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)**

# ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "Board" or the "Directors") of Beijing Capital Grand Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018, together with the comparative amounts for the year ended 31 December 2017, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2018*

| | Notes | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| Revenue | 5 | **1,224,040** | 511,523 |
| Cost of sales | | **(818,440)** | (286,369) |
| **Gross profit** | | **405,600** | 225,154 |
| Fair value gains on investment properties | 5 | **262,497** | 222,394 |
| Other gains – net | 5 | **1,218** | 48,295 |
| Other income | 5 | **47,157** | 142,888 |
| Selling and marketing expenses | | **(163,082)** | (99,675) |
| Administrative expenses | | **(297,535)** | (160,290) |
| **Operating profit** | | **255,855** | 378,766 |
| Finance costs | 7 | **(212,509)** | (111,676) |
| Share of losses of investments accounted for using the equity method | | **(4,155)** | (694) |
| **Profit before income tax** | | **39,191** | 266,396 |
| Income tax expense | 8 | **(236,649)** | (153,087) |
| **(Loss)/profit for the year** | | **(197,458)** | 113,309 |
| **Attributable to:** | | | |
| – Owners of the Company | | **(197,698)** | 113,159 |
| – Non-controlling interests | | **240** | 150 |
| **(Losses)/earnings per share attributable to owners of the Company during the year** | 10 | | |
| **Basic (losses)/earnings per share (RMB)** | | **(0.08)** | 0.04 |
| **Diluted (losses)/earnings per share (RMB)** | | **(0.08)** | 0.04 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2018*

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **(Loss)/profit for the year** | **(197,458)** | 113,309 |
| **Other comprehensive loss for the year** | | |
| Items that may be reclassified to profit or loss | | |
| Cash flow hedges | **(23,815)** | – |
| Cost of hedging | **(11,478)** | – |
| | **(35,293)** | – |
| **Total comprehensive (loss)/income for the year** | **(232,751)** | 113,309 |
| **Attributable to:** | | |
| – Owners of the Company | **(232,991)** | 113,159 |
| – Non-controlling interests | **240** | 150 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*Year ended 31 December 2018*

| | Notes | 31 December 2018 RMB'000 | 31 December 2017 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **27,086** | 26,290 |
| Long-term prepaid expenses | | **151,337** | 81,400 |
| Investment properties | | **10,763,096** | 7,951,890 |
| Investments accounted for using the equity method | | **31,239** | 108,015 |
| Intangible assets | | **2,319** | 2,767 |
| Deferred income tax assets | | **16,176** | 17,829 |
| Prepayments | *11* | **295,027** | – |
| **Total non-current assets** | | **11,286,280** | 8,188,191 |
| **Current assets** | | | |
| Inventories | | **2,083,387** | 2,300,719 |
| Incremental costs of obtaining a contract | | **16,255** | – |
| Trade and other receivables and prepayments | *11* | **705,961** | 555,291 |
| Assets classified as held-for-sale | | **73,239** | – |
| Restricted cash | | **33,173** | 58,110 |
| Cash and cash equivalents | | **3,408,491** | 1,793,200 |
| **Total current assets** | | **6,320,506** | 4,707,320 |
| **Total assets** | | **17,606,786** | 12,895,511 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **4,912,007** | 2,545,000 |
| Guaranteed notes | *12* | **2,736,319** | – |
| Derivative financial liabilities | | **32,871** | – |
| Provisions | | **4,123** | – |
| Deferred income tax liabilities | | **605,077** | 570,771 |
| **Total non-current liabilities** | | **8,290,397** | 3,115,771 |

