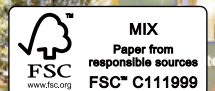
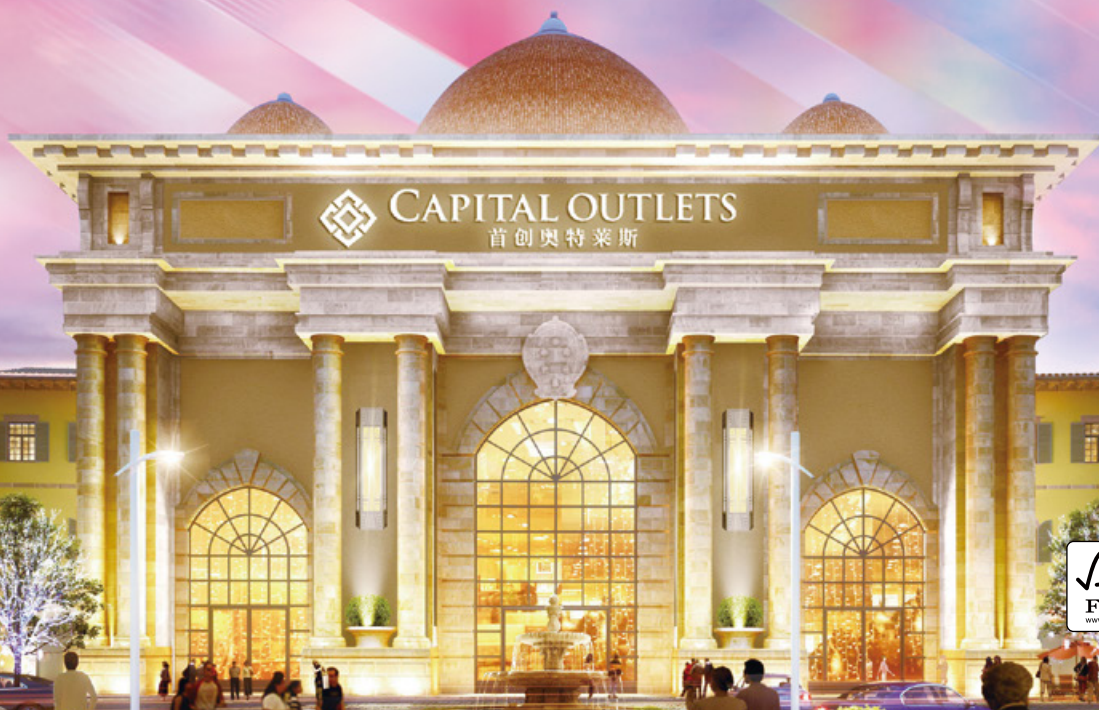


# CAPITAL GRAND

BEIJING CAPITAL GRAND LIMITED  
首創鉅大有限公司

Incorporated in the Cayman Islands with limited liability  
STOCK CODE : 1329

2020  
INTERIM  
REPORT



The background features a vibrant, abstract design with overlapping, semi-transparent geometric shapes in shades of blue, orange, and pink. Scattered throughout are various icons: a shopping cart, a shopping bag, a hand cursor over a 'BUY' button, a cloud with a network diagram, a thumbs-up, and a play button. The overall aesthetic is modern and digital.

# CONTENTS

- 2** Corporate Information
- 4** Chairman's Statement
- 6** Management Discussion and Analysis
- 19** Report on Review of Interim Financial Information
- 20** Interim Condensed Consolidated Statement of Profit or Loss
- 21** Interim Condensed Consolidated Statement of Comprehensive Income
- 22** Interim Condensed Consolidated Statement of Financial Position
- 24** Interim Condensed Consolidated Statement of Changes in Equity
- 26** Interim Condensed Consolidated Statement of Cash Flows
- 27** Notes to the Interim Financial Information

# 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 ISLAND LAWS:

Conyers Dill & Pearman

### AS TO PRC LAWS:

Beijing Jingtian & Gongcheng  
Beijing Zhonglun W&D Law Firm

## Corporate Information

**REGISTERED OFFICE**

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

**PRC HEADQUARTER**

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

**HONG KONG OFFICE**

Suites 4602-05,  
One Exchange Square, Central,  
Hong Kong

**PRINCIPAL BANKERS**

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

**CORPORATE WEBSITE**

[www.bcgrand.com](http://www.bcgrand.com)  
[www.capitaloutlets.com](http://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 STOCK THE STOCK EXCHANGE OF HONG KONG**

	<b>Stock Code</b>
Ordinary shares	1329.HK

**DEBT SECURITY LISTED ON THE STOCK EXCHANGE OF HONG KONG**

	<b>Stock Code</b>
US\$400,000,000 guaranteed notes due 2021 at floating rates	5133.HK

**DEBT SECURITY LISTED ON THE SHENZHEN STOCK EXCHANGE**

	<b>Stock Code</b>
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](mailto:contactus@bcgrand.com)



# Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Beijing Capital Grand Limited ("Capital Grand" or the "Company", together with its subsidiaries, the "Group"), I am pleased to present the interim results of the Group for the period ended 30 June 2020.

In the first half of 2020, the outbreak of novel coronavirus pneumonia spread across the world, leading to the domestic and foreign economic downturn. The Chinese government adopted a series of effective prevention, control and remedy measures, thus achieving phased results in epidemic control, and gradually restoring market confidence. The proactive fiscal and monetary policies provided strong support for the stability of the economy of China, and the overall economic recovery was good. Affected by domestic and foreign political and economic environment, the outbreak and other factors, retail enterprises began to focus on adjusting and upgrading their existing business models, and speeding up the pace of digital transformation, in order to response to the changes in consumption habits and demand in the post-outbreak era. During the period, domestic outlets ("Outlets") including the Group, actively took safety and epidemic prevention measures, integrated resources together with tenants and tided over difficulties. Meanwhile, they capitalized on various new retail technologies to develop their own competitive advantages, with an eye for post-crisis growth and recovery.

During the period, facing the sluggish market environment under the impact of the outbreak and the fierce competition, the Group stayed resolute and confident and made active responses. It focused on occupancy ratio and accelerated the adjustment of brand portfolio. It increased the value of stores and reduced the vacant area and operating expenses, by enhancing the frequency of special sales. It adapted to market changes, empowered unified marketing, and expanded brand influence. It gained deep insight into the needs and changes of members, launching activities including special sales for members, so as to increase member loyalty. It made an attempt at live-streaming sales, community marketing, etc., in order to attract consumers to stores, stabilize sales and minimize the impact of the outbreak. In the first half of the year, the Group achieved a total turnover of approximately RMB2.9 billion and the customer visits of 14.66 million. Following the trend of consumption recovery after the outbreak plateaued, the Group capitalized on local promotional and preferential policies, for its marketing, thus promoting the effective recovery of customer visits and sales. With a focus on the consumption experience, Beijing Store met the needs of epidemic prevention, launching "staggered shopping" for the first time to ensure the safety of shopping environment while increasing sales opportunities. The total customer visits reached 125 thousand for the three days of the 7th anniversary store celebration, with sales of RMB44.8 million, a record high for the same period. In Capital Outlets Dinosaur Festival during the "May Day" holiday, Wanning Store launched a dinosaur-themed exhibition to create consumption opportunities in consideration of tourism culture, with the customer visits basically returning to the same level as last year, and a year-on-year growth of approximately 11% in turnover. Wuhan Store launched the theme activity of HIGH shopping anniversary celebration between 5 and 7 June, integrating brands resources in the venue, and promoting the sales conversion through VIP additional discount, super sales and other activities, with a year-on-year increase of approximately 12% in customer visits and a year-on-year increase of approximately 34% in sales.



## Chairman's Statement

During the period, the Group continuously consolidated its informatization construction, enhanced its digital operation capability, and carried out deep cooperation with Alibaba Cloud. It gave full play to the experience and achievements of Alibaba Cloud in overall big data, technology capacity of the two middle-end platforms, and new retail online and offline integration. It fully tapped into scenario data analysis and operation capabilities of outlets, and launched a pilot project for new retail. Meanwhile, the Group innovated its marketing model and made arrangements for its omnichannel strategy. It fully integrated and shared the business resources of online consumption platforms and offline physical shopping malls. Through online channels including BOSS live-streaming, WeChat group and 鉅MAX platform, it provided consumers with convenient and high-quality service and online and offline interactive experience, further enhancing its brand influence, consumer stickiness and customer visits, thus maximizing value creation.

