Attendance at Meetings" above. In addition, the AC members had two meetings with the external auditor during the year without the presence of the management.

The work of the AC for the twelve months ended 31 December 2019 is summarized below:

– reviewed the interim and annual results of the Group, and recommended the Board to adopt such results;

– met with the auditors to discuss the accounting and audit issues of the Group, and reviewed their findings, recommendations and representations;

– reviewed the Group's financial control, internal control and risk management systems;

– reviewed the independence of the external auditor, recommended the Board to re-appoint PricewaterhouseCoopers as an external auditor of the Company and reviewed its terms of appointment;

– reviewed environmental, corporate and governance-related risks, and confirmed that environmental, social and governance risk management and internal control systems were in place and effective during the year; and

– reviewed the connected transactions and continuing connected transactions during the year.

BOARD OF DIRECTORS (CONTINUED)

BOARD COMMITTEES (CONTINUED)

(b) RC

The RC was established on 14 March 2012 with written terms of reference determined in compliance with the CG Code and amended from time to time. As at the date of this report, the committee consists of five members, including three independent non-executive Directors Ms. Zhao Yuhong (as chairman), Dr. Ngai Wai Fung and Mr. He Xiaofeng, and two non-executive Directors Ms. Qin Yi and Mr. Yang, Paul Chunyao.

The primary duties of the RC are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review remuneration proposals of the management with reference to the corporate objectives and missions of the Board; and ensure that none of the Directors or any of their associates determine their own remuneration. The terms of reference of the RC are available for inspection at the websites of the Company (www.bcgrand.com) and the Stock Exchange (www.hkexnews.hk).

For the year ended 31 December 2019, the RC held two meetings. Details of each committee member's attendance at the RC meetings are set out in "Directors'/Committee Members' Attendance at Meetings" above.

The work of the RC for the year ended 31 December 2019 is summarized below:

– proposed to the Board on the 2018 bonus of the Directors and senior management;

– proposed to the Board on the 2019 remuneration schemes for the Directors and senior management;

– analyzed remuneration and human resources allocation against market benchmarks; and

– proposed the incentive schemes for business co-investment.

(c) NC

The NC was established on 14 March 2012 with written terms of reference determined in compliance with the CG Code and amended from time to time. As at the date of this report, the committee consists of five members, including one executive Director Mr. Zhong Beichen (as chairman), one non-executive Director Mr. Wang Honghui, and three independent non-executive Directors Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng.

The primary duties of the NC are to review the structure, size and composition of the Board and make recommendations to the Board regarding candidates to fill vacancies on the Board. The terms of reference of the NC are available for inspection at the websites of the Company (www.bcgrand.com) and the Stock Exchange (www.hkexnews.hk).

The Board adopted its board diversity policy in June 2013, which set out the approach to achieve diversity on the Board. Accordingly, the selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, taking into account the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional backgrounds and two out of the nine Board members being women, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business. Profiles of the Directors are set out on pages 24 to 27 and have been published at the website of the Company (www.bcgrand.com).

BOARD OF DIRECTORS (CONTINUED)

BOARD COMMITTEES (CONTINUED)

(c) NC (continued)

For the year ended 31 December 2019, the NC held one meeting. Details of each committee member's attendance at the NC meetings are set out in "Directors'/Committee Members' Attendance at Meetings" above.

The work of the NC for the year ended 31 December 2019 is summarized below:

- reviewed the structure, size and composition of the Board;
- reviewed the independence of independent non-executive Directors;
- evaluated the Directors' time commitment and contribution for performing their duties; and
- made recommendations to the Board on the retirement and re-election of Directors at the annual general meeting in 2018;

(d) SIC

The SIC, established on 21 December 2013 with obligations under the written terms of reference and amended from time to time, has the primary duty of advising on the long-term development strategies and major investment decisions of the Company. As at the date of this report, the committee consists of five members, including one executive Director Mr. Feng Yujian (as chairman), three non-executive Directors Mr. Wang Hao, Mr. Wang Honghui and Mr. Yang, Paul Chunyao, and one independent non-executive Director Mr. He Xiaofeng.

For the year ended 31 December 2019, the SIC held two meetings. Details of each committee member's attendance at the SIC meetings are set out in "Directors'/Committee Members' Attendance at Meetings" above.

The work of the SIC for the year ended 31 December 2019 is summarized below:

- reviewed the summary of investment projects and operation work in 2018;
- reviewed investment plans and operation plans in 2019;
- reviewed the budget for 2019; and
- reviewed the establishment of partnership funds.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties, and adopted the CG Code as its corporate governance code of practice for the year ended 31 December 2019.

The Board has, among other things, reviewed the training and continuous professional development of the Directors as well as the Company's compliance with the relevant code provisions of the CG Code for the year ended 31 December 2019, and made disclosures in this Corporate Governance Report.

BOARD OF DIRECTORS (CONTINUED)

ACCOUNTABILITY

The Board is accountable to shareholders, while the management is accountable to the Board. The Board endeavors to ensure that the announcements of annual and interim results and the annual and interim reports of the Group present a balanced and understandable assessment of the Group's position and prospects. The Board remains open and transparent in handling the Company's affairs, whilst protecting the commercial interests of the Company. Financial and other information is delivered to shareholders through announcements at the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bcgrand.com).

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management and internal control are important parts in the operation and management of the Group. The Board and the management of the Company take high priority on the organization and implementation of each process of risk management and internal control, and have established a comprehensive risk management system in the Company based on risk identification, measures, internal assessment and continuous improvement, together with a three-tier internal control mechanism in place that consists of the Board (the AC), the Risk Management and Control Department and the management (each business department):

The Board is responsible for setting up the risk management and internal control mechanism for the Group, establishing the core values, strategic planning and working guidelines of the Company, and conveying the above to each department of the Group through various channels, including platforms such as the enterprise information system, meetings, training and intranet. Risk control points are incorporated into business processes, and the AC would identify the risks arising from the operation of the internal control system on a regular basis and review the effectiveness of risk management and control;

The Risk Management and Control Department is responsible for providing regular review and assisting the Board in preparing effective policies and guidance on corporate risk management and risk control based on the changes to internal and external conditions and regulations, to enable risk management and internal control to take place under a standardized system with proper processes and institutions. Meanwhile, the Risk Management and Control Department would carry out independent assessment on an ongoing basis, which covers all material aspects including legal risks, compliance control, operation monitoring as well as the workflow and risk assessment of each department of the Group. The Risk Management and Control Department is also directly responsible to the AC and reports on the effectiveness of risk management and internal control;

The management and each of the business departments would effectively oversee, review and approve their respective management and control process at the business level based on different functions and work division through various business systems, to enhance the efficiency of risk management and realize a closed-loop management model for risk control which is led by self-supervision at the business level.

In 2019, the Group complied with the development and upgrading plan for comprehensive risk management systems and continued with its priority work in risk control. Based on the standardization of risk control system, workflow and accountability, the Contract Management Method and the Collection of Model Contract Documents have been supplemented and updated to comprehensively improve the operation effectiveness and efficiency of the risk management and control system, and to further align risk control with corporate operation and management. In addition, by developing a mature risk control model, the Group sought to realize sound, proper and effective operation of the internal control system, thus safeguarding the strategic development of the Company.

BOARD OF DIRECTORS (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

After the outbreak of COVID-19, Beijing Capital Grand highly emphasised on epidemic prevention and control, and issued the "Notice on the Emergency Response Plan for the Prevention and Control of Major Infectious Diseases" and the "Notice on Strengthening the Hygiene in Workplace, Shopping Malls and Communities during the Chinese New Year" to the whole system. Beijing Capital Grand also integrated market environment and legal policies to identify, assess and track the outbreak risks comprehensively, completed the "Guidelines of Beijing Capital Grand for the Implementation of Emergency Legal Practices of Various Contracts during the Epidemic Period" on time, issued "Risk Management and Control Special Issue - Epidemic", and promptly imposed the requirements on epidemic risk prevention to the whole system. In the meantime, Beijing Capital Grand monitored the exemption policies promulgated by the government of various regions to cover the economic losses due to the epidemic. It also integrated the difficulties of the project where they are located, actively complied with the policies implemented, investigated and improved the management and control of the main business, and set up a safety, scientific system, in order to reduce the negative impact of the epidemic.

As of the date of this report, the Risk Management and Control Department had assessed the risk management and internal control of the Company. The assessment concluded invariably that no significant weakness was found in the internal control of the Company, with an internal control report with unqualified opinion issued to the AC indicating that the risk management and internal control system of the Company was under good operation.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

With the assistance of the financial management center, the Board acknowledged their responsibility for preparing the financial statements of the Group for the year ended 31 December 2019, and confirmed that the financial statements contained herein gave a true and fair view of the results and state of affairs of the Group for the period under review. The Board considers that the financial statements have been prepared in conformity with the statutory requirements and applicable accounting standards.

AUDITORS' REMUNERATION

The financial statements for the year ended 31 December 2019 were audited by PricewaterhouseCoopers, whose term of office will expire upon the forthcoming annual general meeting. The AC has recommended to the Board on re-appointing PricewaterhouseCoopers as the auditors of the Company for the year 2020 at its forthcoming annual general meeting.

The independent auditor's remuneration in respect of its audit service and non-audit services for the year ended 31 December 2019 amounted to RMB2,597,000 and RMB150,000 respectively.

SHAREHOLDERS' RIGHTS

The Company recognizes the importance of and takes high priority on communication with its shareholders. Certain key information on shareholders' rights is provided below:

1. *Communication with shareholders*

   The Board is well aware of the importance of maintaining proper contact with shareholders and strives to enhance its communication with them. Shareholders can visit the website of the Company (www.bcgrand.com) for the latest information of the Group, including interim and annual reports, announcements and circulars. Press releases are also posted on the website of the Company in a timely manner.

   General meetings serve as a communication channel between the Board and shareholders. The Group regards such a meeting as an important activity of the Company during the year. All Directors and senior management personnel would attend the meeting as much as they can. The chairman of the annual general meeting proposes separate resolutions for each of the independent matters. Members of the AC, the RC, the NC and the SIC, external auditors, independent financial advisers and external lawyers would also attend the general meeting to answer questions from shareholders as appropriate. During the year, the Company held one annual general meeting. Details of each Director's attendance at the general meetings are set out in "Directors'/Committee Members' Attendance at Meetings" above.

BOARD OF DIRECTORS (CONTINUED)

SHAREHOLDERS' RIGHTS (CONTINUED)

2. *Procedures to convene an extraordinary general meeting*

   Shareholders may request the Company to convene a general meeting according to the provisions set out in the Company's Articles of Association and the Companies Law of the Cayman Islands. A copy of the Company's Articles of Association is available on the Company's website. The procedures for shareholders to nominate a person for election as a Director of the Company are also available on the Company's website under the title "Procedures for Shareholder(s) to Propose a Person for Election as a Director".

3. *Procedures for shareholders to propose a person for election as a Director of the Company*

   The Company has also adopted a set of procedures for shareholders to put forward proposals at general meetings.

   Subject to the provisions of its Articles of Association, the Company may elect any person to be a Director either to fill a casual vacancy or as an additional Director by passing ordinary resolutions at a general meeting from time to time.

   If a shareholder wishes to propose a person other than a Director of the Company for election as a Director at a general meeting, the shareholder can deposit a written notice at the Hong Kong office of the Company for the attention of the Board and the Company Secretary within a seven-day period commencing from the day after the dispatch of the notice of meeting.