| | Notes | **31 December 2018 *RMB'000*** | 31 December 2017 *RMB'000* |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade payables | *13* | **1,662,540** | 984,360 |
| Other payables and accruals | | **329,286** | 1,110,895 |
| Contract liabilities | | **1,004,183** | – |
| Borrowings | | **736,467** | 660,000 |
| Current income tax liabilities | | **73,068** | 34,352 |
| Guaranteed notes | *12* | **–** | 1,298,265 |
| **Total current liabilities** | | **3,805,544** | 4,087,872 |
| **Net current assets** | | **2,514,962** | 619,448 |
| **Total assets less current liabilities** | | **13,801,242** | 8,807,639 |
| **Total liabilities** | | **12,095,941** | 7,203,643 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | *14* | **16,732** | 16,732 |
| Perpetual convertible bond securities | | **945,382** | 945,289 |
| Reserves | | **3,196,922** | 3,232,215 |
| Retained earnings | | **1,301,120** | 1,493,338 |
| | | **5,460,156** | 5,687,574 |
| **Non-controlling interests** | | **50,689** | 4,294 |
| **Total equity** | | **5,510,845** | 5,691,868 |
| **Total equity and liabilities** | | **17,606,786** | 12,895,511 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE AND GROUP 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").

As announced on 25 June 2015, Get Thrive Limited ("GTL"), an indirectly wholly-owned subsidiary of Beijing Capital Land Ltd. ("BCL", a joint stock company incorporated in the PRC with limited liability whose H shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited) has transferred (the "Transfer") its entire shareholding of ordinary shares of the Company of 130,200,000 shares (representing approximately 65.1% of the Company's total issued share capital as at the date of the announcement) and its entire shareholding of convertible preference shares of the Company (the "CPS") of 738,130,482 CPS (representing 100% of the total CPS in issue as at the date of the announcement, classified as class A CPS) to BECL Investment Holding Limited ("BECL"), a directly wholly-owned subsidiary of BCL incorporated in Hong Kong, on 19 June 2015. Upon the completion of the Transfer, the parent of the Company changed from GTL to BECL.

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

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

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

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

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

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been approved and authorised for issue by the Board of Directors on 6 March 2019.

## 2. BASIS OF PREPARATION

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

## 3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

**New and amended standards adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers |
| Annual improvement | Annual Improvements to HKFRS Standards 2015-2017 Cycle |
| Amendments to HKAS 40 | Transfers of investment property |

The impact of the adoption of HKFRS 9 and HKFRS 15 are disclosed below. The adoption of annual Improvements to HKFRS Standards 2015-2017 Cycle and amendments to HKAS 40 did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

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

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

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

Presentation of incremental costs of obtaining a contract and contract liabilities

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

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

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

– Accounting for property development activities

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

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

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

– Accounting for costs incurred to obtain a contract

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

– Accounting for significant financing component

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

(i) The impact on the Group's financial position by the application of HKFRS 15 is as follows:

| | **As at 1 January 2018 Effects of the adoption of HKFRS 15** |
|---|---|
| | *RMB'000* |
| Consolidated statement of financial position (extract) | |
| Investments accounted for using the equity method | 798 |
| Inventories | (6,689) |
| Trade and other receivables and prepayments | (6,091) |
| Incremental costs of obtaining a contract | 5,932 |
| Deferred income tax liabilities | 1,591 |
| Other payables and accruals | (823,103) |
| Contract liabilities | 809,130 |
| Current income tax liabilities | 759 |
| Retained earnings | 5,573 |

(ii) The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows:

| | **As at 31 Decembers 2018 Effects of the adoption of HKFRS 15** *RMB'000* |
|---|---|
| Consolidated statement of financial position (extract) | |
| Investments accounted for using the equity method | (1,300) |
| Inventories | (36,689) |
| Trade and other receivables and prepayments | (37,331) |
| Incremental costs of obtaining a contract | 16,255 |
| Deferred income tax liabilities | 12,627 |
| Other payables and accruals | (1,112,540) |
| Contract liabilities | 1,004,183 |
| Trade payables | 103 |
| Retained earnings | 36,562 |

| | **For the year ended 31 December 2018 Effects of the adoption of HKFRS 15** *RMB'000* |
|---|---|
| Consolidated statement of profit or loss (extract) | |
| Revenue from contracts with customers | 94,384 |
| Cost of sales | 29,310 |
| Selling and marketing expenses | 1,480 |
| Income tax expenses | 30,507 |
| Share of losses of investment accounted for using the equity method | (2,098) |
| Profit for the year | 30,989 |
| Attributable to: | |
| – Owners of the Company | 30,989 |
| – Non-controlling interests | – |

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

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

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

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

– Classification

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

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

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

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

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

– Impairment

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

– Derivatives and hedging activities

The Group applies the new hedge accounting model prospectively from 1 January 2018.