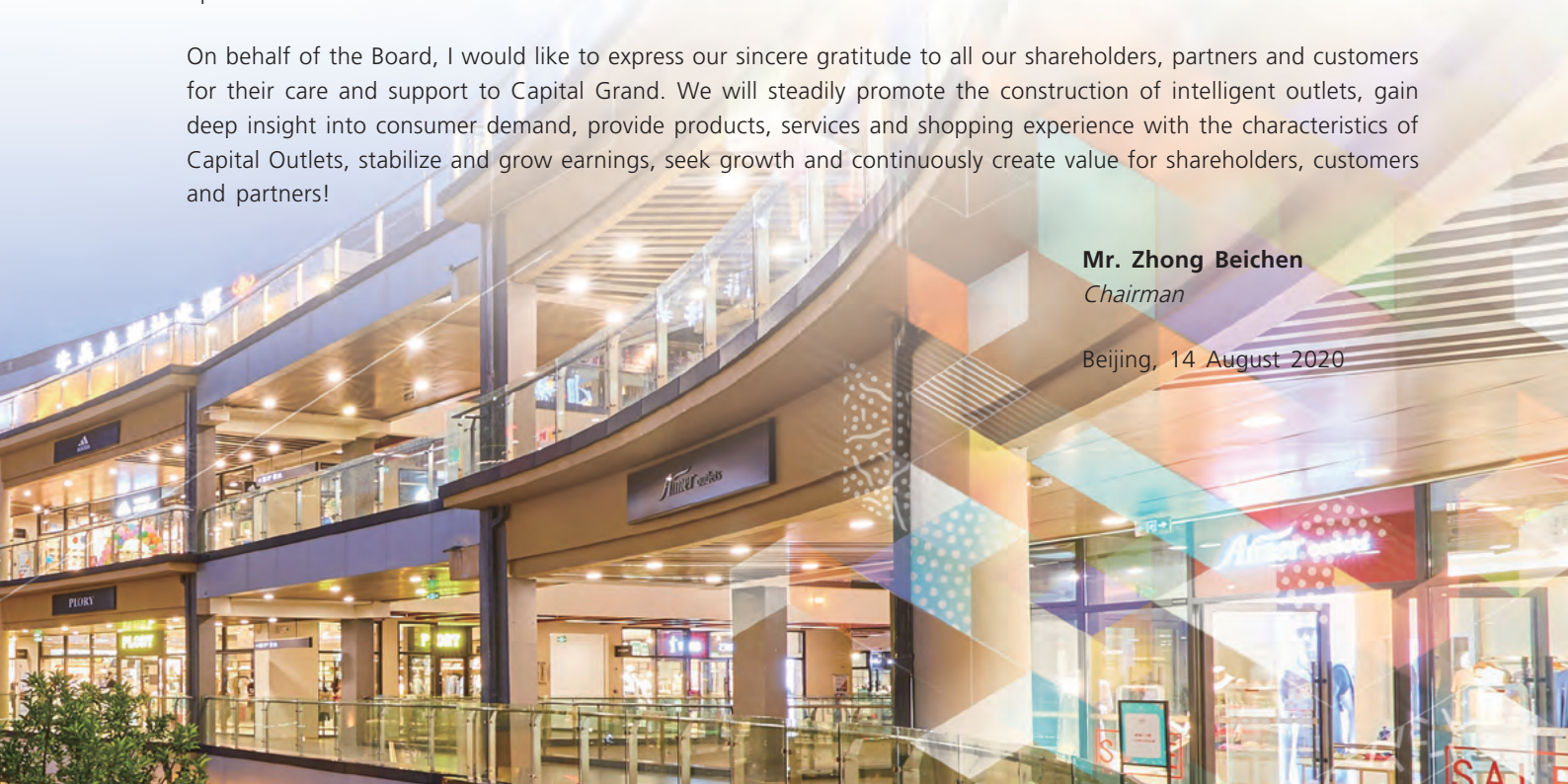
During the period under review, the Group recorded operating revenue of RMB393,935,000, representing a decrease of 69% over the same period of last year; and net loss attributable to the parent amounted to RMB107,978,000. The Board has resolved not to declare any interim dividend for the period ended 30 June 2020.

Looking forward to the second half of the year, with the gradual implementation of government policies to stimulate the economy, reduce taxes and fees and expand domestic demand, the consumer market is expected to grow again in the second half of the year. The driving force of household consumption which is excessively suppressed by the outbreak will be continuously unlocked, thus promoting the diversified upgrade of the consumption structure. The concepts of healthy shopping and safe shopping will gradually gain popularity, and epidemic control will become a "new normal" of society. In the post-outbreak era, the Group will give full play to the scale advantage of nationwide projects portfolio, deepen the management of the goods supply chain, tap into the supply of high-quality brands, expand and optimize the brand resource database, strengthen the lean operation, improve quality and efficiency, and consolidate leading head projects, improve high-quality waist projects, and vitalize potential tail projects. Meanwhile, it will follow the trend of the changes in the shopping habits of consumers and accelerated industrial consolidation, meet omnichannel shopping needs of consumers, accelerate digital construction, enhance online promotion and application of new tools, improve and deepen membership management, and consolidate growth momentum, and continuously make efforts to achieve the ambitious vision of becoming the biggest outlets operator in China.

On behalf of the Board, I would like to express our sincere gratitude to all our shareholders, partners and customers for their care and support to Capital Grand. We will steadily promote the construction of intelligent outlets, gain deep insight into consumer demand, provide products, services and shopping experience with the characteristics of Capital Outlets, stabilize and grow earnings, seek growth and continuously create value for shareholders, customers and partners!

**Mr. Zhong Beichen**  
Chairman

Beijing, 14 August 2020



# Management Discussion and Analysis

## MARKET REVIEW OF OUTLETS

In the first half of 2020, the outbreak of novel coronavirus pneumonia accelerated the trend of deglobalization, and the domestic and foreign economic situation was grim. The Chinese government actively and effectively responded to the outbreak, and scientifically organized the resumption of work, production and business activities. It effectively contained the outbreak in the first quarter and successfully kept to the bottom line. It basically restored the supply side in the second quarter. In the first half of the year, the total retail sales of consumer goods were approximately RMB17 trillion, representing a year-on-year decrease of 11.4%, and the total retail sales of social consumer goods for June were approximately RMB3.4 trillion, which is basically in line with the same period of last year, showing the strong resilience of the domestic economy.

The outbreak of novel coronavirus pneumonia has a far-reaching impact on the physical retail industry. Disrupted offline channels and sluggish consumer demand stimulate the transformation and upgrade of the retail industry. In order to cater to the diversified, personalized and rational changes in consumer demand, retail enterprises actively embrace the application of new technologies, reshape customer experience, and develop towards quality-based retail, intelligent supply chain, humanized customer experience, and integration of online and offline channels. Affected by the outbreak, all outlets operators accelerate the iterative evolution of business models and the creation of omnichannel operation capabilities. Through live streaming platforms, WeChat groups, official accounts and other online channels, they unblock full-process sales channels of outlets, while maintaining continuous and effective communication with consumers. In terms of offline channels, they cater to the concepts of healthy shopping and safe shopping of consumers and consumption upgrading, make full use of the advantages of block-type architecture, promote the construction of an open air smart retail scenario, and achieve real-time and effective interaction in the whole process of a customer's shopping journey, including visiting, entering into, browsing around, interacting with shop assistants, and finally making the payment, etc., thus forming an exclusive consumption journey satisfactory to consumers.

## BUSINESS REVIEW

### OVERCOME DIFFICULTIES TOGETHER AND BOOST SALES

- Overcome difficulties to make a breakthrough, and make every effort to promote operations. As the nationwide outbreak was gradually brought under control, the Group innovated the sales forms through nationwide live streaming interacting for the period from March to May and key festival activities for the period from May to June. It implemented a staggered shopping arrangement, and promoted the use of the online customer visits to supplement offline channels, so as to promote full recovery of sales. In the first half of the year, its total sales were approximately RMB2.9 billion, with 14.66 million customer visits. At present, the project sales and customer visits gradually return to the level for the same period of last year. Beijing Store made great efforts to overcome the difficulties in staffing and material resources during the outbreak and brilliantly presented the "3+4" popular featured block, thus becoming a new engine for enhancing the overall sales of the project.
- Steady resumption of work and business activities, and assumption of social responsibility. During the period, according to control requirements of the government and the implementation of epidemic prevention work, the Group formulated and issued the guidelines and plans for project operation and epidemic prevention work, so as to ensure the orderly resumption of projects as planned, such that both the resumption of business activities and epidemic prevention are given consideration and promoted, thus ensuring the timely and safe resumption of projects. Meanwhile, the Group implemented preferential policies including phased rent reductions, for the tenants in opened projects, so as to fight against the outbreak together with the tenants.

## Management Discussion and Analysis

### **STRENGTHENING CORE COMPETENCIES, AND TURNING CRISIS INTO OPPORTUNITY**

- IP-based marketing. During the period, the Group integrated and planned as a whole, the pricing standards of nationwide marketing resources. It fully empowered the marketing activities of nationwide projects with a focus on key IP activities and through nationwide interaction, and sought scale effect to reduce costs and expand brand influence. In the unified marketing campaign of “12 Capital Outlets Cities, Shopping Spree on 6th June for 2 Stores Anniversary Celebration (首創奧萊12城、嗨購66雙店慶)”, Wuhan Store achieved a 100% month-on-month sales growth, while the sales growth in 12 cities nationwide reached approximately 40% month-on-month.
- Experience-based scenario. The Group actively introduces family-style consumer brands, enriches the experience form, integrates consumer experience into every detail and process of scenario design, goods display and customer service, and enhances the business atmosphere and experience, so as to effectively enhance the attraction of the project to customers and promote sales.
- Data-driven operation. The Group focuses on building its own data asset platforms, and promotes the construction of digital information management systems based on the business middle-end platform and the data middle-end platform. The Group strengthens the capacity of full data integration, analysis and application, makes member profiling accurate, enhances the match between customer and goods, and provides cross-channel and high-quality customer experience. During the outbreak, the customer visits dropped sharply. Beijing Store actively expanded online sales channels, rapidly increased the number of online brands on the 鉅MAX platform, adjusted the product mix in a real time manner, established various live streaming platforms, and conducted 15 “Boss live-streaming sales” activities, with sales reaching approximately RMB1 million. It promoted sales among over 300 customer Wechat groups, thus achieving the sales of over RMB10 million.

### **STAY RESOLUTE AND CONFIDENT, START AGAIN, AND CONTINUOUSLY ENHANCE THE BRAND INFLUENCE OF “CAPITAL OUTLETS”**

- During the period, the Group stayed resolute and confident, and actively responded to the challenge of the outbreak. It continuously created the output of the Capital Outlets IP activity, organizing the New Silk Road World Model Contest, etc., to strengthen the fashion and cultural attributes of Capital Outlets, and expand the influence of the Capital Outlets as a brand.
- During the period, with many years of professional operation and management experience and good market reputation, the Group won 19 important awards including the “China Outlets Innovative Marketing Award” at the “7th China Outlets Industry Development Forum and 2019 China Outlets Awards Ceremony”, an annual industry event.