   In order for the Company to inform other shareholders of the proposal, the written notice must state the full name of the candidate proposed for election as a Director, including his/her biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and the person indicating his/her willingness to be elected.

   In order to allow sufficient time for shareholders to receive and consider the proposal of electing the nominee as a Director of the Company, shareholders are encouraged to submit and lodge the written notice as early as possible.

4. *Policy of dividend payment*

   As the Company is still in the stage of development, it has no policy established for dividend payment.

5. *Procedures to send enquiries to the Board*

   Shareholders may send their enquiries and concerns to the Board of the Company by addressing them to the principal place of business of the Company in Hong Kong at Suites 4602-05, One Exchange Square, Central, Hong Kong by post for the attention of the Company Secretary.

6. *Amendments to the constitutional documents of the Company*

   During the year, no amendments were made to the Memorandum and Articles of Association of the Company, which are available to shareholders for inspection at the websites of the Company (www.bcgrand.com) and the Stock Exchange of Hong Kong (www.hkexnews.hk).

INVESTOR RELATIONS

The Company's websites (www.bcgrand.com) and (www.capitaloutlets.com) offer comprehensive and accessible news and information of the Company to shareholders, other stakeholders and investors. The Company will also update the website information from time to time, to inform shareholders and investors of the latest development of the Company.

Independent Auditor's Report

pwc

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Beijing Capital Grand Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

WHAT WE HAVE AUDITED

The consolidated financial statements of Beijing Capital Grand Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 146, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to valuation of investment properties.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to Note 18 to the consolidated financial statements. The Group adopts the fair value model for subsequent measurement of investment properties. As at 31 December 2019, investment properties measured at fair value amounted to RMB10,694,300,000 and fair value gains on investment properties for the year then ended was RMB56,095,000. The fair value was determined based on the valuation performed by an independent professional valuer (the "valuer") as a third party engaged by the Group. The valuations of investment properties involved critical accounting estimates and judgements, which mainly included the determination of valuation techniques and the selection of inputs accordingly. The valuation techniques usually include income capitalisation approach and residual approach based on the construction status of each property. As at 31 December 2019, investment properties measured at fair value were the investment properties in operation and adopted income capitalisation approach, the key inputs included market rental prices and discount rates. Considering the above mentioned critical accounting estimates and judgements, and the significant impact on the consolidated financial statements, we paid specific attention to this matter in our audit.	We assessed the competence, professional ability and objectivity of the valuer. We communicated with the management about the valuation techniques adopted for each investment property, obtained and read the valuation reports for all the investment properties measured at fair value delivered by the valuer, and assessed the relevance and reasonableness of valuation techniques used by the valuer in consideration of the actual construction or operation status. We selected some of the investment properties measured at fair value by sampling and performed the following procedures: We assessed the reasonableness of key inputs used under income capitalisation approach, including market rental prices and discount rates, by comparing the market rental prices with comparative cases in active markets and the information of the rental prices in management's records, and by comparing the discount rates with the average discount rates in the industry. Based on the above, we obtained supportive evidence for critical accounting estimates and judgements made by management on the valuation techniques and key inputs used in the valuations of investment properties.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tsun NG.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 6 March 2020

Consolidated Statement of Profit or Loss

Year ended 31 December 2019

	Notes	**2019 RMB'000**	2018 RMB'000
Revenue	6,7	**1,864,672**	1,224,040
Cost of sales	8	**(986,249)**	(818,440)
Gross profit		**878,423**	405,600
Fair value gains on investment properties	18	**56,095**	262,497
Other gains – net	7	**33,975**	1,218
Other income	7	**47,405**	47,157
Selling and marketing expenses	8	**(190,742)**	(163,082)
Administrative expenses	8	**(368,325)**	(297,535)
Operating profit		**456,831**	255,855
Finance costs	9	**(391,339)**	(212,509)
Share of losses of investments accounted for using the equity method	20	**(4,375)**	(4,155)
Profit before income tax		**61,117**	39,191
Income tax expenses	12	**(284,169)**	(236,649)
Loss for the year		**(223,052)**	(197,458)
Attributable to:			
– Owners of the Company		**(223,539)**	(197,698)
– Non-controlling interests		**487**	240
Losses per share attributable to owners of the Company during the year	14		
Basic losses per share (RMB)		**(0.09)**	(0.08)
Diluted losses per share (RMB)		**(0.09)**	(0.08)

Details of the dividend proposed for the year are disclosed in Note 13.

The notes on pages 63 to 146 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Loss for the year		**(223,052)**	(197,458)
Other comprehensive income/(loss) for the year			
Items that may be reclassified to profit or loss			
Cash flow hedges	*27*	**(30,145)**	(23,815)
Cost of hedging	*27*	**32,559**	(11,478)
		2,414	(35,293)
Total comprehensive loss for the year		**(220,638)**	(232,751)
Attributable to:			
– Owners of the Company		**(221,125)**	(232,991)
– Non-controlling interests		**487**	240

The notes on pages 63 to 146 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

Year ended 31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**31,438**	27,086
Right-of-use assets	16	**7,789**	–
Long-term prepaid expenses	17	**148,371**	151,337
Investment properties	18	**12,581,732**	10,763,096
Investments accounted for using the equity method	20	**261,689**	31,239
Intangible assets		**17,291**	2,319
Deferred income tax assets	30	**19,467**	16,176
Derivative financial assets	27	**1,058**	–
Prepayments	23	**–**	295,027
Total non-current assets		**13,068,835**	11,286,280
Current assets			
Inventories	21	**1,807,646**	2,083,387
Incremental costs of obtaining a contract	6	**5,054**	16,255
Trade and other receivables and prepayments	23	**749,575**	705,961
Assets classified as held-for-sale		**–**	73,239
Restricted cash	24	**26,803**	33,173
Cash and cash equivalents	24	**2,151,926**	3,408,491
Total current assets		**4,741,004**	6,320,506
Total assets		**17,809,839**	17,606,786
LIABILITIES			
Non-current liabilities			
Borrowings	25	**2,629,696**	4,912,007
Guaranteed notes	26	**2,775,731**	2,736,319
Other payables and accruals	29	**2,691,900**	–
Derivative financial liabilities	27	**–**	32,871
Provisions		**–**	4,123
Deferred income tax liabilities	30	**617,927**	605,077
Total non-current liabilities		**8,715,254**	8,290,397

Consolidated Statement of Financial Position

Year ended 31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
LIABILITIES			
Current liabilities			
Trade payables	28	**1,942,398**	1,662,540
Other payables and accruals	29	**362,936**	329,286
Contract liabilities	6	**142,500**	1,004,183
Borrowings	25	**1,135,304**	736,467
Lease liabilities	16	**5,906**	–
Current income tax liabilities		**215,368**	73,068
Total current liabilities		**3,804,412**	3,805,544
Total liabilities		**12,519,666**	12,095,941
Net current assets		**936,592**	2,514,962
Total assets less current liabilities		**14,005,427**	13,801,242
EQUITY			
Equity attributable to owners of the Company			
Share capital	31	**16,732**	16,732
Perpetual convertible bond securities	33	**945,477**	945,382
Reserves		**3,199,336**	3,196,922
Retained earnings		**1,077,452**	1,301,120
		5,238,997	5,460,156
Non-controlling interests		**51,176**	50,689
Total equity		**5,290,173**	5,510,845
Total equity and liabilities		**17,809,839**	17,606,786

The consolidated financial statements on pages 55 to 62 were approved by the Board of Directors on 6 March 2020 and were signed on its behalf.

Mr. Zhong Beichen
Director

Mr. Feng Yujian
Director

The notes on pages 63 to 146 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Notes	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
		Attributable to owners of the Company									
		Issued capital									
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 ("HKFRS16")	3.1	–	–	–	–	–	–	(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
(Loss)/profit for the year		–	–	–	–	–	–	(223,539)	(223,539)	487	(223,052)
Other comprehensive income for the year	27	–	–	–	–	–	2,414	–	2,414	–	2,414
Total comprehensive income/(loss) for the year		–	–	–	–	–	2,414	(223,539)	(221,125)	487	(220,638)
Transactions with owners											
Dividends payable to perpetual convertible bond securities holders	33	–	–	–	95	–	–	(95)	–	–	–
Total transactions with owners		–	–	–	95	–	–	(95)	–	–	–
At 31 December 2019		7,828	1,329	7,575	945,477	3,169,418	29,918	1,077,452	5,238,997	51,176	5,290,173

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

		Attributable to owners of the Company									
		Issued capital									
	Notes	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
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
(Loss)/profit for the year		–	–	–	–	–	–	(197,698)	(197,698)	240	(197,458)
Other comprehensive loss for the year	27	–	–	–	–	–	(35,293)	–	(35,293)	–	(35,293)
Total comprehensive (loss)/ income for the year		–	–	–	–	–	(35,293)	(197,698)	(232,991)	240	(232,751)
Transactions with owners											
Capital injection from non-controlling interests		–	–	–	–	–	–	–	–	46,155	46,155
Dividends payable to perpetual convertible bond securities holders	33	–	–	–	93	–	–	(93)	–	–	–
Total transactions with owners		–	–	–	93	–	–	(93)	–	46,155	46,155
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

The notes on pages 63 to 146 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Profit before income tax		**61,117**	39,191
Adjustments for:			
Finance costs	9	**391,339**	212,509
Interests received from deposits		**(2,463)**	(6,565)
Depreciation and amortisation		**80,598**	54,466
Depreciation charge of right-of-use assets		**8,234**	–
Share of losses of investments accounted for using the equity method	20	**4,375**	4,155
Fair value gains on investment properties	18	**(56,095)**	(262,497)
Service fee for keepwell deed	8	**8,119**	5,696
Effect of foreign exchange rate changes, net		**(2,094)**	(911)
Downstream transaction offsetting		**–**	180
Gains on disposal of assets classified as held-for-sale		**(1,602)**	–
Interest received from a third party		**(522)**	–
Decrease in inventories		**280,361**	194,229
Increase in trade and other receivables and prepayments		**(44,309)**	(116,675)
Decrease in restricted cash		**6,370**	24,937
(Decrease)/increase in provisions		**(4,123)**	4,123
Increase in trade payables, other payables and accruals		**217,976**	475,120
Decrease in incremental costs of obtaining a contract		**11,201**	–
Decrease in contact liabilities		**(861,683)**	–
Cash generated from operations		**96,799**	627,958
Income tax paid		**(109,752)**	(109,828)
Net cash flows (used in)/generated from operating activities		**(12,953)**	518,130
Cash flows from investing activities			
Interests received from deposits		**2,463**	6,565
Purchases of property, plant and equipment		**(38,584)**	(9,554)
Additions of investment properties		**(1,275,967)**	(2,279,547)
Additions of long-term prepaid expenses		**(62,421)**	(115,299)
Investment in a joint venture	20.1	**(234,825)**	–
Amounts repaid from related parties		**–**	23,940
Amounts provided to related parties	38(f)	**(23,429)**	(10,000)
Amounts received from government repurchase of land use rights		**–**	4,155
Purchases of intangible assets		**(7,492)**	(4,925)
Proceeds from disposal of assets classified as held-for-sale		**74,841**	–
Interest received from a third party		**522**	–
Proceeds from disposal of property, plant and equipment		**15,630**	–
Net cash flows used in investing activities		**(1,549,262)**	(2,384,665)

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Repayments of bank borrowings		**(2,429,120)**	(941,476)
Interests paid to bank and other financial institution borrowings		**(322,103)**	(269,650)
New bank borrowings		**545,646**	3,384,950
Service fee for keepwell deed		**(8,119)**	(8,119)
Interests paid for guaranteed notes	26	**(143,779)**	(103,049)
Repayments of amounts due to related parties		**–**	(1,008)
Interests paid to related parties		**–**	(1,767)
Cash settlement of hedging instrument		**(23,002)**	(6,568)
Proceeds from guaranteed notes issued		**–**	2,721,893
Repayments of guaranteed notes		**–**	(1,300,000)
Principal elements of lease payments		**(9,110)**	–
Interest paid to a third party		**(6,479)**	–
Asset-backed securities scheme senior class	29	**2,700,000**	–
Net cash flows generated from financing activities		**303,934**	3,475,206
Net (decrease)/increase in cash and cash equivalents		**(1,258,281)**	1,608,671
Cash and cash equivalents at beginning of the year		**3,408,491**	1,793,200
Exchange gains on cash and cash equivalents		**1,716**	6,620
Cash and cash equivalents at end of the year		**2,151,926**	3,408,491

An analysis of net debt and the movements in net debt for each of the years presented is disclosed in Note 34.