Following the adoption of HKFRS 9, the change in fair value of the option contract that relates to the hedged item (aligned time value) is recognised in other comprehensive income and is accumulated in a separate component of equity. The aligned time value at the date of designation of the option as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

The foreign currency basis spread of the instrument is separated and excluded from the designated hedging instrument. The change in fair value of this excluded portion (to the extent it relates to the hedged item) is recognised in other comprehensive income and is accumulated in a separate component of equity. For time-period related hedged items, the excluded portion at the date of designation (to the extent that it relates to the hedged item) is amortised on a systematic and rational basis to profit or loss over the period.

For the Group has no derivatives and no hedging activity in previous years, the above changes has no impact on previous years' financial statements.

(c) Standards and amendments which are not yet effective

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

| | |
|---|---|
| HKFRS16 | Leases[i] |

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

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB9,096,000(31 December 2017: RMB11,094,000).

The group will apply the standard from its mandatory adoption date of 1 January 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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

## 4. OPERATING SEGMENT INFORMATION

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

The Directors considers the business from a product perspective. Management separately considers the performance of property development, investment property development and operation. The segment of property development 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 expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. Other information provided to the Directors, except as noted below, is measured in a manner consistent with that in the financial statements.

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

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

| | Property development *RMB'000* | Investment property development and operation *RMB'000* | All other segments *RMB'000* | Total *RMB'000* | Inter-segment elimination *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2018** | | | | | | |
| Total revenue | **793,311** | **350,848** | **80,479** | **1,224,638** | **–** | **1,224,638** |
| Inter-segment revenue | **–** | **(598)** | **–** | **(598)** | **–** | **(598)** |
| **Revenue (from external customers) (i)** | **793,311** | **350,250** | **80,479** | **1,224,040** | **–** | **1,224,040** |
| **Segment operating profit/ (loss)** | **215,087** | **170,587** | **(165,846)** | **219,828** | **(369)** | **219,459** |
| Depreciation and amortisation *(Note 6)* | **(99)** | **(18,167)** | **(16,533)** | **(34,799)** | **–** | **(34,799)** |
| Income tax expense (*Note 8*) | **(165,440)** | **(60,666)** | **(10,543)** | **(236,649)** | **–** | **(236,649)** |
| Additions to non-current assets (other than deferred income tax assets) | **107** | **2,932,922** | **2,687** | **2,935,716** | **–** | **2,935,716** |
| **Year ended 31 December 2017** | | | | | | |
| Total revenue | 236,339 | 224,368 | 51,149 | 511,856 | – | 511,856 |
| Inter-segment revenue | – | (333) | – | (333) | – | (333) |
| **Revenue (from external customers)** | 236,339 | 224,035 | 51,149 | 511,523 | – | 511,523 |
| **Segment operating profit/ (loss)** | 63,487 | 397,281 | (98,040) | 362,728 | (170) | 362,558 |
| Depreciation and amortisation | (82) | – | (14,962) | (15,044) | – | (15,044) |
| Income tax expense | (23,272) | (129,815) | – | (153,087) | – | (153,087) |
| Additions to non-current assets (other than deferred income tax assets) | 49 | 1,931,559 | 89,245 | 2,020,853 | – | 2,020,853 |

(i) Revenue from contracts with customers of RMB 94,384,000 are recognised over time in property development segment.

| | Property development *RMB'000* | Investment property development and operation *RMB'000* | All other segments *RMB'000* | Total *RMB'000* | Inter – segment elimination *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **As at 31 December 2018** | | | | | | |
| **Total segment assets** | **1,936,843** | **11,782,247** | **396,197** | **14,115,287** | **(14,045)** | **14,101,242** |
| **Total segment liabilities** | **(1,542,512)** | **(1,344,441)** | **(58,911)** | **(2,945,864)** | **14,045** | **(2,931,819)** |
| **As at 31 December 2017** | | | | | | |
| **Total segment assets** | 2,347,467 | 8,168,124 | 470,213 | 10,985,804 | (21,198) | 10,964,606 |
| **Total segment liabilities** | (636,134) | (1,279,634) | (39,801) | (1,955,569) | 21,198 | (1,934,371) |