## Management Discussion and Analysis

## INVESTMENT PROPERTIES

Project	Approximate Site Area ( <i>m<sup>2</sup></i> ) ( <i>Note 1</i> )	Total Gross Floor Area ( <i>m<sup>2</sup></i> ) ( <i>Note 2</i> )	Property Type ( <i>m<sup>2</sup></i> )	Expected Time of Launching	Attributable Interest
Fangshan Capital Outlets (Changyang Town, Fangshan District, Beijing)	90,770 ( <i>Note 3</i> )	108,720	Outlets: 104,340 Parking Space: 4,380	2013	100%
	90,770 ( <i>Note 3</i> )	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) ( <i>Note 4</i> )	109,940	97,540	Outlets: 97,540	2013	100%
Nanchang Capital Outlets (Xinjian District, Nanchang)	56,830	129,700	Outlets: 85,240 Parking Space: 44,460	2017	100%
	30,150 ( <i>Note 5</i> )	28,370	Cinema: 4,990 Supermarket: 7,660 Parking Space: 15,720	2018	100%
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%

## Management Discussion and Analysis

Project	Approximate Site Area ( <i>m<sup>2</sup></i> ) (Note 1)	Total Gross Floor Area ( <i>m<sup>2</sup></i> ) (Note 2)	Property Type ( <i>m<sup>2</sup></i> )	Expected Time of Launching	Attributable Interest
Zhengzhou Capital Outlets (Xinyang 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 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%

## Management Discussion and Analysis

## DEVELOPMENT PROPERTIES

Project	Approximate Site Area (m <sup>2</sup> )	Unsold Gross Floor Area (m <sup>2</sup> )	Unsold Land Floor Area (m <sup>2</sup> )	Property Type (m <sup>2</sup> )	Attributable Interest
Xi'an First City (Xi'an Economic Technology Development Zone)	355,900	364,982	231,467	Residential/ Commercial/ Office Buildings/ Parking Space	100%
Nanchang Capital Outlets (Xinjian District, Nanchang)	30,150 <i>(Note 5)</i>	24,468	24,468	Commercial	40%
Jinan Capital Outlets (Tangye New Area, Jinan)	114,930 <i>(Note 6)</i>	1,390	1,390	Commercial	100%
Chongqing Capital Outlets (Banan District, Chongqing)	74,350 <i>(Note 7)</i>	6,011	6,011	Commercial	100%
Nanning Capital Outlets (Xingning District, Nanning)	101,970 <i>(Note 8)</i>	8,213	8,213	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 project design plan;

Note 3: The site area of Fangshan Capital Outlets is 90,800 m<sup>2</sup>, of which the gross floor areas of Phase I and Phase II are 108,700 m<sup>2</sup> and 87,800 m<sup>2</sup>, respectively;

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

Note 5: The site area of Nanchang Capital Outlets Plot B is 30,200 m<sup>2</sup>, of which 28,400 m<sup>2</sup> of the gross floor area is investment property and 30,800 m<sup>2</sup> is development property;

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

Note 7: The site area of Chongqing Capital Outlets is 74,400 m<sup>2</sup>, of which 110,600 m<sup>2</sup> of the gross floor area is investment property and 17,400 m<sup>2</sup> is development property;

Note 8: The site area of Nanning Capital Outlets is 102,000 m<sup>2</sup>, of which 145,600 m<sup>2</sup> of the gross floor area is investment property and 15,300 m<sup>2</sup> is development property.

## Management Discussion and Analysis

### FINANCIAL REVIEW

#### 1. REVENUE AND OPERATING RESULTS

For the six months ended 30 June 2020, the revenue of the Group was approximately RMB393,935,000, representing a decrease of 69% from RMB1,265,581,000 compared to the same period in 2019. The revenue decrease was mainly because (i) revenue from the delivery of saleable properties of outlets represented by Jinan Outlet was carried forward in the first half of 2019, while there were less saleable properties in respect of which revenue could be carried forward by the Group in the first half of 2020, and the property sales revenue decreased by approximately 92% year on year as compared with the same period of 2019; (ii) affected by the outbreak of novel coronavirus pneumonia, investment property revenue of the Group for the first half of 2020 decreased by approximately 16% as compared with the same period of 2019.

For the six months ended 30 June 2020, the gross profit margin of the Group was approximately 30%, representing a decrease of 21 percentage points from 51% in the same period of 2019. The decrease in the gross profit margin was mainly due to the decline in the overall gross profit margin as a result of less revenue from saleable properties with higher gross profit.

For the six months ended 30 June 2020, the operating profit of the Group amounted to approximately RMB200,126,000, representing a decrease of 55% from RMB447,564,000 in the same period of 2019. Such decrease was mainly due to revenue decrease.

For the six months ended 30 June 2020, the loss for the period of the Group was approximately RMB106,768,000, representing a decrease of 566% from RMB22,918,000 of profit in the same period of 2019. Such decrease was mainly due to the operating profit decrease.

#### 2. LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remained at a healthy level with reasonable distribution of financial resources. As at 30 June 2020, the Group's cash and cash equivalents and restricted cash totaled RMB1,674,170,000 (31 December 2019: approximately RMB2,178,729,000), of which approximately RMB1,671,643,000 (31 December 2019: RMB2,162,610,000), approximately RMB893,000 (31 December 2019: approximately RMB1,141,000) and approximately RMB1,634,000 (31 December 2019: RMB14,978,000) 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 30 June 2020, the Group's current ratio was 1.13 (31 December 2019: 1.25).

As at 30 June 2020, the Group's net gearing ratio was 165% (31 December 2019: 134%), based on the division of net debt by total equity. Net debt includes interest bearing bank and other financial institution borrowings, guaranteed notes (including accrued interests payables), asset-backed securities scheme senior class (including accrued interests payables) and lease liabilities 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.

## Management Discussion and Analysis

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

During the period, the Group has no significant changes in major subsidiaries and principal non-controlling interests.

### 4. BORROWINGS, GUARANTEED NOTES AND ASSET BACKED SECURITIZATION SCHEME

As at 30 June 2020, the Group's borrowings from banks and other financial institutions were approximately RMB4,563,500,000 (31 December 2019: approximately RMB3,765,000,000). The borrowings from bank of approximately RMB1,146,500,000 (31 December 2019: approximately RMB610,000,000) were secured on the land use rights and the buildings and guaranteed by Beijing Capital Land Ltd. ("BCL") or our Group. The borrowings from bank of approximately RMB872,000,000 (31 December 2019: approximately RMB655,000,000) were secured on the land use rights and guaranteed by BCL. The borrowings from bank approximately RMB45,000,000 (31 December 2019: Nil) were credit borrowings. The borrowings from other financial institutions of approximately RMB2,500,000,000 (31 December 2019: approximately RMB2,500,000,000) were guaranteed by BCL.

As at 30 June 2020, the amortised cost of the Group's guaranteed notes (the "Notes") was approximately RMB2,839,296,000 (31 December 2019: RMB2,796,677,000), including the current portion of RMB15,708,000 (31 December 2019: RMB20,946,000) and the non-current portion of RMB2,823,588,000 (31 December 2019: RMB2,775,731,000). The three-year floating-rate guaranteed notes with a nominal value of US\$400,000,000 were listed for trading on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in August 2018. The details of the Notes are set out in the announcements dated 27 July and 2 August 2018.

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 – 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; 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. (珠海橫琴恆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 interim condensed consolidated financial statements of the Group. As at 30 June 2020, the amortised cost of the Group's Senior Class ABS was approximately RMB2,771,380,000 (31 December 2019: RMB2,700,839,000), including the current portion of RMB79,480,000 (31 December 2019: RMB8,939,000) and the non-current portion of RMB2,691,900,000 (31 December 2019: RMB2,691,900,000).

## Management Discussion and Analysis

### 5. FOREIGN EXCHANGE EXPOSURE

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

### 6. FINANCIAL GUARANTEES

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to purchasers of properties. As at 30 June 2020, the financial guarantees amounted to approximately RMB1,101,460,000 (31 December 2019: RMB1,163,279,000).

### 7. CAPITAL COMMITMENTS

As at 30 June 2020, the Group had capital commitments relating to the development properties under construction of approximately RMB119,048,000 (31 December 2019: RMB142,096,000), and had capital commitments relating to the investment properties under construction of approximately RMB556,306,000 (31 December 2019: RMB415,591,000).

## INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

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

As at 30 June 2020, so far as is known to the Directors, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, or underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("SFO")) which were to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange ("Model Code"), to be notified to the Company and the Stock Exchange.

## Management Discussion and Analysis

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

As at 30 June 2020, so far as is known to the Directors, the following entities, not being a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

#### LONG POSITIONS IN THE COMPANY'S SHARES AND UNDERLYING SHARES

Name of shareholder	Capacity	Number of shares	Approximate percentage of the issued share capital (%)	Number of ordinary shares can be converted from Class A Convertible Preference Shares, Class B Convertible Preference Shares and PCBS at initial conversion price of HK\$2.10 per share	Total interests	Percentage of total interests to total issued shares (%)
BECL Investment Holding Limited ("BECL")	Beneficial owner	701,353,846	72.94%	1,072,928,106 (Note 5)	1,774,281,952	184.53%
BCL	Interest of controlled corporation (Note 1)	701,353,846	72.94%	1,072,928,106 (Note 5)	1,774,281,952	184.53%
BCG Chinastar International Limited ("BCG Chinastar")	Beneficial owner	19,800,000	2.06%	–	19,800,000	2.06%
Beijing Capital Group Co., Ltd. ("Capital Group")	Interest of controlled corporation (Note 2)	721,153,846	75%	1,072,928,106 (Note 5)	1,794,081,952	186.58%
Smart Win Group Limited	Beneficial owner	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Sino-Ocean Land (Hong Kong) Limited	Interest of controlled corporation (Note 3)	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Faith Ocean International Limited	Interest of controlled corporation (Note 3)	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Shine Wind Development Limited	Interest of controlled corporation (Note 3)	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Sino-Ocean Group Holding Limited	Interest of controlled corporation (Note 3)	95,192,308	9.9%	313,140,124	408,332,432	42.47%
KKR CG Judo Outlets	Beneficial owner	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR CG Judo	Interest of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR China Growth Fund L.P.	Interest of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Associates China Growth L.P.	Interest of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%

## Management Discussion and Analysis

Name of shareholder	Capacity	Number of shares	Approximate percentage of the issued share capital (%)	Number of ordinary shares can be converted from Class A Convertible Preference Shares, Class B Convertible Preference Shares and PCBS at initial conversion price of HK\$2.10 per share	Total interests	Percentage of total interests to total issued shares (%)
KKR China Growth Limited	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Group Partnership L.P. (formerly known as KKR Fund Holdings L.P.)	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Group Holdings Corp.	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR & Co. Inc	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Management LLP (formerly known as KKR Management LLC)	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%
Henry Robert Kravis	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%
Roberts George R.	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%

*Notes:*

1. Total interests in 1,774,281,952 shares were deemed to be the corporation interest under the SFO
2. Total interests in 1,794,081,952 shares were deemed to be the corporation interest under the SFO
3. Total interests in 408,332,432 shares were deemed to be the corporation interest under the SFO
4. Total interests in 295,238,095 shares were deemed to be the corporation interest under the SFO
5. On 19 December 2016, the Company issued 905,951,470 Class B Convertible Preference Shares to BECL pursuant to the Class B Convertible Preference Share Subscription Agreement. On 28 December 2016, BECL converted 571,153,846 Class A Convertible Preference Shares into ordinary shares.