The notes on pages 63 to 146 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

31 December 2019

1. CORPORATE AND GROUP 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 commercial property development with a focus on the development, operation and management of outlets-backed commercial integrated projects and non-outlets retail property projects in the People's Republic of China (the "PRC" or "Mainland China").

As announced on 25 June 2015, Get Thrive Limited ("GTL"), an indirectly 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) has transferred (the "Transfer") its entire shareholding of ordinary shares of the Company of 130,200,000 shares (representing approximately 65.1% of the Company's total issued share capital as at the date of the related announcement) and its entire shareholding of convertible preference shares of the Company (the "CPS") of 738,130,482 CPS (representing 100% of the total CPS in issue as at the date of the related announcement, classified as class A CPS) to BECL Investment Holding Limited ("BECL"), a directly wholly-owned subsidiary of BCL incorporated in Hong Kong, on 19 June 2015. Upon the completion of the Transfer, the parent of the Company changed from GTL to BECL.

On 14 December 2016, the Company issued 905,951,470 CPS, which is classified as class B CPS, to BECL at the issue price of Hong Kong dollar ("HK$") 2.78 per share.

On 28 December 2016, the Company issued 95,192,308 ordinary shares to Smart Win Group Limited ("Smart Win") and to KKR CG Judo Outlets ("KKR") respectively (the "Issuance"), at the issue price of HK$2.10 per share. Meanwhile, the Company issued perpetual convertible bonds securities (the "PCBS") in the principal amounts of HK$657,594,260 to Smart Win and in the principal amounts of HK$420,096,153 to KKR respectively, which are convertible at the initial conversion price of HK$2.10 per conversion share.

On 28 December 2016, BECL exercised its conversion rights and converted an aggregate of 571,153,846 class A CPS in accordance with the terms and conditions of the relevant subscription agreement entered into by the Company (the "Conversion").

Upon the completion of the Issuance and the Conversion, BECL held 72.94% of the Company's total issued share capital.

In the opinion of the directors of the Company, the immediate holding company of the Company is BECL. The intermediate holding company of the Company is BCL. The ultimate holding company of the Company is Beijing Capital Group Co., Ltd. ("Capital Group"), a state-owned enterprise registered in the PRC.

The consolidated financial statements are 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.

The consolidated financial statements have been approved and authorised for issue by the Board of Directors on 6 March 2020.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and derivative financial instruments, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2019:

HKFRS 16	Leases
Annual improvement	Annual Improvements to HKFRS Standards 2015-2017 Cycle
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Interpretation 23	Uncertainty over Income Tax Treatments

The impact of the adoption of HKFRS 16 is disclosed below. The adoption of annual improvements to HKFRS Standards 2015-2017 Cycle and amendments to HKFRS 9, HKAS 28, HKAS 19 and interpretation 23 did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(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 year, 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 consolidated statement of financial position on 1 January 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

New and amended standards adopted by the Group (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.

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

	As at 1 January 2019 Effects of the adoption of HKFRS 16 *RMB'000*
Right-of-use assets	
Properties	**16,023**

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- Right-of-use assets – increase by RMB16,023,000
- Prepayments – decrease by RMB1,999,000
- Lease liabilities – increase by RMB14,058,000

The net impact on retained earnings on 1 January 2019 was a decrease of RMB34,000.

(b) *Standards and amendments which are not yet effective*

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

(a) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 SUBSIDIARIES (CONTINUED)

(a) Business combination (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Merger accounting under common control

The acquisitions of subsidiaries under common control have been accounted for using the merger method of accounting. The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or the excess of the acquirees' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated statement of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 JOINT ARRANGEMENTS

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. Where the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.4 ASSOCIATES

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Where the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 ASSOCIATES (CONTINUED)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of (loss)/profit of investments accounted for using equity method' in the statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the statement of profit or loss.

3.5 FOREIGN CURRENCY TRANSLATION

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within "Other gains-net".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the assets as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	20-40 years
Furniture, fixtures & equipment	3-8 yeas
Motor vehicles and others	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3.7 LONG-TERM PREPAID EXPENSE

Long-term prepaid expenses include expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure subtract accumulated amortisation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 INVESTMENT PROPERTIES

Investment properties, including land use rights and buildings that are held for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in future, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their cost can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the year in which they are incurred.

The Group adopts the fair value model for subsequent measurement of investment properties. Investment properties are measured at fair value model when the following conditions are met:

(a) There is an active property market where the investment property locates.

(b) The Group can obtain the market price or the relevant information regarding the same type of or similar property market, so as to reasonably estimate the fair value of the investment property.

Investment properties will be valued as at the date of the consolidated statement of financial position and its carrying amount will be adjusted accordingly. The difference between the fair value and the carrying amount will be charged to the current profit or loss account of the Group.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated statement of profit or loss.

Where fair value of investment properties under construction is not reliably measurable but is expected to be reliably obtained after the construction is completed (including those investment properties under construction acquired initially by the Group), 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

3.10 FINANCIAL ASSETS

(a) Classification

The Group classifies its financial assets in the following measurement categories:

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

- those to be measured at amortised cost.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 FINANCIAL ASSETS (CONTINUED)

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognised in 'Other gains – net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in 'Other gains – net' and impairment expenses are presented as separate line item in the statement of profit or loss.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within 'Other gains – net' in the period in which it arises. Interest income from these financial assets is included in the 'finance income'.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 FINANCIAL ASSETS (CONTINUED)

(c) *Measurement (Continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income following the derecognition of the investments. Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'Other gains-net' in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

3.11 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 5.1(c) details how the Group determines whether there has been a significant increase in credit risk.

For all trade and other receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3.12 FINANCIAL LIABILITIES

(a) *Initial recognition and measurement*

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank and other financial institution borrowings and guaranteed notes.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

(b) *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 FINANCIAL LIABILITIES (CONTINUED)

(c) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.13 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or

- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging, The Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 27. Movements in the hedging reserve in shareholders' equity are shown in note 27. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) *Cash flow hedge that qualifies for hedge accounting*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Where option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

(c) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

3.14 INVENTORIES

(a) Properties under development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost and net realisable value. Cost comprises land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period. Net realisable value is determined by reference to management estimates based on the estimated selling price in the ordinary course of business, less the estimated costs to completion, and estimated costs to be incurred in selling the property.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

(b) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value.

Cost is determined by an apportionment of total land and building costs attributable to the unsold properties. Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

(c) Merchandise inventories

Merchandise inventories are finished goods purchased from external for retail, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods is purchase costs agreed in purchasing contracts. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.16 SHARE CAPITAL

Ordinary shares, class A and class B CPS are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.17 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.18 CURRENT AND DEFERRED INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset where there is a legally enforceable right exists to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxable entity and the same taxation authority.

3.19 EMPLOYEE BENEFITS

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for these employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 PROVISIONS

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3.21 FINANCIAL GUARANTEE

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers as financial guarantee contracts.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement.

Financial guarantee liabilities are derecognised from the statement of financial position when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Revenue from sale of completed properties

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, the revenue is recognised at a point in time when the customer obtains the control of the property, that is, when the property is completed and reached check and accept status and is delivered or regarded as delivered to the customer.

(b) Rental income

The Group has two types of rental income in investment property operation business.

For lease agreements with no fixed rental amount, the Group recognises income monthly based on certain percentage of the total income of the cooperative lessee.

For lease agreement with fixed rental amount, the Group recognises income monthly on a straight-line basis over the lease period. On the condition that the Group provides rent free period for certain lessee, the Group recognises income by allocating the total rent roll throughout the whole rent period according to straight-line method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 REVENUE RECOGNITION (CONTINUED)

(c) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(d) Retail income

The Group sells products to individual customers through its retail outlets. Sales of goods are recognised in the accounting period in which the retail outlet sells a product to the customer. Retail sales are usually settled in cash or by credit card.

3.23 DIVIDENDS

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3.24 LEASE

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 LEASE (CONTINUED)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, securities and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and

- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs; and

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 LEASE (CONTINUED)

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

3.25 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Directors in the Board of Directors that makes strategic decisions.

3.26 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements 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.

(A) FAIR VALUE OF INVESTMENT PROPERTIES

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

- Current prices (open market quotations) in an active market for the same or similar investment properties;

- When such information above is not available, then use recent trading prices in an active market of the same or similar investment property, and take the factors of situations, dates and locations of transactions, etc. into consideration;

- The Group adopts income capitalisation approach and residual method to determine fair value, based on estimated rental income and development cost to occur in the future and present value of the related cash flows, with considering a properly estimated profit rate to determine fair value. The key estimations are disclosed in Note 18.

Where fair value of investment properties under construction is not reliably measurable but is expected to be reliably obtained after the construction is completed (including those investment properties under construction acquired initially by the Group), 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 residual approach and under income capitalisation 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 interest rates, profit margin rates and development costs to complete, etc. under residual approach, and comparing the development costs to complete with management's budgets.

The determination of fair value of investment properties are based on the conditions, facts and circumstances that are existed as of 31 December 2019 and the impact of any non-adjusting subsequent events will be considered in the valuation in 2020.

(B) DEFERRED INCOME TAX

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

5. FINANCIAL RISK MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other financial institution borrowings, guaranteed notes, asset-backed securities scheme senior class 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 financial assets included in trade and other receivables, trade payables, financial liabilities included in other payables and accruals (excluding asset-backed securities scheme senior class), 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.

As at 31 December 2019, if RMB had weakened/strengthened by 5% against HK$ and US$ with all other variable held constant, profit before tax for the year of the Group would have been RMB806,000 higher/lower (2018: RMB1,506,000 higher/lower) mainly due to changes in the fair value of cash and cash equivalents.

The aggregate net foreign exchange gains recognised in profit or loss were:

	2019 ***RMB'000***	2018 *RMB'000*
Net foreign exchange gain included in other gains – net	**2,094**	911
Total net foreign exchange gains recognised in profit before income tax for the period	**2,094**	911

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest rate risk

The Group's interest rate risk arises from interest-bearing bank and other financial institution borrowings, guaranteed notes and asset-backed securities scheme senior class. 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. Bank and other financial institution borrowings and asset-backed securities scheme senior class 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.

The interest rate risk of US$-denominated floating route guaranteed note was managed by the use of structured cross currency swap.

At 31 December 2019, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, loss for the year would have been RMB4,744,000 (2018: RMB11,807,000) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings.

(c) Credit risk

Credit risk is managed on group basis. It mainly arises from cash and cash equivalents 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.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Trade and other receivables (excluding prepayments)

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).