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

| | **2018** *RMB'000* | 2017 *RMB'000* |
|---|---|---|
| Segment operating profit | **219,459** | 362,558 |
| Share of losses of investments accounted for using equity method | **(4,155)** | (694) |
| Interest income *(Note 5)* | **36,396** | 16,208 |
| Finance costs *(Note 7)* | **(212,509)** | (111,676) |
| **Profit before income tax** | **39,191** | 266,396 |

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

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Total segment assets | **14,101,242** | 10,964,606 |
| Cash and cash equivalents | **3,408,491** | 1,793,200 |
| Restricted cash | **33,173** | 58,110 |
| Deferred income tax assets | **16,176** | 17,829 |
| Amounts due from related parties | **47,704** | 61,766 |
| **Total assets per consolidated statement of financial position** | **17,606,786** | 12,895,511 |
| Total segment liabilities | **(2,931,819)** | (1,934,371) |
| Borrowings | **(5,648,474)** | (3,205,000) |
| Guaranteed notes *(note 12)* | **(2,759,458)** | (1,326,329) |
| Amounts due to related parties | **(118,242)** | (167,172) |
| Deferred income tax liabilities | **(605,077)** | (570,771) |
| Derivative financial liabilities | **(32,871)** | – |
| **Total liabilities per consolidated statement of financial position** | **(12,095,941)** | (7,203,643) |

Assets and liabilities related to contracts with customers:

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Sales commission for properties | **16,255** | – |
| Total incremental costs of obtaining a contract | **16,255** | – |
| Advances from sales of properties | **991,481** | – |
| Others | **12,702** | – |
| Total contract liabilities | **1,004,183** | – |

The Company is incorporated in Cayman Islands, with most of its major subsidiaries domiciled in the PRC. Revenues from external customers of the Group are mainly derived in the PRC for the years ended 31 December 2018 and 2017.

As at 31 December 2018, total non-current assets other than deferred income tax assets located in the PRC is RMB11,270,098,000 (2017: RMB8,170,352,000), the total of these non-current assets located in Hong Kong is RMB6,000 (2017: RMB10,000).

For the year ended 31 December 2018, revenue of RMB150,333,000 generated from a single customer from property development segment, which accounts for 12% of the total revenue from external customers. For the year ended 31 December 2017, the Group did not have any single customer with revenue over 10% of the revenue from external customers.

## 5. REVENUE, OTHER GAINS AND INCOME

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

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue** | | |
| Sale of properties | **793,311** | 236,339 |
| Rental revenue of investment properties | **350,250** | 224,035 |
| Sale of goods | **80,479** | 51,149 |
| | **1,224,040** | 511,523 |
| **Other gains – net** | | |
| Fair value gains on investment properties | **262,497** | 222,394 |
| Gains from government repurchase of land use rights | **–** | 69,661 |
| Net foreign exchange gains/(losses) | **911** | (30,759) |
| Gains from disposal of a subsidiary | **–** | 13,123 |
| Others | **307** | (3,730) |
| | **263,715** | 270,689 |
| **Other income** | | |
| Government grants | **–** | 121,516 |
| Bank interest income | **36,396** | 7,725 |
| Interests income from Yulong Hengxin | **–** | 8,483 |
| Others | **10,761** | 5,164 |
| | **47,157** | 142,888 |

## 6. PROFIT BEFORE TAX

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of properties sold | **566,528** | 160,608 |
| Cost of goods sold | **75,753** | 38,644 |
| Property management fee | **104,618** | 58,723 |
| Operating leases expense | **10,061** | 10,806 |
| Depreciation and amortisation | **34,799** | 15,044 |
| Employee benefit expense | **200,852** | 98,503 |
| *– Wages, salaries and staff welfare* | **168,283** | 81,589 |
| *– Pension scheme contributions* | **12,602** | 6,440 |
| *– Other allowance and benefits* | **19,967** | 10,474 |

## 7. FINANCE COSTS

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest expense on bank borrowings | **275,337** | 73,915 |
| Interest expense on related parties borrowings | **–** | 22,704 |
| Net fair value loss on derivative financial instruments | | |
| Reclassified from cash flow hedge reserve | **5,865** | – |
| Reclassified from costs of hedging reserves | **593** | – |
| Ineffectiveness of cash flow hedges | **4,327** | – |
| Interest expense on guaranteed notes | **101,822** | 70,995 |
| Less: interests capitalised | **(175,435)** | (55,938) |
| | **212,509** | 111,676 |

For the year ended 31 December 2018, the capitalisation rate is 5.60% (year ended 31 December 2017: 5.35%), and the finance costs are mainly capitalised into investment properties and properties under development.

