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BEIJING CAPITAL GRAND LIMITED

首創鉅大有限公司

(formerly known as Beijing Capital Juda Limited)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1329)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the “Board” or the “Directors”) of Beijing Capital Grand Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2017 together with unaudited comparative figures for the corresponding period in the previous year as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
	Notes	(Unaudited)	(Unaudited) (Restated)
Revenue	4,5	300,138	259,440
Cost of sales		(179,954)	(163,412)
Gross profit		120,184	96,028
Other income	5	6,317	8,372
Fair value gains on investment properties	5	100,088	246,097
Other (losses)/gains	5	(25,502)	5,199
Selling and marketing expenses		(40,215)	(49,106)
Administrative expenses		(63,462)	(50,554)
Operating profit		97,410	256,036
Finance costs	7	(38,370)	(58,266)
Share of loss of investment accounted for using the equity method		(12)	–
Profit before income tax		59,028	197,770
Income tax expense	8	(49,738)	(67,386)
Profit for the period		9,290	130,384

		Six months ended 30 June	
		2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
<i>Notes</i>		(Unaudited)	(Unaudited)
			(Restated)
Attributable to:			
	– Owners of the Company	8,838	130,384
	– Non-controlling interests	452	–
		<u> </u>	<u> </u>
Earnings per share attributable to owners of the Company during the period			
	<i>10</i>		
	Basic earnings per share (<i>RMB cents</i>)	0.35	14
		<u> </u>	<u> </u>
	Diluted earnings per share (<i>RMB cents</i>)	0.35	14
		<u> </u>	<u> </u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2017 <i>RMB'000</i> (Unaudited)	31 December 2016 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		92,974	84,377
Investment properties		6,869,420	5,525,804
Intangible assets		3,231	3,750
Investments accounted for using the equity method		73,288	40,000
Deferred income tax assets		48,461	45,208
Prepayments	11	85,329	394,808
		<u>7,172,703</u>	<u>6,093,947</u>
Current assets			
Inventories		2,335,407	2,212,768
Trade and other receivables and prepayments	11	316,304	364,999
Restricted cash		10,838	14,029
Cash and cash equivalents		708,948	1,910,587
		<u>3,371,497</u>	<u>4,502,383</u>
Total assets		<u>10,544,200</u>	<u>10,596,330</u>
LIABILITIES			
Non-current liabilities			
Borrowings		895,000	765,000
Guaranteed notes	12	1,296,873	1,295,519
Deferred income tax liabilities		509,424	488,103
		<u>2,701,297</u>	<u>2,548,622</u>

		30 June	31 December
		2017	2016
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Current liabilities			
Trade payables	13	849,356	1,008,826
Other payables and accruals		568,530	572,505
Borrowings		820,000	855,000
Current income tax liabilities		18,668	34,318
		2,256,554	2,470,649
Net current assets		1,114,943	2,031,734
Total assets less current liabilities		8,287,646	8,125,681
Total liabilities		4,957,851	5,019,271
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	16,732	16,732
Perpetual convertible bond securities	16	945,244	945,197
Reserves		3,232,215	3,232,215
Retained earnings		1,389,062	1,380,271
		5,583,253	5,574,415
Non-controlling interests		3,096	2,644
Total equity		5,586,349	5,577,059
Total equity and liabilities		10,544,200	10,596,330

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

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

2. BASIS OF PREPARATION

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

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

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

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

3. ACCOUNTING POLICIES

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

- (a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.
- (b) Standards and amendments to standard issued which are relevant but not yet applied by the Group.

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

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

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

	Property development <i>RMB'000</i>	Investment property development and operation <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>	Inter-segments elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2016						
(Unaudited) (Restated)						
Total revenue	170,361	89,079	–	259,440	–	259,440
Inter-segment revenue	–	–	–	–	–	–
Revenue (from external customers)	170,361	89,079	–	259,440	–	259,440
Segment operating profit/(loss)	29,807	242,598	(23,997)	248,408	–	248,408
Depreciation and amortisation (<i>Note 6</i>)	(28)	(11,472)	(3,979)	(15,479)	–	(15,479)
Income tax expense (<i>Note 8</i>)	(10,774)	(50,790)	(5,822)	(67,386)	–	(67,386)
Additions to non-current assets (other than financial instruments and deferred income tax assets)	–	476,941	4,321	481,262	–	481,262
As at 30 June 2017 (Unaudited)						
Total segment assets	2,497,218	7,017,628	263,569	9,778,415	(2,462)	9,775,953
Total segment liabilities	(581,173)	(690,722)	(29,084)	(1,300,979)	2,462	(1,298,517)
As at 31 December 2016 (Audited)						
Total segment assets	2,353,057	6,147,901	125,548	8,626,506	–	8,626,506
Total segment liabilities	(823,322)	(659,972)	(103,901)	(1,587,195)	–	(1,587,195)