To measure the expected credit losses, trade and other receivables (excluding prepayments) 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 31 December 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.

(d) Liquidity risk

The Group's policies are to maintain sufficient cash and cash equivalents and to have available funding through asset-backed securities scheme senior class, bank and other financial institution 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 31 December 2019				
Trade payables	**1,942,398**	**–**	**–**	**1,942,398**
Other payables and accruals	**403,621**	**3,261,600**	**–**	**3,665,221**
Borrowings	**1,335,224**	**2,141,852**	**764,241**	**4,241,317**
Guaranteed notes	**127,434**	**2,892,253**	**–**	**3,019,687**
Lease liabilities	**5,906**	**–**	**–**	**5,906**
	3,814,583	**8,295,705**	**764,241**	**12,874,529**
At 31 December 2018				
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
Guaranteed notes	144,336	2,980,703	–	3,125,039
	3,072,680	7,271,689	1,322,292	11,666,661

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (Continued)

The amounts have not included financial guarantee contracts:

– which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties. 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 than not that no amount will be payable by providing above guarantees.

(e) Capital management

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

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

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt mainly includes interest bearing bank and other financial institution borrowings, guaranteed notes (including accrued interests payables) and asset-backed securities scheme senior class (including accrued interests payables) less cash and cash equivalents and restricted cash. The gearing ratios as at the end of the reporting periods were as follows:

	As at 31 December	
	RMB'000	*RMB'000*
Total borrowings *(Note 25)*	**3,765,000**	5,648,474
Guaranteed notes (including accrued interests payables) *(Note 26)*	**2,796,677**	2,759,458
Asset-backed securities scheme senior class (including accrued interests payables) *(Note 29)*	**2,700,839**	–
Lease liabilities	**5,906**	–
	9,268,422	8,407,932
Less: Cash and cash equivalents	**(2,151,926)**	(3,408,491)
Restricted cash	**(26,803)**	(33,173)
Net debt	**7,089,693**	4,966,268
Total equity	**5,290,173**	5,510,845
Gearing ratio	**134%**	90%

The change of net gearing ratio was primarily due to the increase in net debt of the Group in 2019.

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 31 December 2019 and 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 31 December 2019				
Non-financial assets				
Investment properties	**–**	**–**	**10,694,300**	**10,694,300**
Financial instruments				
Cross currency interest rate swap	**–**	**1,058**	**–**	**1,058**
As at 31 December 2018				
Non-financial assets				
Investment properties	–	–	9,271,400	9,271,400
Financial instruments				
Cross currency interest rate swap	**–**	**(32,871)**	**–**	**(32,871)**

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

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 rent, discount rate and based on residual method which mainly used unobservable inputs such as profit rate, and interest rate and so on.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

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

	Carrying amounts		Fair values	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial liabilities				
Interest-bearing other financial institution borrowings	**2,500,000**	2,500,000	**2,528,481**	2,572,769
Asset-backed securities scheme senior class	**2,700,839**	–	**2,752,969**	–

Management has assessed that the fair values of cash and cash equivalents, financial assets included in trade and other receivables, trade payables, financial liabilities included in other payables and accruals (excluding asset-backed securities scheme senior class) and lease liabilities 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 and asset-backed securities scheme senior class 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 member of the Board of Directors ("Directors") is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Directors for the purposes of allocating resources and assessing performance.

The Directors considers the business from a product perspective. Management separately considers the performance of property development, investment property development and operation. The segment of property development derives its revenue primarily from sale of completed properties. The segments 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 assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Share of losses of investments accounted for using the equity method, interest income and finance costs 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 statements.

Total segment assets exclude amounts due from related parties, cash and cash equivalents, restricted cash, deferred income tax assets, investments accounted for using the equity method and derivative financial 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, derivative financial liabilities and asset-backed securities scheme senior class, all of which are managed on a central basis as well. These are part of the reconciliation to total assets and liabilities of the 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 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
Year ended 31 December 2019						
Total revenue	**1,069,667**	**621,976**	**174,431**	**1,866,074**	**–**	**1,866,074**
Inter-segment revenue	**–**	**(1,402)**	**–**	**(1,402)**	**–**	**(1,402)**
Revenue (from external customers) *(i)*	**1,069,667**	**620,574**	**174,431**	**1,864,672**	**–**	**1,864,672**
Segment operating profit/ (loss)	**478,003**	**86,411**	**(130,310)**	**434,104**	**(888)**	**433,216**
Depreciation and amortisation *(Note 8)*	**–**	**(63,252)**	**(3,275)**	**(66,527)**	**–**	**(66,527)**
Income tax expenses *(Note 12)*	**(258,479)**	**(5,005)**	**(20,685)**	**(284,169)**	**–**	**(284,169)**
Additions to non-current assets (other than investments, deferred income tax assets and derivative financial assets)	**196**	**1,886,171**	**2,389**	**1,888,756**	**–**	**1,888,756**
Year ended 31 December 2018						
Total revenue	793,311	350,848	80,479	1,224,638	–	1,224,638
Inter-segment revenue	–	(598)	–	(598)	–	(598)
Revenue (from external customers) *(i)*	793,311	350,250	80,479	1,224,040	–	1,224,040
Segment operating profit/(loss)	215,087	170,587	(165,846)	219,828	(369)	219,459
Depreciation and amortisation *(Note 8)*	(99)	(18,167)	(16,533)	(34,799)	–	(34,799)
Income tax expense *(Note 12)*	(165,440)	(60,666)	(10,543)	(236,649)	–	(236,649)
Additions to non-current assets (other than investments and deferred income tax assets)	107	2,932,922	2,687	2,935,716	–	2,935,716

(i) Revenue from contracts with customers of RMB8,448,000 (2018: RMB94,384,000) is recognised over time in property development segment.

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 31 December 2019						
Total segment assets	**1,585,920**	**13,312,384**	**2,658,669**	**17,556,973**	**(2,279,210)**	**15,277,763**
Total segment liabilities	**(224,200)**	**(2,265,254)**	**(2,310,737)**	**(4,800,191)**	**2,279,210**	**(2,520,981)**
As at 31 December 2018						
Total segment assets	1,936,843	11,782,247	364,958	14,084,048	(14,045)	14,070,003
Total segment liabilities	(1,542,512)	(1,344,441)	(58,911)	(2,945,864)	14,045	(2,931,819)

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

	2019 *RMB'000*	2018 *RMB'000*
Segment operating profit	**433,216**	219,459
Share of losses of investments accounted for using equity method *(Note 20)*	**(4,375)**	(4,155)
Interest income *(Note 7)*	**23,615**	36,396
Finance costs *(Note 9)*	**(391,339)**	(212,509)
Profit before income tax	**61,117**	39,191

6. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities are reconciled to total assets and liabilities as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Total segment assets	**15,277,763**	14,070,003
Cash and cash equivalents *(Note 24)*	**2,151,926**	3,408,491
Restricted cash *(Note 24)*	**26,803**	33,173
Deferred income tax assets *(Note 30)*	**19,467**	16,176
Investments accounted for using the equity method *(Note 20)*	**261,689**	31,239
Amounts due from related parties *(Note 38(f))*	**71,133**	47,704
Derivative financial assets *(Note 27)*	**1,058**	–
Total assets per consolidated statement of financial position	**17,809,839**	17,606,786
Total segment liabilities	**(2,520,981)**	(2,931,819)
Borrowings *(Note 25)*	**(3,765,000)**	(5,648,474)
Guaranteed notes *(Note 26)*	**(2,796,677)**	(2,759,458)
Amounts due to related parties *(Note 38(g))*	**(118,242)**	(118,242)
Deferred income tax liabilities *(Note 30)*	**(617,927)**	(605,077)
Asset-backed securities scheme senior class *(Note 29)*	**(2,700,839)**	–
Derivative financial liabilities *(Note 27)*	**–**	(32,871)
Total liabilities per consolidated statement of financial position	**(12,519,666)**	(12,095,941)

Assets and liabilities related to contracts with customers:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Sales commission for properties	**5,054**	16,255
Total incremental costs of obtaining a contract	**5,054**	16,255
Advances from sales of properties	**117,100**	991,481
Advances from rental of properties	**16,653**	7,150
Others	**8,747**	5,552
Total contract liabilities	**142,500**	1,004,183

6. OPERATING SEGMENT INFORMATION (CONTINUED)

The Company is incorporated in Cayman Islands, with most of its major subsidiaries domiciled in the PRC. Revenues from external customers of the Group are mainly derived in the PRC for the years ended 31 December 2019 and 2018.

As at 31 December 2019, total non-current assets other than deferred income tax assets located in the PRC is RMB13,049,368,000 (2018: RMB11,270,098,000), none of these non-current assets is located in Hong Kong (2018: RMB6,000).

For the year ended 31 December 2019, the Group does not have any single customer with revenue over 10% of the revenue from external customers. For the year ended 31 December 2018, revenue of RMB150,333,000 generated from a single customer from property development segment, which accounts for 12% of the total revenue from external customers.

For the year ended 31 December 2019, revenue of RMB993,530,000 (31 December 2018: RMB378,513,000) was included in the contract liabilities balance at the beginning of the year.

7. REVENUE, OTHER GAINS-NET AND INCOME

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

	2019 ***RMB'000***	2018 *RMB'000*
Revenue		
Sale of properties	**1,069,667**	793,311
Rental revenue of investment properties	**620,574**	350,250
Sale of goods	**174,431**	80,479
	1,864,672	1,224,040
Other gains – net		
Government grants	**25,500**	–
Foreign exchange gains – net	**2,094**	911
Tax relief	**3,014**	–
Others	**3,367**	307
	33,975	1,218
Other income		
Bank interest income	**23,615**	36,396
Others	**23,790**	10,761
	47,405	47,157

8. EXPENSES BY NATURE

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

	2019	2018
	RMB'000	*RMB'000*
Cost of properties sold	**522,102**	566,528
Cost of goods sold	**150,722**	75,753
Property management fee	**182,044**	104,618
Depreciation charge of right-of-use assets	**8,234**	10,061
Depreciation and amortisation	**66,527**	34,799
Employee benefit expenses	**277,014**	200,852
– Wages, salaries and staff welfare	**222,301**	168,283
– Pension scheme contributions	**22,471**	12,602
– Other allowance and benefits	**32,242**	19,967
Office and traveling expenses	**55,044**	36,710
Consultancy fee	**16,867**	39,569
Advertising and marketing	**160,527**	131,596
Service fee for keepwell deed *(Note 38(b))*	**8,119**	5,696
Business taxes and other surcharges	**86,103**	61,543
Audit services expenses	**2,597**	1,934
Capital market and other non-audit services expenses	**150**	2,269
Others	**9,266**	7,129
	1,545,316	1,279,057

9. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest expense on bank and other financial institution borrowings	**321,603**	275,337
Interest expense on asset-backed securities scheme senior class	**8,939**	–
Interest expense on lease liabilities	**525**	–
Net fair value loss on derivative financial instruments		
Reclassified from cash flow hedge reserve	**15,902**	5,865
Reclassified from costs of hedging reserves	**1,461**	593
Ineffectiveness of cash flow hedges	**8,950**	4,327
Interest expense on guaranteed notes	**146,550**	101,822
Others	**6,479**	–
Less: interests capitalised	**(119,070)**	(175,435)
	391,339	212,509

For the year ended 31 December 2019, the capitalisation rate is 5.86% (year ended 31 December 2018: 5.60%), and the finance costs capitalised are mainly in relation to investment properties and properties under development.

10. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year is as follows:

	2019 RMB'000	2018 RMB'000
Fees	**807**	774
Other emoluments:		
Salaries, allowances and benefits in kind	**1,567**	1,440
Performance related bonuses	**2,250**	2,500
Pension scheme contributions	**91**	96
	3,908	4,036
	4,715	4,810

10. DIRECTORS' EMOLUMENTS (CONTINUED)

(A) EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2019						
Executive directors						
Mr. Zhong Beichen	–	–	–	–	–	–
Mr. Feng Yujian	–	1,567	2,250	–	91	3,908
	–	1,567	2,250	–	91	3,908
2019						
Non-executive directors						
Mr. Wang Honghui	–	–	–	–	–	–
Ms. Qin Yi	–	–	–	–	–	–
Mr. Wang Hao	–	–	–	–	–	–
Mr. Yang, Paul Chunyao	–	–	–	–	–	–
	–	–	–	–	–	–
2019						
Independent non-executive directors						
Dr. Ngai Wai Fung	269	–	–	–	–	269
Ms. Zhao Yuhong	269	–	–	–	–	269
Mr. He Xiaofeng	269	–	–	–	–	269
	807	–	–	–	–	807
Total	807	1,567	2,250	–	91	4,715

There were no other emoluments payable to the independent non-executive directors during the year (year ended 31 December 2018: Nil).

10. DIRECTORS' EMOLUMENTS (CONTINUED)

(A) EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Equity settled share option expense *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2018						
Executive directors						
Mr. Zhong Beichen	–	–	–	–	–	–
Mr. Feng Yujian	–	1,440	2,500	–	96	4,036
	–	1,440	2,500	–	96	4,036
2018						
Non-executive directors						
Mr. Wang Honghui	–	–	–	–	–	–
Ms. Qin Yi	–	–	–	–	–	–
Mr. Wang Hao	–	–	–	–	–	–
Mr. Yang, Paul Chunyao	–	–	–	–	–	–
	–	–	–	–	–	–
2018						
Independent non-executive directors						
Dr. Ngai Wai Fung	258	–	–	–	–	258
Ms. Zhao Yuhong	258	–	–	–	–	258
Mr. He Xiaofeng	258	–	–	–	–	258
	774	–	–	–	–	774
Total	774	1,440	2,500	–	96	4,810

10. DIRECTORS' EMOLUMENTS (CONTINUED)

(A) EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiaries undertaking		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking		Total	
2019	2018	**2019**	2018	**2019**	2018
RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
807	774	**3,908**	4,036	**4,715**	4,810

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (year ended 31 December 2018: one), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the four (year ended 31 December 2018: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Salaries, allowances and benefits in kind	**8,332**	8,044
Performance related bonuses	**5,120**	5,470
Pension scheme contributions	**282**	302
	13,734	13,816

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2019	2018
HK$3,000,001 (equivalent to RMB2,687,341) to HK$3,500,000 (equivalent to RMB3,135,230)	**1**	–
HK$3,500,001 (equivalent to RMB3,135,231) to HK$4,000,000 (equivalent to RMB3,583,120)	**1**	2
HK$4,000,001 (equivalent to RMB3,583,121) to HK$4,500,000 (equivalent to RMB4,031,010)	**2**	2

12. INCOME TAX EXPENSES

Hong Kong corporate are mainly subject to Hong Kong profits tax rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong during the year (year ended 31 December 2018: Nil).

PRC corporate income tax has been provided at the rate of 25% (year ended 31 December 2018: 25%) on the taxable profits of the Group's PRC subsidiaries during the year.

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

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

	2019 ***RMB'000***	2018 *RMB'000*
Current income tax:		
– PRC corporate income tax	**95,930**	48,748
– PRC land appreciation tax	**176,180**	149,658
Deferred income tax *(Note 30)*	**12,059**	38,243
Total tax charges for the year	**284,169**	236,649

A reconciliation of the tax expenses applicable to profit before income tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Profit before income tax	**61,117**	39,191
Tax calculated at statutory tax rates applicable to profits in the respective countries	**30,693**	26,263
Income not subject to tax	**(1,044)**	(271)
Expenses not deductible for tax	**30,392**	21,200
Gains from internal equity transfer transaction subject to tax	**–**	9,784
Tax losses for which no deferred income tax asset was recognised	**49,198**	67,430
Land appreciation tax	**176,180**	149,658
Income tax effect of land appreciation tax	**(44,045)**	(37,415)
Write-off of previously recognised deferred income tax assets	**42,795**	–
Income tax expenses for the year	**284,169**	236,649

13. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 December 2019 (year ended 31 December 2018: Nil).

14. LOSSES PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted losses per share amount for the year ended 31 December 2019 is based on the loss for the year attributable to owners of the Company of RMB223,539,000 (year ended 31 December 2018: RMB197,698,000), the weighted average number of ordinary shares of 961,538,462 (year ended 31 December 2018: 961,538,462), the weighted average number of CPS of 1,072,928,106 (year ended 31 December 2018: 1,072,928,106) and the weighted average number of shares of 513,185,911 (year ended 31 December 2018: 513,185,911) into which the PCBS may be converted, in issue during the year.

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

	2019 ***RMB'000***	2018 *RMB'000*
Losses attributable to ordinary equity holders of the parent used in the basic and diluted losses per share calculation	**(223,539)**	(197,698)
	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 losses per share	**2,547,652,479**	2,547,652,479

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Furniture fixtures and equipment *RMB'000*	Motor vehicles and others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2019				
At 1 January 2019				
Cost	10,092	43,676	8,798	62,566
Accumulated depreciation	(1,051)	(30,312)	(4,117)	(35,480)
Net carrying amount	9,041	13,364	4,681	27,086
At 1 January 2019, net of accumulated depreciation	9,041	13,364	4,681	27,086
Additions	–	35,025	3,559	38,584
Disposals	(7,022)	(10,293)	(5,337)	(22,652)
Depreciation provided during the year	(51)	(10,468)	(1,061)	(11,580)
At 31 December 2019, net of accumulated depreciation	1,968	27,628	1,842	31,438
At 31 December 2019				
Cost	2,142	62,690	6,992	71,824
Accumulated depreciation	(174)	(35,062)	(5,150)	(40,386)
Net carrying amount	1,968	27,628	1,842	31,438

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings *RMB'000*	Furniture fixtures and equipment *RMB'000*	Motor vehicles and others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2018				
At 1 January 2018				
Cost	10,092	34,388	8,634	53,114
Accumulated depreciation	(841)	(22,537)	(3,446)	(26,824)
Net carrying amount	9,251	11,851	5,188	26,290
At 1 January 2018, net of accumulated depreciation	9,251	11,851	5,188	26,290
Additions	–	9,288	164	9,452
Depreciation provided during the year	(210)	(7,775)	(671)	(8,656)
At 31 December 2018, net of accumulated depreciation	9,041	13,364	4,681	27,086
At 31 December 2018				
Cost	10,092	43,676	8,798	62,566
Accumulated depreciation	(1,051)	(30,312)	(4,117)	(35,480)
Net carrying amount	9,041	13,364	4,681	27,086

16. LEASES

This note provides information for leases where the Group is a lessee.

(I) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 December 2019 *RMB'000*	As at 1 January 2019 *RMB'000*
Right-of-use assets		
Properties	**7,789**	**16,023**
Lease liabilities		
Current	**5,906**	**8,152**
Non-current	**–**	**5,906**
	5,906	**14,058**

There was no addition to the right-of-use assets during the 2019 financial year.

(II) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2019 *RMB'000*	2018 *RMB'000*
Depreciation charge of right-of-use assets		
Properties	**8,234**	**–**
Interest expense (included in finance cost)	**525**	**–**

The total cash outflow for leases in 2019 was RMB9,110,000.

17. LONG-TERM PREPAID EXPENSES

	Prepaid decoration expenses *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2019			
At 1 January 2019	**134,245**	**17,092**	**151,337**
Additions	**46,547**	**18,249**	**64,796**
Amortisation provided during the year	**(54,605)**	**(13,157)**	**(67,762)**
31 December 2019	**126,187**	**22,184**	**148,371**
For the year ended 31 December 2018			
At 1 January 2018	73,219	8,181	81,400
Additions	98,805	16,494	115,299
Amortisation provided during the year	(37,779)	(7,583)	(45,362)
31 December 2018	134,245	17,092	151,337

18. INVESTMENT PROPERTIES

(A) INVESTMENT PROPERTIES UNDER CONSTRUCTION

	Cost RMB'000	Fair Value RMB'000	Total RMB'000
At 1 January 2018	904,690	1,703,000	2,607,690
Additions	1,252,562	1,270,034	2,522,596
Transfer to investment properties in operation	–	(1,303,291)	(1,303,291)
Transfer to investment properties under construction at fair value	(665,556)	–	(665,556)
Transfer from investment properties under construction at cost	–	665,556	665,556
Net gains from fair value adjustment	–	123,701	123,701
At 31 December 2018	1,491,696	2,459,000	3,950,696
Additions	**1,034,726**	**736,136**	**1,770,862**
Transfer to investment properties in operation	**–**	**(3,834,126)**	**(3,834,126)**
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**
At 31 December 2019	**1,887,432**	**–**	**1,887,432**

(B) INVESTMENT PROPERTIES IN OPERATION

	2019 RMB'000	2018 RMB'000
At 1 January	**6,812,400**	5,344,200
Additions	**–**	26,113
Other adjustments	**(8,321)**	–
Transfer from investment properties under construction	**3,834,126**	1,303,291
Net gains from fair value adjustment	**56,095**	138,796
Closing balance at 31 December	**10,694,300**	6,812,400

18. INVESTMENT PROPERTIES (CONTINUED)

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

	2019 ***RMB'000***	2018 *RMB'000*
Net gains from fair value adjustment	**56,095**	262,497
Rental income from leases	**620,574**	350,250
Direct operating expenses from properties that generated rental income	**(7,201)**	(4,085)
Direct operating expenses from properties that did not generate rental income	**(452)**	(27)

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

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

The investment properties are leased to tenants under operating leases with rentals payable monthly. There are no variable lease payments that depend on an index or rate.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

18. INVESTMENT PROPERTIES (CONTINUED)

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

Information about fair value measurements using significant unobservable inputs:

			Unobservable inputs		
Investment Properties	Fair value as at 31 December 2019 *RMB'000*	Valuation techniques	Title	Range	Relationship of unobservable inputs to fair value
North region	**3,503,000**	Income capitalisation approach	Discount rate	5.5% to 7%	The higher discount rate is, the lower fair value
			Market rental price	RMB45 to RMB275 per square meter per month	The higher market rental price is, the higher fair value
Central region	**7,191,300**	Income capitalisation approach	Discount rate	5.5% to 6.5%	The higher discount rate is, the lower fair value
			Market rental price	RMB29 to RMB155 per square meter per month	The higher market rental price is, the higher fair value

18. INVESTMENT PROPERTIES (CONTINUED)

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

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

Investment Properties	Fair value as at 31 December 2018 *RMB'000*	Valuation techniques	Unobservable inputs: Title	Unobservable inputs: Range	Unobservable inputs: 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