Save as disclosed above, as at 30 June 2020, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.



## Management Discussion and Analysis

### SHARE OPTION SCHEME

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

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

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

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

As at 30 June 2020, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

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

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

### BOARD COMPOSITION

As at 30 June 2020, the Board consisted of a total of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors.

## Management Discussion and Analysis

### CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company subsequent to the date of the 2019 Annual Report is set out below:

Dr. Ngai Wai Fung, an independent non-executive director of the Company, has resigned as an independent director of LDK Solar Co., Ltd. (Stock Code: LDKYQ) on April 2020. Dr. Ngai Wai Fung has resigned as an independent non-executive director of Health and Happiness (H&H) International Holdings Limited (Stock Code: 1112.HK) on May 2020.

### CORPORATE GOVERNANCE CODE

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

During the period from 1 January 2020 to 30 June 2020, the Company complied with the requirements under the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the 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 2019 annual general meeting due to urgent business matters. Instead, the 2019 annual general meeting was chaired by the chairman of the audit committee of the Company (the "Audit Committee") who, together with the management of the Company, answered the questions from shareholders.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Following specific enquiries by the Company, all Directors have confirmed that they fully complied with the requirements under the Model Code for the six months ended 30 June 2020.

### REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Dr. Ngai Wai Fung as chairman, Ms. Zhao Yuhong and Mr. He Xiaofeng. The Audit Committee, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020.

### COST OF EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020 the Group employed about 1,247 employees (as of 30 June 2019: 1,244). The remuneration policy and package of the Group's employees are structured in accordance to market terms, individual employee performance, qualifications and experience and statutory requirements where appropriate. In addition, the Group also provides other staff benefits such as pension scheme, medical insurance scheme, unemployment insurance scheme, housing provident fund, mandatory provident fund and share options to motivate and reward employees at all levels to achieve the Group's business performance targets.

## Management Discussion and Analysis

### FUTURE DEVELOPMENT AND PROSPECTS

In the second half of 2020, the global outbreak and the uncertainties about economic outlook and trade situation will still exert great pressure on the economy of China, and economic development will still face the challenges of fighting COVID-19 pandemic and boosting economic recovery side by side. Relief and stimulus policies of the Chinese government in the consumer sector will effectively guide consumption rebound, and policy dividends will gradually promote the improvement of consumer confidence and the unlocking of consumer demand potential. In the post-outbreak era, the consumption needs of different age groups will be further subdivided, and there will be continuous changes in consumption preferences and habits. The development of the capacity of big data analysis, the obtaining of real time and operable consumer insights through intelligent data analysis, and the improvement in the capacity of response to consumer demands are conducive to the formation of differentiated shopping experiences and improvement in consumer satisfaction. Meanwhile, commodity strength is the core embodiment of the management ability of a retail enterprise. Regardless of channels and methods, enabling consumers to continuously buy good and satisfactory commodities is the driving force and source for the sustainable development of a retail enterprise. Under the background of increasingly mature online channels, and diversified shopping channels of consumers, how to strengthen the linkage with commodity management of brand owners, dynamically adjust branded goods and services according to the needs and lifestyles of target customer bases, and improve the efficiency of matching customers and goods for transactions is the key to the success in the transformation and upgrade of traditional retail enterprises.

As the outbreak becomes a pandemic, it is expected that the impact of the outbreak will not end in a short time, and consumers will pay more attention to the open shopping environment and one-stop safe shopping experience. Outlets will get ahead in various retail business forms, with the natural attribute of “brands” + “discounts”, the form of open-air structure and destinations for weekend family trips.

In the second half of the year, the Group will continuously seek a solution for the period of normalization of epidemic prevention and control, gain insight into the new changes in consumer demand, cater to the concept and trend of healthy shopping, improve the ability to manage users and goods, enhance the characteristics of the Capital Outlets platform in the aspects of the characteristic combination of branded categories, and differentiated service experience, etc., so as to form a differentiated competitive advantage of “Unique Offerings and Better Products (你無我有 你有我優)”. It will accelerate the transformation to the new model of asset-light strategy and improve the efficiency in the use of funds. It will embrace the industry trend of digital transformation, and realize the digital display of all businesses, and multi-port and efficient collaboration, through the new technology of integrated management of the two middle-end platforms. It will enhance the online channel capability, build an omnichannel consumption scenario with multiple contact points for the integration of online traffic and offline stores, so as to achieve traffic growth and omnichannel lean operation. It will turn crisis into opportunity and make efforts to promote business growth, thus creating maximum value for shareholders!

**Mr. Feng Yujian**

*Chief Executive Officer*

Beijing, 14 August 2020

# Report on Review of Interim Financial Information



羅兵咸永道

## To the Board of Directors of Beijing Capital Grand Limited

*(Incorporated in the Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 62, which comprises the interim condensed consolidated statement of financial position of Beijing Capital Grand Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

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

### PricewaterhouseCoopers

*Certified Public Accountants*

Hong Kong, 14 August 2020

---

*PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong*  
T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)

# Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	6,7	393,935	1,265,581
Cost of sales	8	(276,396)	(619,578)
<b>Gross profit</b>		<b>117,539</b>	646,003
Fair value gains on investment properties	15	304,980	45,583
Other (losses)/gains – net	7	(148)	2,890
Other income	7	20,760	26,012
Selling and marketing expenses	8	(69,067)	(93,524)
Administrative expenses	8	(173,938)	(179,400)
<b>Operating profit</b>		<b>200,126</b>	447,564
Finance costs	9	(229,419)	(177,465)
Share of (losses)/gains of investments accounted for using the equity method	17	(1,455)	34
<b>(Loss)/profit before income tax</b>		<b>(30,748)</b>	270,133
Income tax expenses	10	(76,020)	(247,215)
<b>(Loss)/profit for the period</b>		<b>(106,768)</b>	22,918
<b>Attributable to:</b>			
– Owners of the Company		(107,978)	22,711
– Non-controlling interests		1,210	207
<b>(Losses)/earnings per share attributable to owners of the Company during the period</b>	12		
– Basic (losses)/earnings per share (RMB cents)		(4.24)	0.89
– Diluted (losses)/earnings per share (RMB cents)		(4.24)	0.89

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

The notes on pages 27 to 62 form an integral part of this interim financial information.

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	<i>Notes</i>	Six months ended 30 June	
		2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
<b>(Loss)/profit for the period</b>		<b>(106,768)</b>	22,918
<b>Other comprehensive loss for the period</b>			
Items that may be reclassified to profit or loss			
Cash flow hedges	18	<b>(26,081)</b>	(40,300)
Cost of hedging	18	<b>9,454</b>	21,303
		<b>(16,627)</b>	(18,997)
<b>Total comprehensive (loss)/income for the period</b>		<b>(123,395)</b>	3,921
<b>Attributable to:</b>			
– Owners of the Company		<b>(124,605)</b>	3,714
– Non-controlling interests		<b>1,210</b>	207

The notes on pages 27 to 62 form an integral part of this interim financial information.

# Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2020

		30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	145,686	31,438
Right-of-use assets		3,683	7,789
Long-term prepaid expenses	14	126,195	148,371
Investment properties	15	13,066,274	12,581,732
Intangible assets	16	22,892	17,291
Investments accounted for using the equity method	17	266,864	261,689
Deferred income tax assets		29,636	19,467
Derivative financial assets	18	23,274	1,058
Trade and other receivables and prepayments	19	38,681	–
<b>Total non-current assets</b>		<b>13,723,185</b>	13,068,835
<b>Current assets</b>			
Inventories	20	2,064,262	1,807,646
Incremental costs of obtaining a contract		5,948	5,054
Trade and other receivables and prepayments	19	866,180	749,575
Restricted cash		14,191	26,803
Cash and cash equivalents		1,659,979	2,151,926
<b>Total current assets</b>		<b>4,610,560</b>	4,741,004
<b>Total assets</b>		<b>18,333,745</b>	17,809,839
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	21	2,864,120	2,629,696
Guaranteed notes	22	2,823,588	2,775,731
Other payables and accruals	23	2,691,900	2,691,900
Deferred income tax liabilities		692,137	617,927
<b>Total non-current liabilities</b>		<b>9,071,745</b>	8,715,254

## Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2020

		30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	24	1,683,676	1,942,398
Other payables and accruals	23	402,021	362,936
Contract liabilities		110,407	142,500
Borrowings	21	1,699,380	1,135,304
Lease liabilities		2,000	5,906
Current income tax liabilities		197,738	215,368
<b>Total current liabilities</b>		<b>4,095,222</b>	3,804,412
<b>Total liabilities</b>		<b>13,166,967</b>	12,519,666
<b>Net current assets</b>		<b>515,338</b>	936,592
<b>Total assets less current liabilities</b>		<b>14,238,523</b>	14,005,427
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	25	16,732	16,732
Perpetual convertible bond securities	27	945,527	945,477
Reserves		3,182,709	3,199,336
Retained earnings		969,424	1,077,452
		<b>5,114,392</b>	5,238,997
<b>Non-controlling interests</b>		<b>52,386</b>	51,176
<b>Total equity</b>		<b>5,166,778</b>	5,290,173
<b>Total equity and liabilities</b>		<b>18,333,745</b>	17,809,839

The notes on pages 27 to 62 form an integral part of this interim financial information.



# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

(Unaudited)	Attributable to owners of the Company										
	Notes	Issued capital				Share premium account	Other reserves	Retained earnings	Subtotal	Non-controlling interests	Total
		Ordinary shares	Class A convertible preference shares	Class B convertible preference shares	Perpetual convertible bond securities						
		RMB'000	RMB'000	RMB'000	RMB'000						
<b>At 1 January 2020</b>		<b>7,828</b>	<b>1,329</b>	<b>7,575</b>	<b>945,477</b>	<b>3,169,418</b>	<b>29,918</b>	<b>1,077,452</b>	<b>5,238,997</b>	<b>51,176</b>	<b>5,290,173</b>
(Loss)/profit for the period		-	-	-	-	-	-	(107,978)	(107,978)	1,210	(106,768)
Other comprehensive loss for the period	18	-	-	-	-	-	(16,627)	-	(16,627)	-	(16,627)
<b>Total comprehensive (loss)/ income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,627)</b>	<b>(107,978)</b>	<b>(124,605)</b>	<b>1,210</b>	<b>(123,395)</b>
<b>Transactions with owners</b>											
Dividends payable to perpetual convertible bond securities holders		-	-	-	50	-	-	(50)	-	-	-
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>(50)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2020</b>		<b>7,828</b>	<b>1,329</b>	<b>7,575</b>	<b>945,527</b>	<b>3,169,418</b>	<b>13,291</b>	<b>969,424</b>	<b>5,114,392</b>	<b>52,386</b>	<b>5,166,778</b>

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

(Unaudited)	Attributable to owners of the Company											
	Notes	Issued capital					Share premium account	Other reserves	Retained earnings	Subtotal	Non-controlling interests	Total
		Ordinary shares	Class A convertible preference shares	Class B convertible preference shares	Perpetual convertible bond securities	Non-controlling interests						
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000						
<b>As at 31 December 2018</b>		7,828	1,329	7,575	945,382	3,169,418	27,504	1,301,120	5,460,156	50,689	5,510,845	
<b>Adjustment on adoption of Hong Kong Financial Reporting Standard 16 ("HKFRS16")</b>		-	-	-	-	-	-	(34)	(34)	-	(34)	
<b>At 1 January 2019 (Restated)</b>		7,828	1,329	7,575	945,382	3,169,418	27,504	1,301,086	5,460,122	50,689	5,510,811	
Profit for the period		-	-	-	-	-	-	22,711	22,711	207	22,918	
Other comprehensive loss for the period	18	-	-	-	-	-	(18,997)	-	(18,997)	-	(18,997)	
<b>Total comprehensive income for the period</b>		-	-	-	-	-	(18,997)	22,711	3,714	207	3,921	
<b>Transactions with owners</b>												
Dividends payable to perpetual convertible bond securities holders		-	-	-	47	-	-	(47)	-	-	-	
<b>Total transactions with owners</b>		-	-	-	47	-	-	(47)	-	-	-	
<b>At 30 June 2019</b>		7,828	1,329	7,575	945,429	3,169,418	8,507	1,323,750	5,463,836	50,896	5,514,732	

The notes on pages 27 to 62 form an integral part of this interim financial information.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>			
Cash used in operations		(543,451)	(198,784)
Income tax paid		(78,029)	(55,872)
<b>Net cash flows used in operating activities</b>		<b>(621,480)</b>	<b>(254,656)</b>
<b>Cash flows from investing activities</b>			
Interests received from deposits		47	1,777
Purchases of property, plant and equipment and intangible assets		(9,143)	(18,206)
Additions of long-term prepaid expenses		(10,122)	(25,363)
Additions of investment properties		(435,536)	(641,254)
Investment in a joint venture	17.1	(6,630)	(233,300)
Amounts repaid from related parties		134	3,538
Amounts provided to related parties		–	(24,459)
Proceeds from disposal of assets classified as held-for-sale		–	74,841
Interest received from a third party		1,600	–
<b>Net cash flows used in investing activities</b>		<b>(459,650)</b>	<b>(862,426)</b>
<b>Cash flows from financing activities</b>			
Repayments of bank borrowings		(15,500)	(651,312)
Interests paid to bank and other financial institution borrowings		(122,745)	(159,880)
New bank borrowings		814,000	545,645
Amounts paid to related parties		–	(1,463)
Interests paid for guaranteed notes		(62,772)	(71,465)
Cash settlement of hedging instrument		(19,865)	(10,999)
Principal elements of lease payments		(4,218)	(4,218)
Interest paid to a third party		–	(6,479)
<b>Net cash flows generated from/(used in) financing activities</b>		<b>588,900</b>	<b>(360,171)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(492,230)</b>	<b>(1,477,253)</b>
Cash and cash equivalents at beginning of the period		2,151,926	3,408,491
Exchange gains/(losses) on cash and cash equivalents		283	(1,109)
<b>Cash and cash equivalents at end of the period</b>		<b>1,659,979</b>	<b>1,930,129</b>

The notes on pages 27 to 62 form an integral part of this interim financial information.

# Notes to the Interim Financial Information

For the six months ended 30 June 2020

## 1 GENERAL INFORMATION

Beijing Capital Grand Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively referred to as the “Group”) are engaged in 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”).

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

The outbreak of Coronavirus Disease 2019 (“COVID-19”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of commercial property including rental revenue and occupancy rate of investment properties, fair value of investment properties, the construction and delivery of commercial properties, allowance for expected credit losses on trade and other receivables and so on. For the six months ended 30 June 2020, COVID-19 has a temporary unfavourable impact on the revenue of the Group as certain rental and property management fee was exempted. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

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

This interim financial information has been approved and authorised for issue by the Board of Directors on 14 August 2020.

## 2 BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

### 3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

#### NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

Below new and amended standards and interpretations became effective for annual reporting periods commencing on or after 1 January 2020 and adopted by the Group for the first time in 2020 interim financial information:

- Definition of Material – amendments to HKAS 1 and HKAS 8,
- Definition of a Business – amendments to HKFRS 3,
- Revised Conceptual Framework for Financial Reporting,
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7.

The amended standards listed above did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

### 4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

#### (A) FAIR VALUE OF INVESTMENT PROPERTIES

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

- Current prices (open market quotations) in an active market for the same or similar investment properties;
- When such information above is not available, then use recent trading prices in an active market of the same or similar investment property, and take the factors of situations, dates and locations of transactions, etc. into consideration;
- The Group adopts income capitalisation approach and residual method to determine fair value, based on estimated rental income and development cost to occur in the future and present value of the related cash flows, with considering a properly estimated profit rate to determine fair value. The key estimations are disclosed in Note 15.

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

### 4 ESTIMATES (CONTINUED)

#### (A) FAIR VALUE OF INVESTMENT PROPERTIES (CONTINUED)

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.

#### (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 Hong Kong Dollar ("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.

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

### 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Foreign exchange risk (Continued)*

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 interim financial information in accordance with the economic purpose of the hedging activity. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms and performing a quantitative assessment as needed. As a result, the Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned, the hedging instruments have a one-to-one hedge ratio with the hedged items. In view of the nature of the hedging activities, no significant ineffectiveness is expected at inception.

(b) *Interest rate risk*

The Group's interest rate risk arises from interest-bearing bank and other financial institution borrowings, guaranteed notes and asset-backed securities scheme senior class. Bank 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. 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 rate guaranteed note was managed by the use of structured cross currency swap.

(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.

*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 30 June 2020 or 31 December 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.

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)****5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)***(d) Liquidity risk*

The Group's policies are to maintain sufficient cash and cash equivalents and to have available funding through 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 <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At 30 June 2020 (Unaudited)</b>				
Trade payables	1,683,676	–	–	1,683,676
Other payables and accruals	408,754	3,261,600	–	3,670,354
Borrowings	1,932,449	2,542,419	810,150	5,285,018
Guaranteed notes	90,560	2,861,936	–	2,952,496
Lease liabilities	2,000	–	–	2,000
	<b>4,117,439</b>	<b>8,665,955</b>	<b>810,150</b>	<b>13,593,544</b>
<b>At 31 December 2019 (Audited)</b>				
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
	<b>3,814,583</b>	<b>8,295,705</b>	<b>764,241</b>	<b>12,874,529</b>

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.



## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)****5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)***(e) Capital management*

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

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

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Total borrowings (Note 21)	4,563,500	3,765,000
Guaranteed notes (including accrued interests payables) (Note 22)	2,839,296	2,796,677
Asset-backed securities scheme senior class (including accrued interests payables) (Note 23)	2,771,380	2,700,839
Lease liabilities	2,000	5,906
	<b>10,176,176</b>	9,268,422
Less: Cash and cash equivalents	<b>(1,659,979)</b>	(2,151,926)
Restricted cash	<b>(14,191)</b>	(26,803)
Net debt	<b>8,502,006</b>	7,089,693
Total equity	<b>5,166,778</b>	5,290,173
Gearing ratio	<b>165%</b>	134%

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

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)****5.2 FAIR VALUE ESTIMATION**

The table below analyses the Group's assets and liabilities carried at fair value as at 30 June 2020 and 31 December 2019, 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 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 30 June 2020 (Unaudited)</b>				
Non-financial assets				
Investment properties	–	–	10,867,126	10,867,126
Financial instruments				
Cross currency interest rate swap	–	23,274	–	23,274
<b>As at 31 December 2019 (Audited)</b>				
Non-financial assets				
Investment properties	–	–	10,694,300	10,694,300
Financial instruments				
Cross currency interest rate swap	–	1,058	–	1,058

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

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

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

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)****5.3 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST**

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

	Carrying amounts		Fair values	
	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
<b>Financial liabilities</b>				
Interest-bearing other financial institution borrowings	<b>2,500,000</b>	2,500,000	<b>2,514,954</b>	2,528,481
Asset-backed securities scheme senior class (including accrued interests payables)	<b>2,771,380</b>	2,700,839	<b>2,805,216</b>	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 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.