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Segment operating profit	94,116	248,408
Share of loss of investment accounted for using the equity method	(12)	–
Interest income (<i>Note 5</i>)	3,294	7,628
Finance costs (<i>Note 7</i>)	(38,370)	(58,266)
Profit before income tax	59,028	197,770

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

	30 June	31 December
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total segment assets	9,775,953	8,626,506
Cash and cash equivalents	708,948	1,910,587
Restricted cash	10,838	14,029
Deferred income tax assets	48,461	45,208
Total assets per interim condensed consolidated statement of financial position	10,544,200	10,596,330
Total segment liabilities	(1,298,517)	(1,587,195)
Amounts due to related parties	(109,319)	(16)
Borrowings	(1,715,000)	(1,620,000)
Guaranteed notes (<i>Note 12</i>)	(1,325,591)	(1,323,957)
Deferred income tax liabilities	(509,424)	(488,103)
Total liabilities per interim condensed consolidated statement of financial position	(4,957,851)	(5,019,271)

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

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

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

5. REVENUE, OTHER GAINS AND INCOME

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

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

6. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging/creditings:

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
		(Restated)
Cost of properties sold	122,851	123,972
Cost of goods sold	17,950	–
Operating leases expense	4,911	4,662
Depreciation and amortisation	6,697	15,479
Employee benefit expense	37,562	19,990
– <i>Wages, salaries and staff welfare</i>	31,344	15,835
– <i>Pension scheme contributions</i>	2,297	1,474
– <i>Other allowance and benefits</i>	3,921	2,681

7. FINANCE COSTS

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

8. INCOME TAX EXPENSE

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

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

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

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

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

9. DIVIDENDS

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

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

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

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

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

Included in the trade receivables are trade receivables of RMB 3,196,000 (31 December 2016: RMB 1,200,000) due from related parties which are receivable within 1 year and represented credit terms similar to those offered to other major customers.

12. GUARANTEED NOTES

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

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

13. TRADE PAYABLES

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

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

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

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

14. SHARE CAPITAL

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

15. CPS

Class A CPS

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

Class B CPS

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

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

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

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

16. PCBS

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

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

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

17. COMMITMENTS

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

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

18. FINANCIAL GUARANTEES

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

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

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

19. EVENT AFTER THE REPORTING PERIOD

On 26 July 2017, Jiangxi Capital Outlets Limited ("Jiangxi Capital", a subsidiary of the Company), Beijing Yulong Hengxin Commercial Management Company Ltd. ("Yulong Hengxin", an independent third-party) and Nanchang Huachuang Xinhong Capital Limited ("Nanchang Huachuang", a wholly-owned subsidiary of Jiangxi Capital) entered into a capital injection agreement, pursuant to which Yulong Hengxin agreed to (i) subscribe RMB30,000,000 of the registered capital of Nanchang Huachuang with a consideration of RMB30,300,000; and (ii) repay the shareholder's loan due by Nanchang Huachuang to Jiangxi Capital including interests thereon totalled RMB 112,948,000.

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW OF OUTLETS

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

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

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

BUSINESS REVIEW

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

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

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

- During the period, the four outlets projects in operation achieved a turnover of approximately RMB1.7 billion, representing a year-on-year growth of 33%; and the customer traffic over 10 million, representing a year-on-year growth of 23%, indicating a steady growth in the operating results;
- During the period, the Group fully utilized the advantages of its chain operation across the country to thoroughly link expansion strategies for more brands, thereby promoting multi-project brand partnership; in addition, the Group also made full use of the leverage effect from projects where it enjoyed competitive advantages to help attract desired brands to under-construction projects, as well as bring in additional brands for newly launched projects, with a view to gradually taking advantage of its group development.

Focusing on innovation to enhance the momentum of sustainable development

“Capital Outlets at Fingertips”

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

Rapid development of proprietary business

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

Bringing trampolines to multiple stores to create a distinctive experience

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

Continuously increasing the brand influence of “Capital Outlets”

- We took “ACT AS ONE” Capital Outlets Brand Owners Ceremony 2017 as a window to further promote the influence of “Capital Outlets” among brand owners, over 400 representatives of brand owners attended the ceremony;
- Wanning Capital Outlets won the “Golden Lily Award for Best Outlets Shopping Center” issued by the China Chain-Store & Franchise Association (CCFA);
- On 1 May 2017, Fangshan Capital Outlets in Beijing launched a themed event where the store remained open for 36 consecutive hours and offered gifts valued over RMB1 million in celebration of its anniversary. The event attracted more than 1.2 million visitors within and outside Beijing in 3 days (a year-on-year increase of 122%) and recorded total sales of RMB53 million (a year-on-year increase of 95%), achieving new records in both single-day and average daily sales.