19. SUBSIDIARIES

Name	Place of incorporation/ registration and business	Issued ordinary share/registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Percentage of equity attributable to non-controlling interests %	Principal activities
Trade Horizon Global Limited ("Trade Horizon") (貿景環球有限公司)	British Virgin Islands	US$1	100	–	N/A	Guaranteed notes offering
Beijing Chuangxin Jianye Real Estate investment Ltd. ("Chuangxin Jianye") (北京創新建業地產投資有限公司)	Mainland China	RMB50,000,000	–	100	N/A	Investment holding
Shanghai Juque Investment Management Co., Ltd. (上海鉅礐投資管理有限公司)	Mainland China	RMB835,000,000	–	100	N/A	Investment holding
Beijing Hengsheng Huaxing Investment Management Co., Ltd (北京恒盛華星投資管理有限公司)	Mainland China	RMB20,000,000	–	100	N/A	Investment holding and retail
Jiangxi Capital Outlets Development Company Limited (江西首創奧特萊斯置業有限公司)	Mainland China	RMB459,000,000	–	100	N/A	Property investment
Hangzhou Capital Outlets Property Limited (杭州首創奧特萊斯置業有限公司)	Mainland China	RMB335,000,000	–	100	N/A	Property investment
Wuhan Capital Juda Outlets Business Management Limited (武漢首創鉅大奧萊商業管理有限公司)	Mainland China	RMB208,000,000	–	99	1	Property investment
Jinan Shouju Real Estate Ltd. (濟南首鉅置業有限公司)	Mainland China	RMB210,000,000	–	100	N/A	Property investment and development
Zhengzhou Juxin Outlets Industrial Co., Ltd. (鄭州鉅信奧萊實業有限公司)	Mainland China	RMB200,000,000	–	100	N/A	Property investment

19. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and business	Issued ordinary share/registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Percentage of equity attributable to non-controlling interests %	Principal activities
Xian Shouju Commercial Development and Management Co., Ltd. (西安首鉅商業開發管理有限公司)	Mainland China	RMB335,000,000	–	100	N/A	Property investment
Hefei Chuangju Outlets (合肥創鉅奧萊商業管理有限公司)	Mainland China	RMB280,000,000	–	100	N/A	Property investment
Capital Outlets (Kunshan) Business Development Co., Ltd. (首創奧特萊斯(昆山)商業開發有限公司)	Mainland China	RMB100,000,000	–	100	N/A	Property investment
Capital Dongxing (Kunshan) Business Development Co., Ltd. (首創東興(昆山)商業開發有限公司)	Mainland China	RMB100,000,000	–	100	N/A	Property investment
Beijing Capital Outlets Property Investment Fang Shan Ltd. (北京首創奧特萊斯房山置業有限公司)	Mainland China	RMB867,134,905	–	100	N/A	Property investment
Zhejiang Outlets Property Real Estate Co., Ltd. ("Zhejiang Outlets") (浙江奧特萊斯置業有限公司)	Mainland China	RMB261,598,013	–	100	N/A	Property investment
Xi'an Capital Xin Kai Real Estate Ltd.("Xin Kai") (西安首創新開置業有限公司)	Mainland China	US$165,000,000	–	100	N/A	Property development
Kunming Capital Outlet Commercial Management Co., Ltd. (昆明首創奧萊商業運營管理有限公司)	Mainland China	RMB317,700,000	–	85	15	Property investment
Chongqing Shouju Outlet Real Estate Co., Ltd. (重慶首鉅奧特萊斯置業有限公司)	Mainland China	RMB200,000,000	–	100	N/A	Property investment

19. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and business	Issued ordinary share/registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Percentage of equity attributable to non-controlling interests %	Principal activities
Qingdao Grand Commercial Management Co., Ltd. (青島鉅大奧萊商業管理有限公司)	Mainland China	RMB210,000,000	–	100	N/A	Property investment
Nanning Grand Outlets Property Investment Co., Ltd. (南寧鉅大奧特萊斯置業有限公司)	Mainland China	RMB350,000,000	–	100	N/A	Property investment and development
Xiamen Juda Outlets Business Operation Management Limited (廈門鉅大奧萊商業管理有限公司)	Mainland China	RMB330,000,000	–	100	N/A	Property investment
Zhuhai Hengqin Hengsheng Huachuang Commercial Management Co., Ltd ("Hengsheng Huachuang") (珠海橫琴恒盛華創商業管理有限公司)	Mainland China	RMB10,000,000	–	100	N/A	Investment holding and asset management
GSUM-Beijing Capital Grand Outlets No, 1 phase 1 Private Equity Fund (中聯前源－首創鉅大奧特萊斯一號第一期私募股權投資基金)	Mainland China	RMB3,578,445,000	–	100	N/A	Asset Management and investment
GSUM-Beijing Capital Grand Outlets No,1 phase 2 Private Equity Fund (中聯前源－首創鉅大奧特萊斯一號第二期私募股權投資基金)	Mainland China	RMB1,000,000	–	100	N/A	Asset Management and investment
Zhonglian Yichuang — Beijing Capital Grand Outlets No.1 Phase I Assetbacked Securities Scheme (中聯一創－首創鉅大奧特萊斯一號第一期資產支持專項計劃)	Mainland China	RMB879,000,000	–	100	N/A	Asset Management and investment

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

20.1 INVESTMENTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000
At 1 January	**2,205**	3,890
Capital injection	**234,825**	–
Share of losses	**(123)**	(1,505)
Downstream transaction offsetting	**–**	(180)
At 31 December	**236,907**	2,205

(a) Following are the details of the joint ventures held by the Group as at 31 December 2019, which is unlisted:

Name	Place of incorporation/ registration and business	registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
(1) Shanghai Zanchuang Sports Venues Management Co., Ltd (上海贊創體育場館管理有限公司) ("Shanghai Zanchuang")	Shanghai/ Mainland China	RMB10,000,000	–	40%	Sports venues management
(2) Ningbo Shouju Yiming Investment Limited Liability Partnership (寧波首鉅翌明投資合夥企業(有限合夥))("Shouju Yiming")*(i)*	Ningbo/ Mainland China	RMB3,000,000,000	–	25%	Investment management in PRC

(i) Pursuant to the Partnership Agreement, the total capital commitment is RMB3 billion, amongst which the total amount of capital to be contributed by the Group will be RMB750 million, accounting for 25% of the fund size, comprising RMB10 million as a general partner and RMB740 million as a limited partner. On the other hand, the total amount of capital to be contributed by Beijing NOVA Corporate Management Consulting Co., Limited, Beijing Yusheng Property Management Co., Limited and Beijing Mobo Management Consulting Co., Limited (collectively referred to as the "Nova Party") will be RMB2.25 billion, accounting for 75% of the fund size, comprising RMB10 million as a general partner and RMB2.24 billion as limited partners. The Group and the Nova Party jointly control Shouju Yiming, therefore it is recognised as a joint venture.

20. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

20.1 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(b) Summarised financial information for the joint venture that is material to the Group, which is accounted for using the equity method:

	Shouju Yiming 31 December 2019 ***RMB'000***
Current assets	
Cash	25,955
Other current assets (excluding cash)	38,040
Total current assets	63,995
Non-current assets	815,000
Current liabilities	
Financial liabilities (excluding trade payables)	2,214
Other current liabilities (including trade payables)	405
Total current liabilities	2,619
Non-current liabilities	
Financial liabilities	400,000
Other liabilities	38
Total non-current liabilities	400,038
Net assets	476,338

The information above reflects the amounts presented in the financial statements of the joint venture, adjusted for differences in accounting policies between the Group and the joint venture.

20. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

20.1 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(c) Reconciliation of summarised financial information of the joint venture that is material to the Group. Reconciliation of the summarised financial information presented to the carrying amount of its interests in the joint venture that is material to the Group.

	Shouju Yiming 31 December 2019 ***RMB'000***
Opening net assets	–
Capital injection	476,280
Profit for the year	58
Closing net assets	476,338
Carrying value	234,854

(d) In addition to the interests in the joint venture disclosed above, the group also has interests in a immaterial joint venture that are accounted for using the equity method.

	As at 31 December	
	2019 ***RMB'000***	2018 *RMB'000*
Aggregate carrying amount of the immaterial joint venture	**2,053**	2,205
Aggregate amounts of the group's share of:		
Loss from continuing operations	**(152)**	(1,685)
Other comprehensive income	**–**	–
Total comprehensive loss	**(152)**	(1,685)

20. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

20.2 INVESTMENTS IN AN ASSOCIATE

	2019 **RMB'000**	2018 RMB'000
At 31 December	**29,034**	104,125
Effect of adoption of HKFRS15	**–**	798
At 1 January	**29,034**	104,923
Share of losses	**(4,252)**	(2,650)
Reclassified to assets classified as held-for-sale	**–**	(73,239)
At 31 December	**24,782**	29,034

(a) Following are the details of the associate held by the Group as at 31 December 2019, which is unlisted:

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

20. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

20.2 INVESTMENTS IN AN ASSOCIATE (CONTINUED)

(b) Summarised financial information for the associate which is accounted for using the equity method:

	Nanchang Huachuang	
	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Current assets		
Cash	**5,295**	10,000
Other current assets (excluding cash)	**251,006**	277,283
Total current assets	**256,301**	287,283
Non-current assets	**103,103**	91,181
Current liabilities		
Financial liabilities (excluding trade payables)	**215,640**	165,772
Other current liabilities (including trade payables)	**72,834**	129,728
Total current liabilities	**288,474**	295,500
Non-current liabilities		
Other liabilities	**8,975**	10,380
Total non-current liabilities	**8,975**	10,380
Net assets	**61,955**	72,584

The information above reflects the amounts presented in the financial statements of the associate, adjusted for differences in accounting policies between the Group and the associate.

20. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

20.2 INVESTMENTS IN AN ASSOCIATE (CONTINUED)

(c) *Reconciliation of summarised financial information*

Reconciliation of the summarised financial information presented to the carrying amount of its interests in the associate.

	Nanchang Huachuang	
	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Opening net assets	**72,584**	77,164
Effect of adoption of HKFRS15	**–**	1,995
Opening net assets after adjustment of HKFRS 15	**72,584**	79,159
Loss for the year	**(10,629)**	(6,575)
Closing net assets	**61,955**	72,584
Carrying value	**24,782**	29,034

21. INVENTORIES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Properties under development	**638,680**	982,804
Completed properties held for sale	**896,083**	947,100
Merchandise inventories	**272,883**	153,483
	1,807,646	2,083,387

22. FINANCIAL INSTRUMENTS BY CATEGORY

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Assets as per consolidated statement of financial position		
Financial assets at amortised cost		
Trade and other receivables and prepayments (excluding prepayments and prepaid taxes)	**303,940**	305,587
Restricted cash *(Note 24)*	**26,803**	33,173
Cash and cash equivalents *(Note 24)*	**2,151,926**	3,408,491
Derivative financial assets *(Note 27)*	**1,058**	–
	2,483,727	3,747,251

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost		
Borrowings *(Note 25)*	**3,765,000**	5,648,474
Trade payables *(Note 28)*	**1,942,398**	1,662,540
Guaranteed notes *(Note 26)*	**2,796,677**	2,759,458
Amounts and interest due to related parties *(Note 29)*	**129,062**	123,993
Financial liabilities included in other payables and accruals (excluding other tax payable, employee benefit payable, etc.)	**2,840,183**	109,616
Lease liabilities *(Note 16)*	**5,906**	–
Derivative financial liabilities *(Note 27)*	**–**	32,871
	11,479,226	10,336,952

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**52,945**	28,758
Prepayments for land use rights and construction costs of investment properties	**–**	295,027
Prepayments to related parties *(Note 38(e))*	**6,973**	7,109
Prepayments of merchandise inventories	**118,138**	43,029
Other prepayments	**1,151**	12,089
Prepaid income tax, land appreciation tax and other taxes	**319,373**	338,147
Deposits for land use rights	**–**	29,000
Other deposits	**22,784**	45,218
Amounts due from related parties *(Note 38(e)(f))*	**74,499**	49,856
Receivables from government repurchase of land use rights	**74,365**	74,360
Other receivables	**79,347**	78,395
	749,575	1,000,988
less: non-current portion		
– Prepayments for land use rights and construction costs of investment properties	**–**	(295,027)
Current portion	**749,575**	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.