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

### 6 OPERATING SEGMENT INFORMATION

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

The Directors consider the business from a product perspective. Management separately considers the performance of property development, investment property development and operation and sale of merchandise inventories. 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. The segment of sale of merchandise inventories derives its revenue primarily from sale of merchandise inventories. The revenue of sale of merchandise inventories has increased year by year, so it is separately disclosed and the comparative information has been restated accordingly.

These operations of other segments 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 "Others".

The Directors assess the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Share of (losses)/gains 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 interim condensed consolidated 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 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 interim condensed consolidated statement of financial position.

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

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

## 6 OPERATING SEGMENT INFORMATION (CONTINUED)

	Property development RMB'000	Investment property development and operation RMB'000	Sale of merchandise inventories RMB'000	Others RMB'000	Total RMB'000	Inter- segment elimination RMB'000	Total RMB'000
<b>Six months ended 30 June 2020</b>							
<b>(Unaudited)</b>							
Total revenue	75,412	232,891	86,322	-	394,625	-	394,625
Inter-segment revenue	-	(690)	-	-	(690)	-	(690)
<b>Revenue (from external customers)</b>	<b>75,412</b>	<b>232,201</b>	<b>86,322</b>	<b>-</b>	<b>393,935</b>	<b>-</b>	<b>393,935</b>
<b>Segment operating profit/(loss)</b>	<b>13,947</b>	<b>229,858</b>	<b>11,840</b>	<b>(65,745)</b>	<b>189,900</b>	<b>-</b>	<b>189,900</b>
Depreciation and amortisation (Note 8)	(177)	(34,349)	(3,633)	-	(38,159)	-	(38,159)
Income tax expenses (Note 10)	(10,305)	(65,715)	-	-	(76,020)	-	(76,020)
<b>Six months ended 30 June 2019</b>							
<b>(Unaudited)</b>							
Total revenue	919,704	275,620	70,768	-	1,266,092	-	1,266,092
Inter-segment revenue	-	(511)	-	-	(511)	-	(511)
<b>Revenue (from external customers)</b>	<b>919,704</b>	<b>275,109</b>	<b>70,768</b>	<b>-</b>	<b>1,265,581</b>	<b>-</b>	<b>1,265,581</b>
<b>Segment operating profit/(loss)</b>	<b>465,803</b>	<b>36,091</b>	<b>8,131</b>	<b>(76,923)</b>	<b>433,102</b>	<b>(288)</b>	<b>432,814</b>
Depreciation and amortisation (Note 8)	-	(28,878)	(1,372)	(4)	(30,254)	-	(30,254)
Income tax expenses (Note 10)	(245,420)	(2,032)	237	-	(247,215)	-	(247,215)
<b>As at 30 June 2020 (Unaudited)</b>							
<b>Total segment assets</b>	<b>1,958,185</b>	<b>13,705,871</b>	<b>616,435</b>	<b>2,345,838</b>	<b>18,626,329</b>	<b>(2,357,527)</b>	<b>16,268,802</b>
<b>Total segment liabilities</b>	<b>(858,720)</b>	<b>(1,395,495)</b>	<b>(6,165)</b>	<b>(2,279,559)</b>	<b>(4,539,939)</b>	<b>2,357,527</b>	<b>(2,182,412)</b>
<b>As at 31 December 2019 (Audited)</b>							
<b>Total segment assets</b>	<b>1,585,920</b>	<b>13,312,384</b>	<b>304,088</b>	<b>2,354,581</b>	<b>17,556,973</b>	<b>(2,279,210)</b>	<b>15,277,763</b>
<b>Total segment liabilities</b>	<b>(224,200)</b>	<b>(2,265,254)</b>	<b>(7,722)</b>	<b>(2,303,015)</b>	<b>(4,800,191)</b>	<b>2,279,210</b>	<b>(2,520,981)</b>

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**6 OPERATING SEGMENT INFORMATION (CONTINUED)****(A)** A reconciliation of segment operating profit to (loss)/profit before income tax is provided as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Segment operating profit	189,900	432,814
Share of (losses)/gains of investments accounted for using the equity method (Note 17)	(1,455)	34
Interest income (Note 7)	10,226	14,750
Finance costs (Note 9)	(229,419)	(177,465)
<b>(Loss)/profit before income tax</b>	<b>(30,748)</b>	270,133

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Total segment assets	16,268,802	15,277,763
Cash and cash equivalents	1,659,979	2,151,926
Restricted cash	14,191	26,803
Deferred income tax assets	29,636	19,467
Investments accounted for using the equity method (Note 17)	266,864	261,689
Amounts due from related parties (Note 31(f))	70,999	71,133
Derivative financial assets (Note 18)	23,274	1,058
<b>Total assets per interim condensed consolidated statement of financial position</b>	<b>18,333,745</b>	17,809,839
Total segment liabilities	(2,182,412)	(2,520,981)
Borrowings (Note 21)	(4,563,500)	(3,765,000)
Guaranteed notes (Note 22)	(2,839,296)	(2,796,677)
Amounts due to related parties (Note 31(g))	(118,242)	(118,242)
Deferred income tax liabilities	(692,137)	(617,927)
Asset-backed securities scheme senior class (Note 23)	(2,771,380)	(2,700,839)
<b>Total liabilities per interim condensed consolidated statement of financial position</b>	<b>(13,166,967)</b>	(12,519,666)

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**6 OPERATING SEGMENT INFORMATION (CONTINUED)****(C) Assets and liabilities related to contracts with customers:**

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Sales commission for properties	<b>5,948</b>	5,054
Total incremental costs of obtaining a contract	<b>5,948</b>	5,054
Advances from sales of properties	<b>89,875</b>	117,100
Advances from rental of properties	<b>7,171</b>	16,653
Others	<b>13,361</b>	8,747
Total contract liabilities	<b>110,407</b>	142,500

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 six months ended 30 June 2020 and 2019.

As at 30 June 2020, total non-current assets other than financial instruments and deferred income tax assets located in the PRC is RMB13,664,851,000 (31 December 2019: RMB13,048,310,000), none of these non-current assets is located in Hong Kong (31 December 2019: None).

For the six months ended 30 June 2020 and 2019, the Group does not have any single customer with revenue over 10% of the revenue from external customers.

For the six months ended 30 June 2020, revenue of RMB58,817,000 (six months ended 30 June 2019: RMB871,159,000) was included in the contract liabilities balance at the beginning of the period.

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**7 REVENUE, OTHER (LOSSES)/GAINS – NET AND OTHER INCOME**

An analysis of revenue, other (losses)/gains – net and other income is as follows:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Sale of properties	<b>75,412</b>	919,704
Rental revenue of investment properties	<b>232,201</b>	275,109
Sale of goods	<b>86,322</b>	70,768
	<b>393,935</b>	1,265,581
<b>Other (losses)/gains – net</b>		
Foreign exchange gains – net	<b>250</b>	871
Others	<b>(398)</b>	2,019
	<b>(148)</b>	2,890
<b>Other income</b>		
Interest income	<b>10,226</b>	14,750
Others	<b>10,534</b>	11,262
	<b>20,760</b>	26,012

For the six months ended 30 June 2020, affected by the outbreak of COVID-19, the Group has implemented reductions in rental and property management fees, etc.. The management recorded the reductions directly in the interim condensed consolidated statement of profit or loss, the amount is approximately RMB49,958,000.



## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**8 EXPENSES BY NATURE**

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cost of properties sold	56,503	427,686
Cost of goods sold	71,399	59,180
Depreciation charge of right-of-use assets	4,106	4,083
Depreciation and amortisation	38,159	30,254
Employee benefit expenses	138,374	137,787
– Wages, salaries and staff welfare	118,936	113,175
– Pension scheme contributions	2,741	9,842
– Other allowance and benefits	16,697	14,770
Office and traveling expenses	23,141	26,840
Consultancy fee	5,101	8,308
Property management fee	79,039	62,051
Advertising and marketing	49,569	71,973
Service fee for keepwell deed (Note 31(b))	4,060	4,067
Business taxes and other surcharges	38,316	36,292
Others	11,634	23,981
	<b>519,401</b>	<b>892,502</b>

**9 FINANCE COSTS**

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest expenses on bank and other financial institution borrowings	123,070	160,997
Interest expenses on asset-backed securities scheme senior class	70,541	–
Interest expenses on lease liabilities	111	308
Net fair value loss on derivative financial instruments		
– Reclassified from cash flow hedge reserve	20,965	6,061
– Reclassified from costs of hedging reserves	729	725
– Ineffectiveness of cash flow hedges	4,506	4,592
Interest expenses on guaranteed notes	60,180	75,023
Others	–	6,480
Less: interests capitalised	(50,683)	(76,721)
	<b>229,419</b>	<b>177,465</b>

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**10 INCOME TAX EXPENSES**

Hong Kong corporate are mainly subject to Hong Kong profits tax rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong during the period (six months ended 30 June 2019: Nil).

PRC corporate income tax has been provided at the rate of 25% (six months ended 30 June 2019: 25%) on the taxable profits of the Group's PRC subsidiaries during the period.

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

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

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
– PRC corporate income tax	<b>4,998</b>	96,300
– PRC land appreciation tax	<b>6,981</b>	171,554
Deferred income tax	<b>64,041</b>	(20,639)
Total tax charges for the period	<b>76,020</b>	247,215

**11 DIVIDENDS**

No dividend has been paid or declared by the Board of Directors during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**12 (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The calculation of basic and diluted losses per share amount for the six months ended 30 June 2020 is based on the loss for the period attributable to owners of the Company of RMB107,978,000 (six months ended 30 June 2019: the profit for the period attributable to owners of the Company of RMB22,711,000), the weighted average number of ordinary shares of 961,538,462 (six months ended 30 June 2019: 961,538,462), the weighted average number of convertible preference shares ("CPS") of 1,072,928,106 (six months ended 30 June 2019: 1,072,928,106) and the weighted average number of shares of 513,185,911 (six months ended 30 June 2019: 513,185,911) into which the perpetual convertible bond securities ("PCBS") may be converted, in issue during the period.