INVESTMENT PROPERTIES

Project Name	Approximate Site Area <i>(Note 1)</i> <i>(m²)</i>	Total Gross Floor Area <i>(Note 2)</i> <i>(m²)</i>	Property Type <i>(m²)</i>	Opened/ Expected Time of Launching	Attributable Interest
Fangshan Capital Outlets (Changyang Town, Fangshan District, Beijing)	90,770 <i>(Note 3)</i>	108,720	Outlets: 108,720	2013	100%
	90,770 <i>(Note 3)</i>	87,770	Outlets: 39,320 Supermarket: 3,900 Parking Space: 44,550	2019	100%
Kunshan Capital Outlets (Kunshan Development Zone)	46,240	50,420	Outlets: 50,420	2015	100%
	46,790	50,110	Outlets: 50,110	2017	100%
Huzhou Capital Outlets (Huzhou Taihu Lake Tourism Resort) <i>(Note 4)</i>	109,940	54,700	Outlets: 54,700	2013	100%
Nanchang Capital Outlets (Xinjian District, Nanchang)	56,800	129,700	Outlets: 85,240, Parking Space: 44,460	2017	100%
	30,160 <i>(Note 5)</i>	28,380	Cinema: 5,000, Supermarket: 7,660, Parking Space: 15,720	2018	100%
Hangzhou Capital Outlets (Fuyang District, Hangzhou)	101,700	112,280	Outlets: 88,980, Parking Space: 23,300	2017	100%

Project Name	Approximate Site Area <i>(Note 1)</i> <i>(m²)</i>	Total Gross Floor Area <i>(Note 2)</i> <i>(m²)</i>	Property Type <i>(m²)</i>	Opened/ Expected Time of Launching	Attributable Interest
Wuhan Capital Outlets (Wuhan East Lake High-tech Development Zone)	89,760	107,560	Outlets: 83,740, Parking Space: 23,820	2017	99% <i>(Note 8)</i>
Changsha Capital Outlets Joyous Sky Avenue (Xiangjiang New Area, Changsha)	54,600	112,070	Outlets: 81,550, Parking Space: 30,520	2019	30% <i>(Note 8)</i>
Xi'an Capital Outlets (Xi'an Hi-tech Industrial Development Zone)	81,300	122,970	Outlets: 82,740, Parking Space: 40,230	2019	100%
Zhengzhou Capital Outlets (Xingyang City, Zhengzhou)	80,790	96,580	Outlets: 81,070 Parking Space: 15,510	2018	100%
Jinan Capital Outlets (Tangye New Area, Jinan)	114,930 <i>(Note 6)</i>	129,780	Outlets: 86,930 Parking Space: 42,850	2018	100%
Hefei Capital Outlets (Binhu New District, Hefei)	87,910	96,490	Outlets: 75,460 Parking Space: 21,030	2018	100%
Chongqing Capital Outlets (Banan District, Chongqing)	74,350 <i>(Note 7)</i>	113,600	Outlets: 81,600, Parking Space: 32,000	2019	100%
Kunming Capital Outlets (Wuhua District, Kunming)	67,920	133,500	Outlets: 87,000 Parking Space: 46,500	2019	85% <i>(Note 8)</i>

DEVELOPMENT PROPERTIES

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

Notes:

1. Approximate site area is based on State-owned Construction Land Use Right Grant Contract or Land Use Right Certificates;
2. Total gross floor area is based on State-owned Construction Land Use Right Grant Contract and the project design plan;
3. The site area of Fangshan Capital Outlets is 90,800 m², of which the gross floor areas of Phase I and Phase II are 108,700 m² and 87,800 m² respectively;
4. The total site area of Huzhou Capital Outlets is 309,700 m², of which the gross floor areas of Phase I, Phase II and the planned land area for economic hotels are 109,900 m², 104,400 m² and 95,400 m² respectively;
5. The site area of Land B in Nanchang Capital Outlets is 30,200 m², of which 28,400 m² of the gross floor area is investment property and 32,600 m² is development property;
6. The site area of Jinan Capital Outlets is 114,900 m², of which 129,800 m² of the gross floor area is investment property and 53,900 m² is development property;
7. The site area of Chongqing Capital Outlets is 74,400 m², of which 113,700 m² of the gross floor area is investment property and 15,000 m² is development property;
8. Attributable interests represent equity holding upon completion of capital injection.

FINANCIAL REVIEW

1. Revenue and Operating Results

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

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

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

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

2. Liquidity and Financial Resources

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

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

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

3. Borrowings and Guaranteed Notes

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

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

4. Foreign Exchange Exposure

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

5. Financial Guarantees

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

6. Capital Commitments

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

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

INTERIM DIVIDEND

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

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.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

HUMAN RESOURCES

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

REVIEW BY AUDIT COMMITTEE

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

PUBLICATION OF UNAUDITED INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.bcgrand.com). The interim report of the Company for the six months ended 30 June 2017 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

By Order of the Board
Beijing Capital Grand Limited
Lee Sze Wai
Company Secretary

Beijing, 17 August 2017

As at the date of this announcement, Mr. Zhong Beichen is the chairman of the Board and executive director; Mr. Feng Yujian is chief executive officer and executive director; Mr. Sun Shaolin, Mr. Su Jian, Mr. Wang Honghui and Mr. Yang Han Hsiang are non-executive directors and Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng are the independent non-executive directors.