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

An aging analysis of the Group's trade receivables based on invoice date as at the end of the reporting period is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Up to 3 months	**52,945**	28,758

As at 31 December 2019, included in the trade receivables are trade receivables of RMB3,088,000 (31 December 2018: Nil) due from related parties which are receivable within 3 months and represented credit terms similar to those offered to other major customers (Note 38(e)).

24. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cash and bank balances	**2,155,537**	3,281,793
Time deposits	**23,192**	159,871
Less:		
Restricted cash	**(26,803)**	(33,173)
Cash and cash equivalents	**2,151,926**	3,408,491

At the end of the reporting period, the cash and bank balances of the Group denominated in HK$ were equivalent to RMB1,141,000 (31 December 2018: equivalent to RMB1,543,000) and those denominated in US$ were equivalent to RMB14,978,000 (31 December 2018: RMB28,579,000).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits as at 31 December 2019 were made for less than one month depending on the immediate cash requirements of the Group, and earned interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

25. BORROWINGS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Non-current		
Bank and other financial institution borrowings	**2,629,696**	4,912,007
Current		
Current portion of long-term bank and other financial institution borrowings	**1,135,304**	306,667
Short-term bank borrowings	**–**	429,800
	1,135,304	736,467
	3,765,000	5,648,474

As at 31 December 2019, bank borrowings amounting to RMB610,000,000 (31 December 2018: RMB700,000,000) were secured by the land use rights and the buildings of investment properties with carrying amount of RMB1,431,000,000 (31 December 2018: RMB1,549,229,000) and guaranteed by BCL.

As at 31 December 2019, bank borrowings amounting to RMB655,000,000 (31 December 2018: RMB900,000,000) were secured by the land use rights of investment properties with carrying amount of RMB175,824,000 (31 December 2018: RMB390,898,000) and guaranteed by BCL.

As at 31 December 2019, bank and other financial institution borrowings amounting to RMB2,500,000,000 (31 December 2018: RMB2,929,800,000) were guaranteed by BCL.

25. BORROWINGS (CONTINUED)

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Total borrowings		
– Within 1 year	**1,135,304**	736,467
– Between 1 and 2 years	**1,510,000**	1,285,000
– Between 2 and 5 years	**450,000**	2,490,007
– Over 5 years	**669,696**	1,137,000
	3,765,000	5,648,474

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

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Bank and other financial institution borrowings	**5.86%**	5.51%

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 6 months	**130,000**	849,800
Between 6 and 12 months	**2,135,000**	2,298,674
Between 1 and 5 years	**1,500,000**	2,500,000
	3,765,000	5,648,474

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

26. GUARANTEED NOTES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
As at 1 January	**2,759,458**	1,326,329
Nominal value of guaranteed notes issued during the year	**–**	2,738,440
Direct transaction costs	**–**	(16,547)
Interest expenses	**146,550**	101,822
Interest paid	**(143,779)**	(103,049)
Repayment upon maturity	**–**	(1,300,000)
Exchange rate effect on guaranteed notes	**34,448**	12,463
	2,796,677	2,759,458
Accrued interests for guaranteed notes, classified as other payables under current liabilities *(Note 29)*	**(20,946)**	(23,139)
Non-current portion	**2,775,731**	2,736,319

On 2 August 2018, 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 arrears on 2 February, 2 May, 2 August and 2 November in each year.

27. DERIVATIVE FINANCIAL INSTRUMENTS

The Group has the following derivative financial instruments:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cash flow hedges		
Cross currency interest rate swaps *(i)*	**1,058**	(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

27. 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 2017	–	–	–
Other comprehensive loss			
Cash flow hedges			
Net fair value losses	(23,041)	–	(23,041)
Reclassification to profit or loss	(774)	–	(774)
Total cash flow hedges	(23,815)	–	(23,815)
Costs of hedging			
Net fair value losses	–	(12,071)	(12,071)
Amortisation to profit or loss	–	593	593
Total costs of hedging	–	(11,478)	(11,478)
At 31 December 2018	(23,815)	(11,478)	(35,293)
At 31 December 2018	(23,815)	(11,478)	(35,293)
Other comprehensive loss			
Cash flow hedges			
Net fair value losses	(11,221)	–	(11,221)
Reclassification to profit or loss	(18,924)	–	(18,924)
Total cash flow hedges	(30,145)	–	(30,145)
Costs of hedging			
Net fair value gains	–	31,098	31,098
Amortisation to profit or loss	–	1,461	1,461
Total costs of hedging	–	32,559	32,559
At 31 December 2019	**(53,960)**	**21,081**	**(32,879)**

27. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cross currency interest rate swaps		
Carrying amount asset/(liabilities)	**1,058**	(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	**(11,222)**	(23,230)
Changes in fair value of the hedged item used for measuring effectiveness	**11,221**	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

28. TRADE PAYABLES

An aging analysis of the Group's trade payables based on invoice date or construction completion date as at the end of the reporting period, is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**1,803,504**	1,563,754
1 to 2 years	**138,894**	98,786
	1,942,398	1,662,540

As at 31 December 2019, included in the trade payables are trade payables of RMB526,000 (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 38(e)).

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

29. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Other tax payables	**35,042**	19,810
Employee benefit payable	**29,603**	27,228
Amounts due to related parties *(Note 38(e)(g))*	**129,062**	123,993
Accrued interests for guaranteed notes *(Note 26)*	**20,946**	23,139
Accrued interest for bank and other financial institution borrowings	**5,185**	5,685
Accrued interest for asset-backed securities scheme senior class	**8,939**	–
Asset-backed securities scheme senior class (i)	**2,691,900**	–
Guarantee deposits	**107,016**	76,595
Amounts received as government grants	**–**	25,500
Collect and remit payment on behalf	**14,331**	10,742
Others	**12,812**	16,594
	3,054,836	329,286
Less: non-current portion		
– Asset-backed securities scheme senior class (i)	**(2,691,900)**	–
Current portion	**362,936**	329,286

The financial liabilities included in the above balance excluding asset-backed securities scheme senior class are non-interest-bearing and normally settled on demand.

(i) On 9 December 2019, the Group non-publicly issued an asset-backed securities scheme known as Zhonglian Yichuang — Beijing Capital Grand Outlets No.1 Phase I Asset-backed Securities Scheme. The issuance of the asset-backed securities scheme was for the purpose of securitizing the Properties held by the Group, namely the Fangshan Capital Outlets and the Kunshan Capital Outlets, and raising funds for the operation and development of the businesses of the Group.

The total issuance of the scheme was RMB3,579,000,000, including: (i) the Senior Class ABS in the principal amount of RMB2,700,000,000 with a fixed coupon rate of 5.2% per annum and a maturity term of five years, all of which were subscribed by qualified investors (which were Third Parties) and will be listed and tradeable on the Integrated Negotiated Trading Platform of the Shenzhen Stock Exchange; and (ii) the Subordinated Class ABS in the principal amount of RMB879,000,000 with no fixed coupon rate and a maturity term of five years, all of which were subscribed by Hengsheng Huachuang, a wholly-owned subsidiary of the Group. The Subordinated Class ABS will not be listed. It will be treated as equity investment of Hengsheng Huachuang from an accounting perspective and offset in the consolidated financial statements of the Group.

As at 31 December 2019, the amortised cost of the Group's Asset-backed securities scheme senior class was approximately RMB2,700,839,000 (31 December 2018: Nil), including the current portion of RMB8,939,000 (31 December 2018: Nil) and the non-current portion of RMB2,691,900,000 (31 December 2018: Nil).

30. DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Deferred income tax assets:		
– to be recovered within 12 months	**6,630**	18,541
– to be recovered after more than 12 months	**120,036**	94,912
	126,666	113,453
Deferred income tax liabilities:		
– to be settled within 12 months	**(4,212)**	(15,810)
– to be settled after more than 12 months	**(720,914)**	(686,544)
	(725,126)	(702,354)
Offsetting	**107,199**	97,277
Deferred income tax assets after offset	**19,467**	16,176
Deferred income tax liabilities after offset	**(617,927)**	(605,077)
Deferred income tax liabilities (net)	**(598,460)**	(588,901)

The gross movement on the deferred income tax account is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
At beginning of the year	**(588,901)**	(552,942)
Effect of adoption of HKFRS15	**–**	(1,591)
Government grants not recognised in the consolidated statement of profit or loss	**2,500**	3,875
Recognised in the consolidated statement of profit or loss *(Note 12)*	**(12,059)**	(38,243)
At end of the year	**(598,460)**	(588,901)

30. DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the years ended 31 December 2019 and 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax losses *RMB'000*	Others *RMB'000*	Total *RMB'000*
Deferred income tax assets			
At 1 January 2018	70,670	–	70,670
Credited to the consolidated statement of profit or loss	38,908	–	38,908
Government grants not recognised in the consolidated statement of profit or loss	–	3,875	3,875
At 31 December 2018	109,578	3,875	113,453
Credited to the consolidated statement of profit or loss	17,088	(6,375)	10,713
Government grants not recognised in the consolidated statement of profit or loss	–	2,500	2,500
At 31 December 2019	**126,666**	**–**	**126,666**

	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*	Appreciation of investment properties at fair value *RMB'000*	Others *RMB'000*	Total *RMB'000*
Deferred income tax liabilities				
At 31 December 2017	112,061	474,856	36,695	623,612
Effect of adoption of HKFRS15	–	–	1,591	1,591
At 1 January 2018	112,061	474,856	38,286	625,203
(Credited)/charged to the consolidated statement of profit or loss	(16,146)	65,624	27,673	77,151
At 31 December 2018	95,915	540,480	65,959	702,354
(Credited)/charged to the consolidated statement of profit or loss	(4,612)	14,024	13,360	22,772
At 31 December 2019	**91,303**	**554,504**	**79,319**	**725,126**

30. DEFERRED INCOME TAX (CONTINUED)

As at 31 December 2019, deferred tax assets have not been recognised in respect of unused tax losses of RMB535,412,000 (31 December 2018: RMB336,660,000), as they have arisen in the Company and other holding companies, which executing administrative functions and to which employee benefit expense, office and management expense etc. are charged, these companies have been loss-making for some time, and it is not probable that taxable profits will be available against which such tax losses can be utilised.

Deferred income tax liabilities of RMB59,012,000 at 31 December 2019 (31 December 2018: RMB44,511,000) have not been recognised for the withholding tax and other taxes that would be payable on the undistributed earnings of certain subsidiaries. Undistributed earnings totalling RMB590,116,000 at 31 December 2019 (31 December 2018: RMB445,105,000) would be reinvested.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future profits is probable. These tax losses are going to expire within five years.

31. SHARE CAPITAL

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
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

32. 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 Xin Kai on 22 January 2015, the Company issued 738,130,482 class A CPS (which are convertible into 738,130,482 ordinary shares of HK$0.01 each in the share capital of the Company at HK$2.66 each to be allotted and issued credited as fully paid by the Company upon the exercise of the conversion rights attaching to the class A CPS), resulting in credits to share capital of approximately RMB5,875,000 (equivalent to approximately HK$7,381,000) with par value of HK$0.01 each and share premium of RMB1,556,817,000 (equivalent to approximately HK$1,956,046,000) respectively.