The calculations of basic and diluted (losses)/earnings per share are based on:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>(Losses)/Profit attributable to owners of the Company used in the basic and diluted losses per share calculation</b>	<b>(107,978)</b>	22,711
	<b>Shares</b>	Shares
Weighted average number of ordinary shares	<b>961,538,462</b>	961,538,462
Weighted average number of CPS	<b>1,072,928,106</b>	1,072,928,106
Weighted average number of shares into which the PCBS may be converted	<b>513,185,911</b>	513,185,911
Weighted average number of shares for basic and diluted (losses)/earnings per share	<b>2,547,652,479</b>	2,547,652,479

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

## 13 PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Furniture fixtures and equipment <i>RMB'000</i>	Motor vehicles and others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the six months ended 30 June 2020 (Unaudited)</b>				
At 1 January 2020	1,968	27,628	1,842	31,438
Additions	–	2,465	–	2,465
Transfer from investment property	120,874	–	–	120,874
Disposals	–	(10)	–	(10)
Depreciation provided during the period	(1,851)	(6,909)	(321)	(9,081)
At 30 June 2020	120,991	23,174	1,521	145,686
<b>For the six months ended 30 June 2019 (Unaudited)</b>				
At 1 January 2019	9,041	13,364	4,681	27,086
Additions	9	15,099	3,098	18,206
Disposals	(7,114)	(5,303)	(2,643)	(15,060)
Depreciation provided during the period	(31)	(2,840)	(692)	(3,563)
At 30 June 2019	1,905	20,320	4,444	26,669

## 14 LONG-TERM PREPAID EXPENSES

	Prepaid decoration expenses <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Six months ended 30 June 2020 (Unaudited)</b>			
At 1 January 2020	126,187	22,184	148,371
Additions	2,617	7,505	10,122
Amortisation provided during the period	(25,290)	(7,008)	(32,298)
At 30 June 2020	103,514	22,681	126,195
<b>Six months ended 30 June 2019 (Unaudited)</b>			
At 1 January 2019	134,245	17,092	151,337
Additions	22,701	7,689	30,390
Depreciation provided during the period	(28,365)	(9,227)	(37,592)
At 30 June 2019	128,581	15,554	144,135

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**15 INVESTMENT PROPERTIES****(A) INVESTMENT PROPERTIES UNDER CONSTRUCTION**

	Cost <i>RMB'000</i>	Fair Value <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Six months ended 30 June 2020</b>			
<b>(Unaudited)</b>			
At 1 January 2020	1,887,432	–	1,887,432
Additions	311,716	–	311,716
<hr/>			
At 30 June 2020	2,199,148	–	2,199,148
<hr/>			
<b>Six months ended 30 June 2019</b>			
<b>(Unaudited)</b>			
At 1 January 2019	1,491,696	2,459,000	3,950,696
Additions	559,516	565,762	1,125,278
Transfer to investment properties in operation	–	(2,323,750)	(2,323,750)
Transfer to investment properties under construction at fair value	(638,990)	–	(638,990)
Transfer from investment properties under construction at cost	–	638,990	638,990
Net gains from fair value adjustment	–	9,998	9,998
<hr/>			
At 30 June 2019	1,412,222	1,350,000	2,762,222

**(B) INVESTMENT PROPERTIES IN OPERATION**

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
At 1 January	10,694,300	6,812,400
Additions	–	1,765
Other adjustments	(11,280)	–
Net gains from fair value adjustment	304,980	35,585
Transfer from investment properties under construction	–	2,323,750
Transfer to property, plant and equipment	(120,874)	–
<hr/>		
At 30 June	10,867,126	9,173,500

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**15 INVESTMENT PROPERTIES (CONTINUED)****(C) PROFIT OR LOSS OF INVESTMENT PROPERTIES RECOGNISED IN THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net gains from fair value adjustment	<b>304,980</b>	45,583
Rental income from leases	<b>232,201</b>	275,109
Direct operating expenses from investment properties that generated rental income	<b>(4,878)</b>	(4,398)
Direct operating expenses from investment properties that did not generate rental income	<b>(98)</b>	(308)

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

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.

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**15 INVESTMENT PROPERTIES (CONTINUED)**

Information about fair value measurements using significant unobservable inputs:

Investment Properties	Fair value as at 30 June 2020 (Unaudited) RMB'000	Valuation techniques	Unobservable inputs		Relationship of unobservable inputs to fair value
			Title	Range	
North region	3,640,757	Income capitalisation approach	Discount rate	4% to 7%	The higher discount rate is, the lower fair value
			Market rental price	RMB50 to RMB279 per square meter per month	The higher market rental price is, the higher fair value
Central region	7,226,369	Income capitalisation approach	Discount rate	4% to 7%	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

Investment Properties	Fair value as at 31 December 2019 (Audited) RMB'000	Valuation techniques	Unobservable inputs		Relationship of unobservable inputs to fair value
			Title	Range	
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

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**16 INTANGIBLE ASSETS**

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
At 1 January	<b>17,291</b>	2,319
Additions	<b>6,678</b>	15,514
Amortisation charge	<b>(1,077)</b>	(1,035)
At 30 June	<b>22,892</b>	16,798

**17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD****17.1 INVESTMENTS IN JOINT VENTURES**

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
At 1 January	<b>236,907</b>	2,205
Capital injection	<b>6,630</b>	233,300
Share of (losses)/gains	<b>(626)</b>	306
At 30 June	<b>242,911</b>	235,811

**17.2 INVESTMENTS IN AN ASSOCIATE**

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
At 1 January	<b>24,782</b>	29,034
Share of losses	<b>(829)</b>	(272)
At 30 June	<b>23,953</b>	28,762



## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**18 DERIVATIVE FINANCIAL ASSETS**

The Group has the following derivative financial instruments:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash flow hedges		
Cross currency interest rate swaps (i)	<b>23,274</b>	1,058

- (i) On 6 August 2018, the Group 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

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

## 18 DERIVATIVE FINANCIAL ASSETS (CONTINUED)

## (iii) HEDGING RESERVES

	Cash flow hedge reserve <i>RMB'000</i>	Costs of hedging reserves <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At 31 December 2019 (Audited)</b>	(53,960)	21,081	(32,879)
Other comprehensive loss			
Cash flow hedges			
Net fair value losses	<b>(1,868)</b>	–	<b>(1,868)</b>
Reclassification to profit or loss	<b>(24,213)</b>	–	<b>(24,213)</b>
Total cash flow hedges	<b>(26,081)</b>	–	<b>(26,081)</b>
Costs of hedging			
Net fair value gains	–	<b>8,725</b>	<b>8,725</b>
Amortisation to profit or loss	–	<b>729</b>	<b>729</b>
Total costs of hedging	–	<b>9,454</b>	<b>9,454</b>
<b>At 30 June 2020 (Unaudited)</b>	<b>(80,041)</b>	<b>30,535</b>	<b>(49,506)</b>
<b>At 31 December 2018 (Audited)</b>	(23,815)	(11,478)	(35,293)
Other comprehensive loss			
Cash flow hedges			
Net fair value losses	(49,213)	–	(49,213)
Reclassification to profit or loss	8,913	–	8,913
Total cash flow hedges	(40,300)	–	(40,300)
Costs of hedging			
Net fair value gains	–	20,578	20,578
Amortisation to profit or loss	–	725	725
Total costs of hedging	–	21,303	21,303
<b>At 30 June 2019 (Unaudited)</b>	(64,115)	9,825	(54,290)

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**18 DERIVATIVE FINANCIAL ASSETS (CONTINUED)**

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

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Cross currency interest rate swaps		
Carrying amount asset	<b>23,274</b>	1,058
Notional amount	<b>2,744,800</b>	2,744,800
Maturity date	<b>26 July 2021</b>	26 July 2021
Hedge ratio	<b>1:1</b>	1:1
Changes in fair value of the hedging instrument used for measuring effectiveness	<b>(1,868)</b>	(11,222)
Changes in fair value of the hedged item used for measuring effectiveness	<b>1,868</b>	11,221
Strike rate	<b>CNY6.862: US\$1</b>	CNY6.862: US\$1
Higher cap	<b>CNY7.7: US\$1</b>	CNY7.7: US\$1
Lower cap	<b>CNY6.2: US\$1</b>	CNY6.2: US\$1
US\$ floating interest rate receive leg	<b>3 months US\$– LIBOR+2.575% per annum based on US\$ notional</b>	3 months US\$– LIBOR+2.575% per annum based on US\$ notional
CNY fixed interest rate pay leg	<b>5.925% per annum based on CNY notional</b>	5.925% per annum based on CNY notional

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

## 19 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables from contracts with customers	60,553	52,945
Prepayments to related parties (Note 31(e))	2,892	6,973
Prepayments of merchandise inventories	188,480	118,138
Other prepayments	5,556	1,151
Input value added tax to be deducted and prepaid other taxes	396,021	319,373
Other deposits	23,391	22,784
Other receivables due from related parties (Note 31(e))	5,581	3,366
Amounts due from related parties (Note 31(f))	70,999	71,133
Receivables from government repurchase of land use rights	74,365	74,365
Other receivables	77,023	79,347
	<b>904,861</b>	749,575
less: non-current portion		
– Input value added tax to be deducted	(33,257)	–
– Other deposits	(5,424)	–
	<b>(38,681)</b>	–
Current portion	<b>866,180</b>	749,575

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

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Up to 3 months	60,553	52,945

As at 30 June 2020, included in the trade receivables are trade receivables of RMB1,200,000 (31 December 2019: RMB3,088,000) due from related parties which are receivable within 3 months and represented credit terms similar to those offered to other major customers (Note 31(e)).