## 8. INCOME TAX EXPENSE

Hong Kong corporate are mainly subject to Hong Kong profits tax rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong during the year (year ended 31 December 2017: Nil).

PRC corporate income tax has been provided at the rate of 25% (year ended 31 December 2017: 25%) on the taxable profits of the Group's PRC subsidiaries during the year.

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

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

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current income tax: | | |
| – PRC corporate income tax | **48,748** | 34,441 |
| – PRC land appreciation tax | **149,658** | 9,170 |
| Deferred income tax | **38,243** | 109,476 |
| Total tax charge for the year | **236,649** | 153,087 |

## 9. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 December 2018 (year ended 31 December 2017: Nil).

## 10. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted (losses)/earnings per share amount for the year ended 31 December 2018 is based on the loss for the year attributable to owners of the Company of RMB197,698,000 (year ended 31 December 2017: profit of RMB113,159,000), the weighted average number of ordinary shares of 961,538,462 (year ended 31 December 2017: 961,538,462), the weighted average number of CPS of 1,072,928,106 (year ended 31 December 2017: 1,072,928,106) and the weighted average number of shares of 513,185,911 (31 December 2017: 513,185,911) into which the PCBS may be converted, in issue during the year.

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

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Earnings** | | |
| (Loss)/profit attributable to ordinary equity holders of the parent used in the basic and diluted (losses)/earnings per share calculation | **(197,698)** | 113,159 |
| | ***Shares*** | *Shares* |
| Weighted average number of ordinary shares | **961,538,462** | 961,538,462 |
| Weighted average number of CPS | **1,072,928,106** | 1,072,928,106 |
| Weighted average number of shares into which the PCBS may be converted | **513,185,911** | 513,185,911 |
| Weighted average number of shares for basic earnings per share | **2,547,652,479** | 2,547,652,479 |
| Weighted average number of shares for diluted earnings per share | **2,547,652,479** | 2,547,652,479 |

## 11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **28,758** | 17,234 |
| Prepayments for land use rights and construction costs of investment properties | **295,027** | – |
| Prepayments to related parties | **7,109** | 2,275 |
| Prepayments of merchandise inventories | **43,029** | 35,832 |
| Other prepayments | **12,089** | 12,601 |
| Prepaid income tax and land appreciation tax | **53,805** | 88,072 |
| Prepaid other taxes | **284,342** | 158,805 |
| Deposits for land use rights | **29,000** | – |
| Other deposits | **45,218** | 31,918 |
| Amounts due from related parties | **49,856** | 61,766 |
| Receivables from government repurchase of land use rights | **74,360** | 78,515 |
| Other receivables | **78,395** | 68,273 |
| | **1,000,988** | 555,291 |
| less: non-current portion | | |
| – prepayments for land use rights and construction costs of investment properties | **(295,027)** | – |
| Current portion | **705,961** | 555,291 |

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

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

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Up to 3 months | **28,758** | 16,034 |
| 3 to 6 months | **–** | – |
| Over 6 months | **–** | 1,200 |
| | **28,758** | 17,234 |

As at 31 December 2017, included in the trade receivables are trade receivables of RMB5,879,000 due from related parties which are receivable within 1 year and represented credit terms similar to those offered to other major customers. As at 31 December 2018, no trade receivables due from related parties.