CLASS B CPS

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

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

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

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

33. PCBS

On 28 December 2016, the Company issued PCBS in the principal amounts of HK$657,594,260 to Smart Win and in the principal amounts of HK$420,096,153 to KKR 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 the 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) 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 31 December 2019, the Group has accrued interest amounting to RMB280,000 (31 December 2018: RMB185,000).

34. CASH FLOW INFORMATION

NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Net Debt		
Cash and cash equivalents	**2,151,926**	3,408,491
Borrowings due within 1 year	**(1,135,304)**	(736,467)
Borrowings due after 1 year	**(2,629,696)**	(4,912,007)
Guaranteed notes, due within 1 year	**(20,946)**	(23,139)
Guaranteed notes, due after 1 year	**(2,775,731)**	(2,736,319)
Asset-backed securities scheme senior class, due within 1 year	**(8,939)**	–
Asset-backed securities scheme senior class, due after 1 year	**(2,691,900)**	–
Lease liabilities	**(5,906)**	–
Net debt	**(7,116,496)**	(4,999,441)
Cash and cash equivalents	**2,151,926**	3,408,491
Gross debt – fixed interest rates	**(5,206,745)**	(2,500,000)
Gross debt – variable interest rates	**(4,061,677)**	(5,907,932)
Net debt	**(7,116,496)**	(4,999,441)

34. CASH FLOW INFORMATION (CONTINUED)

NET DEBT RECONCILIATION (CONTINUED)

	Other assets	Liabilities from financing activities							
	Cash and cash equivalents *RMB'000*	Borrowings due within 1 year *RMB'000*	Borrowings due after 1 year *RMB'000*	Guaranteed notes, due within 1 year *RMB'000*	Guaranteed notes, due after 1 year *RMB'000*	Asset-backed securities scheme senior class, due within 1 year *RMB'000*	Asset-backed securities scheme senior class, due after 1 year *RMB'000*	Leases *RMB'000*	Total *RMB'000*
Net debt as at 1 January 2018	1,793,200	(660,000)	(2,545,000)	(1,326,329)	–	–	–	–	(2,738,129)
						–	–	–	
Cash flows	1,608,671	226,866	(2,670,340)	1,300,000	(2,618,844)	–	–	–	(2,153,647)
Foreign exchange adjustments	6,620	–	–	–	(12,463)	–	–	–	(5,843)
Other non-cash movements	–	(303,333)	303,333	3,190	(105,012)	–	–	–	(101,822)
Net debt as at 31 December 2018	3,408,491	(736,467)	(4,912,007)	(23,139)	(2,736,319)	–	–	–	(4,999,441)
Recognised on adoption of HKFRS 16 *(Note 3.1)*	–	–	–	–	–	–	–	(14,058)	(14,058)
	3,408,491	(736,467)	(4,912,007)	(23,139)	(2,736,319)	–	–	(14,058)	(5,013,499)
Cash flows	(1,258,281)	736,467	1,147,007	–	143,779	–	(2,700,000)	9,110	(1,921,918)
Foreign exchange adjustments	1,716	–	–	–	(34,448)	–	–	–	(32,732)
Other non-cash movements	–	(1,135,304)	1,135,304	2,193	(148,743)	(8,939)	8,100	(958)	(148,347)
Net debt as at 31 December 2019	2,151,926	(1,135,304)	(2,629,696)	(20,946)	(2,775,731)	(8,939)	(2,691,900)	(5,906)	(7,116,496)

35. COMMITMENTS

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Properties under development	**142,096**	397,292
Investment properties	**415,591**	561,152
	557,687	958,444

36. FINANCIAL GUARANTEES

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Mortgage facilities for certain purchasers of the Group's properties	**1,163,279**	1,375,293

As at 31 December 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.

37. 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 31 December 2019, the Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within one year	**14,972**	15,150
In the second to fifth years, inclusive	**38,081**	46,990
After five years	**6,841**	4,470
	59,894	66,610

AS LESSEE

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

At 31 December 2019, the Group had total future minimum lease payments under non-cancellable leases falling due as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within one year	**6,026**	8,676
In the second to fifth years, inclusive	**–**	6,026
	6,026	14,702

38. 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

	2019 **RMB'000**	2018 RMB'000
Provision of services		
– Project management services for a subsidiary of BCL	**2,400**	2,400
– Project management services for a joint venture	**–**	299
	2,400	2,699

(b) PURCHASES OF SERVICES

	2019 **RMB'000**	2018 RMB'000
Purchases of services		
– Rental expense to BCL	**1,773**	1,724
– Service fee for keepwell deed to Capital Group *(i)*	**8,119**	5,696
– Rental expense to a joint venture of BCL	**7,972**	7,972
	17,864	15,392

(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 RMB8,119,000) per annum. Trade Horizon recorded administrative expenses amounting to RMB8,119,000 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

	2019 **RMB'000**	2018 RMB'000
Purchase of goods from a subsidiary of BCL	**2,525**	6,384

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) KEY MANAGEMENT COMPENSATION

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kinds	**11,476**	8,349
Performance related bonuses	**10,520**	8,837
Pension scheme contributions	**540**	424
	22,536	17,610

Further details of directors' and the chief executive's emoluments are included in Note 10 and Note 11 to the financial statements.

(e) YEAR-END BALANCES

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Prepayments to related parties		
– Capital Group	**4,873**	4,814
– Fellow subsidiaries	**1,742**	302
– a joint venture of BCL	**358**	1,993
	6,973	7,109
Trade payables		
– Fellow subsidiaries	**526**	802
Other payables and accruals		
– BCL	**10,820**	5,654
– Fellow subsidiaries	**–**	97
	10,820	5,751
Trade receivables due from related parties		
– Fellow subsidiaries	**3,088**	–
Other receivables due from related parties		
– A joint venture of BCL	**1,993**	1,993
– Fellow subsidiaries	**1,180**	–
– An associate of BCL	**193**	159
	3,366	2,152

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) AMOUNTS DUE FROM RELATED PARTIES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
An associate of the Group:		
At 1 January	**47,704**	61,644
Amounts advanced during the year	**21,429**	10,000
Repayments during the year	**–**	(23,940)
At 31 December	**69,133**	47,704
A joint venture of the Group:		
At 1 January	**–**	–
Amounts advanced during the year	**2,000**	–
At 31 December	**2,000**	–

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

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(g) AMOUNTS DUE TO RELATED PARTIES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Fellow subsidiaries:		
At 1 January	**17**	17
At 31 December	**17**	17
Non-controlling interests:		
At 1 January	**118,225**	164,380
Transfer to share capital	**–**	(46,155)
At 31 December	**118,225**	118,225

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

(h) As at 31 December 2019, BCL provided irrevocable guarantee for the bank and other financial institution borrowings of the Group amounted to RMB3,765,000,000 (31 December 2018: RMB4,529,800,000).

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2019 RMB'000	31 December 2018 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**–**	1
Investments in subsidiaries	**91,376**	91,376
Amounts due from subsidiaries	**574,070**	845,070
	665,446	936,447
Current assets		
Trade and other receivables	**7**	115
Amounts due from subsidiaries	**6,928,199**	6,594,132
Cash and cash equivalents	**16,134**	187,040
	6,944,340	6,781,287
Total assets	**7,609,786**	7,717,734
LIABILITIES		
Non-current liabilities		
Amounts due to subsidiaries	**91,376**	91,376
	91,376	91,376
Current liabilities		
Other payables and accruals	**792**	1,553
Amounts due to subsidiaries	**2,491,181**	2,639,583
Amounts due to BCL	**1,788**	1,756
	2,493,761	2,642,892
Total liabilities	**2,585,137**	2,734,268

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**16,732**	16,732
PCBS		**945,477**	945,382
Reserves	*(a)*	**4,032,351**	4,032,351
Retained earnings/(Accumulated losses)	*(a)*	**30,089**	(10,999)
Total equity		**5,024,649**	4,983,466
Total equity and liabilities		**7,609,786**	7,717,734

(a) RESERVE MOVEMENT OF THE COMPANY

	Share premium account RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
At 1 January 2018	4,032,351	(211,189)	3,821,162
Dividends payable to PCBS holders	–	(93)	(93)
Profit for the year	–	200,283	200,283
At 31 December 2018	4,032,351	(10,999)	4,021,352
At 1 January 2019	**4,032,351**	**(10,999)**	**4,021,352**
Dividends payable to PCBS holders	**–**	**(95)**	**(95)**
Profit for the year	**–**	**41,183**	**41,183**
At 31 December 2019	**4,032,351**	**30,089**	**4,062,440**

As at 31 December 2019, the Company's reserves available for distribution to shareholders are RMB4,062,440,000 (31 December 2018: RMB4,021,352,000).

40 SUBSEQUENT EVENTS

Since early 2020, the epidemic of Coronavirus Disease 2019 (the "COVID-19 outbreak") has spread across China and other countries and it has affected the business and economic activities of the Group to some extent.

The Group's rental and management fee income in 2020 could possibly be affected by the temporary waivers of rentals, property management and certain miscellaneous fees offered to tenants, tenant's requests in adjustments of existing lease contract terms and the short term economic slowdown as certain of the Group's rental income will be varied based on the actual sales transactions of tenants.

The overall financial effect cannot be reliably estimated as of the date of these consolidated financial statements. The Group will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on the business, the financial position and operating results of the Group.

Five-Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below.

RESULTS

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015 (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CONTINUING OPERATIONS					
Revenue	**1,864,672**	1,224,040	511,523	997,931	893,872
Cost of sales	**(986,249)**	(818,440)	(286,369)	(783,723)	(660,919)
Gross profit	**878,423**	405,600	225,154	214,208	232,953
Fair value gains on investment properties	**56,095**	262,497	222,394	431,581	395,112
Other gains – net	**33,975**	1,218	48,295	17,214	3,219
Other income	**47,405**	47,157	142,888	12,011	179,529
Selling and marketing expenses	**(190,742)**	(163,082)	(99,675)	(102,235)	(100,351)
Administrative expenses	**(368,325)**	(297,535)	(160,290)	(122,521)	(104,971)
Gain on bargain purchase on acquisition of interests in subsidiaries	–	–	–	–	259,996
Operating profit	**456,831**	255,855	378,766	450,258	865,487
Finance costs	**(391,339)**	(212,509)	(111,676)	(95,518)	(115,905)
Share of losses of investments accounted for using the equity method	**(4,375)**	(4,155)	(694)	–	(602)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**61,117**	39,191	266,396	354,740	748,980
Income tax expenses	**(284,169)**	(236,649)	(153,087)	(126,903)	(137,420)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**(223,052)**	(197,458)	113,309	227,837	611,560
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	–	–	–	–	19,465
(LOSS)/PROFIT FOR THE YEAR	**(223,052)**	(197,458)	113,309	227,837	631,025
Attributable to:					
Owners of the Company	**(223,539)**	(197,698)	113,159	227,273	631,025
Non-controlling interests	**487**	240	150	564	–
	(223,052)	(197,458)	113,309	227,837	631,025

Five-Year Financial Summary

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000	Year ended 31 December 2015 (Restated) RMB'000
TOTAL ASSETS	**17,809,839**	17,606,786	12,895,511	10,596,330	9,253,485
TOTAL LIABILITIES	**(12,519,666)**	(12,095,941)	(7,203,643)	(5,019,271)	(6,117,581)
NON-CONTROLLING INTERESTS	**(51,176)**	(50,689)	(4,294)	(2,644)	–
	5,238,997	5,460,156	5,687,574	5,574,415	3,135,904