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

## 20 INVENTORIES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Properties under development	928,208	638,680
Completed properties held for sale	840,505	896,083
Merchandise inventories	295,549	272,883
	<b>2,064,262</b>	1,807,646

## 21 BORROWINGS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>Non-current</b>		
Bank and other financial institution borrowings	2,864,120	2,629,696
<b>Current</b>		
Current portion of long-term bank and other financial institution borrowings	1,654,380	1,135,304
Short-term bank borrowings	45,000	–
	<b>1,699,380</b>	1,135,304
	<b>4,563,500</b>	3,765,000

- (A) As at 30 June 2020, bank borrowings amounting to RMB826,500,000 (31 December 2019: RMB610,000,000) were secured by the land use rights and the buildings of investment properties and property, plant and equipment with carrying amount of RMB2,035,371,000 (31 December 2019: RMB1,431,000,000) and guaranteed by BCL.

As at 30 June 2020, bank borrowings amounting to RMB320,000,000 (31 December 2019: nil) were secured by the land use rights and the buildings of investment properties and property, plant and equipment with carrying amount of RMB913,874,000 (31 December 2019: nil) and guaranteed by the Company.

As at 30 June 2020, bank borrowings amounting to RMB872,000,000 (31 December 2019: RMB655,000,000) were secured by the land use rights of investment properties with carrying amount of RMB493,918,000 (31 December 2019: RMB175,824,000) and guaranteed by BCL.

As at 30 June 2020, other financial institution borrowings amounting to RMB2,500,000,000 (31 December 2019: RMB2,500,000,000) were guaranteed by BCL.

As at 30 June 2020, short-term bank borrowings amounting to RMB45,000,000 (31 December 2019: nil) were credit borrowings.

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**21 BORROWINGS (CONTINUED)**

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

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Total borrowings		
– Within 1 year	<b>1,699,380</b>	1,135,304
– Between 1 and 2 years	<b>565,604</b>	1,510,000
– Between 2 and 5 years	<b>1,614,640</b>	450,000
– Over 5 years	<b>683,876</b>	669,696
	<b>4,563,500</b>	3,765,000

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

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

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Bank and other financial institution borrowings	<b>5.74%</b>	5.86%

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

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Within 6 months	<b>2,063,500</b>	130,000
Between 6 and 12 months	<b>1,500,000</b>	2,135,000
Between 1 and 5 years	<b>1,000,000</b>	1,500,000
	<b>4,563,500</b>	3,765,000

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.

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**22 GUARANTEED NOTES**

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
As at 1 January	2,796,677	2,759,458
Interest expenses	60,180	146,550
Interest paid	(62,772)	(143,779)
Exchange rate effect on guaranteed notes	45,211	34,448
	<b>2,839,296</b>	2,796,677
Accrued interests for guaranteed notes, classified as other payables under current liabilities ( <i>Note 23</i> )	<b>(15,708)</b>	(20,946)
Non-current portion	<b>2,823,588</b>	2,775,731

On 2 August 2018, the Group 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.

**23 OTHER PAYABLES AND ACCRUALS**

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Other tax payables	23,229	35,042
Employee benefit payable	9,740	29,603
Other payables and accruals due to related parties ( <i>Note 31(e)</i> )	13,245	10,820
Amounts due to related parties ( <i>Note 31(g)</i> )	118,242	118,242
Accrued interests for guaranteed notes ( <i>Note 22</i> )	15,708	20,946
Accrued interest for bank and other financial institution borrowings	5,510	5,185
Accrued interest for asset-backed securities scheme senior class ( <i>i</i> )	79,480	8,939
Asset-backed securities scheme senior class ( <i>i</i> )	2,691,900	2,691,900
Deposits	108,964	107,016
Collect and remit payment on behalf	12,983	14,331
Others	14,920	12,812
	<b>3,093,921</b>	3,054,836
less: non-current portion		
– Asset-backed securities scheme senior class ( <i>i</i> )	<b>(2,691,900)</b>	(2,691,900)
Current portion	<b>402,021</b>	362,936

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**23 OTHER PAYABLES AND ACCRUALS (CONTINUED)**

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 securitising 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 interim condensed consolidated financial statements of the Group.

As at 30 June 2020, the amortised cost of the Group's Asset-backed securities scheme senior class was approximately RMB2,771,380,000 (31 December 2019: RMB2,700,839,000), including the current portion of RMB79,480,000 (31 December 2019: RMB8,939,000) and the non-current portion of RMB2,691,900,000 (31 December 2019: RMB2,691,900,000).

**24 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:

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Within 1 year	<b>1,457,234</b>	1,803,504
1 to 2 years	<b>193,036</b>	138,894
2 to 3 years	<b>33,406</b>	–
	<b>1,683,676</b>	1,942,398

As at 30 June 2020, included in the trade payables are trade payables of RMB1,261,000 (31 December 2019: RMB526,000) 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 31(e)).

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



## Notes to the Interim Financial Information

For the six months ended 30 June 2020

## 25 SHARE CAPITAL

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
<b>Authorised:</b>		
Ordinary shares 20,000,000,000 (31 December 2019: 20,000,000,000) ordinary shares of HK\$0.01 each	<b>160,009</b>	160,009
Class A CPS 738,130,482 (31 December 2019: 738,130,482) CPS of HK\$0.01 each	<b>5,875</b>	5,875
Class B CPS 905,951,470 (31 December 2019: 905,951,470) CPS of HK\$0.01 each	<b>7,575</b>	7,575
	<b>173,459</b>	173,459
<b>Issued and fully paid:</b>		
Ordinary shares 961,538,462 (31 December 2019: 961,538,462) ordinary shares of HK\$0.01 each	<b>7,828</b>	7,828
Class A CPS 166,976,636 (31 December 2019: 166,976,636) CPS of HK\$0.01 each	<b>1,329</b>	1,329
Class B CPS 905,951,470 (31 December 2019: 905,951,470) CPS of HK\$0.01 each	<b>7,575</b>	7,575
	<b>16,732</b>	16,732

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

### 26 CPS

#### **CLASS A CPS**

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

#### **CLASS B CPS**

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

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

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

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

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

### 27 PCBS

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

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

The holder(s) of the PCBS are entitled to receive interest on the outstanding principal amount of the PCBS at a rate equal to 0.01% per annum on a non-cumulative basis, of which the Company shall have the right, exercisable in its sole discretion, to elect to defer the payment, with no interest accrued thereon. The Company shall not pay any dividends, distributions or make any other payment on 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 30 June 2020, the Group has accrued interest amounting to RMB330,000 (31 December 2019: RMB280,000).

### 28 COMMITMENTS

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

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Contracted, but not provided for:		
Properties under development	<b>119,048</b>	142,096
Investment properties	<b>556,306</b>	415,591
	<b>675,354</b>	557,687

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**29 FINANCIAL GUARANTEES**

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

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Mortgage facilities for certain purchasers of the Group's properties	<b>1,101,460</b>	1,163,279

As at 30 June 2020, 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.

**30 LEASE ARRANGEMENTS****AS LESSOR**

The terms of the lease arrangements of the Group are generally more than two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2020, the Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Within 1 year	<b>77,427</b>	93,395
In the 2 to 5 years, inclusive	<b>213,806</b>	245,170
After 5 years	<b>46,793</b>	49,180
	<b>338,026</b>	387,745

**AS LESSEE**

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

At 30 June 2020, the Group had total future minimum lease payments under non-cancellable leases falling due as follows:

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Within 1 year	<b>2,009</b>	6,026

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**31 RELATED PARTY TRANSACTIONS**

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

**(A) PROVISION OF SERVICES**

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Provision of services		
– Project management services for a subsidiary of BCL	<b>1,200</b>	1,200

**(B) PURCHASES OF SERVICES**

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Purchases of services		
– Rental expense to BCL	<b>913</b>	879
– Service fee for keepwell deed to Capital Group (i)	<b>4,060</b>	4,067
– Rental expense to a joint venture of BCL	<b>3,796</b>	3,796
– Property Management expense to a fellow subsidiary	<b>2,695</b>	–
	<b>11,464</b>	8,742

- (i) Capital Group provide keepwell and liquidity support deed and the deed of equity interest purchase undertaking to the Group for the issuance of US\$400,000,000 guaranteed notes, the Group 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. The Group recorded administrative expenses amounting to RMB4,060,000 during the current period. The service fee fall within the exemption for connected transactions pursuant to Rule14A.90 of the Listing Rules.

**(C) PURCHASE OF GOODS**

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Purchase of goods from a fellow subsidiary	–	1,742

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**31 RELATED PARTY TRANSACTIONS (CONTINUED)****(D) KEY MANAGEMENT COMPENSATION**

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kinds	<b>5,384</b>	5,157
Pension scheme contributions	<b>272</b>	284
	<b>5,656</b>	5,441

**(E) PERIOD-END BALANCES**

	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Prepayments to related parties		
– Capital Group	<b>708</b>	4,873
– Fellow subsidiaries	<b>1,742</b>	1,742
– a joint venture of BCL	<b>442</b>	358
	<b>2,892</b>	6,973
Trade payables		
– Fellow subsidiaries	<b>1,261</b>	526
Other payables and accruals due to related parties		
– BCL	<b>10,388</b>	10,820
– Fellow subsidiaries	<b>2,857</b>	–
	<b>13,245</b>	10,820
Trade receivables due from related parties		
– Fellow subsidiaries	<b>1,200</b>	3,088
Other receivables due from related parties		
– A joint venture of BCL	<b>1,993</b>	1,993
– Fellow subsidiaries	<b>3,395</b>	1,180
– An associate of BCL	<b>193</b>	193
	<b>5,581</b>	3,366

## Notes to the Interim Financial Information

For the six months ended 30 June 2020

**31 RELATED PARTY TRANSACTIONS (CONTINUED)****(F) AMOUNTS DUE FROM RELATED PARTIES**

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
An associate of the Group	<b>68,999</b>	69,133
A joint venture of the Group	<b>2,000</b>	2,000
	<b>70,999</b>	71,133

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

**(G) AMOUNTS DUE TO RELATED PARTIES**

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Fellow subsidiaries	<b>17</b>	17
Non-controlling interests	<b>118,225</b>	118,225
	<b>118,242</b>	118,242

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

- (H)** As at 30 June 2020, BCL provided irrevocable guarantee for the bank and other financial institution borrowings of the Group amounted to RMB4,198,500,000 (31 December 2019: RMB3,765,000,000) (Note 21(a)).