## 12. GUARANTEED NOTES

| | **31 December 2018** *RMB'000* | 31 December 2017 *RMB'000* |
|---|---|---|
| As at 1 January | **1,326,329** | 1,323,957 |
| Nominal value of guaranteed notes issued during the year | **2,738,440** | – |
| Direct transaction costs | **(16,547)** | – |
| Interest expense | **101,822** | 70,995 |
| Interest paid | **(103,049)** | (68,623) |
| Repayment upon maturity | **(1,300,000)** | – |
| Exchange rate effect on guaranteed notes | **12,463** | – |
| | **2,759,458** | 1,326,329 |
| Accrued interests for guaranteed notes, classified as other payables under current liabilities | **(23,139)** | (28,064) |
| | **2,736,319** | 1,298,265 |
| Less: amounts due within one year | **–** | (1,298,265) |
| Non-current portion | **2,736,319** | – |

On 23 July 2015, Rosy Capital Global Limited ("Rosy"), a wholly-owned subsidiary of the Company, issued guaranteed notes amounted to RMB 1,300,000,000, carrying interest at rate of 5.25% per annum, which is payable half-yearly in January and July. This guaranteed notes was fully repaid in July 2018.

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

## 13. TRADE PAYABLES

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

| | **31 December 2018** *RMB'000* | 31 December 2017 *RMB'000* |
|---|---|---|
| Within 1 year | **1,563,754** | 984,323 |
| 1 to 2 years | **98,786** | 37 |
| | **1,662,540** | 984,360 |

Included in the trade payables are trade payables of RMB802,000 (31 December 2017: RMB637,000) due to related parties which are repayable within 1 year and represented credit terms similar to those offered by the related 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

| | **31 December 2018** *RMB'000* | 31 December 2017 *RMB'000* |
|---|---|---|
| **Authorised:** | | |
| Ordinary shares 20,000,000,000 (31 December 2017: 20,000,000,000) ordinary shares of HK$0.01 each | **160,009** | 160,009 |
| Class A CPS 738,130,482 (31 December 2017: 738,130,482) CPS of HK$0.01 each | **5,875** | 5,875 |
| Class B CPS 905,951,470 (31 December 2017: 905,951,470) CPS of HK$0.01 each | **7,575** | 7,575 |
| | **173,459** | 173,459 |
| **Issued and fully paid:** | | |
| Ordinary shares 961,538,462 (31 December 2017: 961,538,462) ordinary shares of HK$0.01 each | **7,828** | 7,828 |
| Class A CPS 166,976,636 (31 December 2017: 166,976,636) CPS of HK$0.01 each | **1,329** | 1,329 |
| Class B CPS 905,951,470 (31 December 2017: 905,951,470) CPS of HK$0.01 each | **7,575** | 7,575 |
| | **16,732** | 16,732 |

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

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

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

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

## 16. PCBS

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

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

The holder(s) of the PCBS are entitled to receive interest on the outstanding principal amount of the PCBS at a rate equal to 0.01% per annum on a non-cumulative basis, of which the Company shall have the right, exercisable in its sole discretion, to elect to defer the payment, with no interest accrued thereon. The Company cannot 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) or other share capital of the Company, the Company shall pay additional variable interest to the holders of 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 number of ordinary shares into which the PCBS may be converted, in the same form and on the same date.

As at 31 December 2018, the Group has accrued interest amounting to RMB185,000 (31 December 2017: RMB92,000).

## 17. COMMITMENTS

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

| | **31 December 2018** *RMB'000* | 31 December 2017 *RMB'000* |
|---|---|---|
| Contracted, but not provided for: | | |
| Properties under development | **397,292** | 265,023 |
| Investment properties | **561,152** | 203,920 |
| | **958,444** | 468,943 |

## 18. FINANCIAL GUARANTEES

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

| | **31 December 2018** *RMB'000* | 31 December 2017 *RMB'000* |
|---|---|---|
| Mortgage facilities for certain purchasers of the Group's properties | **1,375,293** | 1,397,714 |

As at 31 December 2018, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage repayments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interests and penalties owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

## PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed upon by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary results announcement.

## FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year (year ended 31 December 2017: Nil).

## ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held on or about 17 April 2019 and the notice of 2018 AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") in due course.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review of Outlets

In 2018, China made steady progress with its national economy, while the consumer market environment was characterized by constant consumption upgrade, stronger willingness to spend and the rise of new consumer groups. According to the data published by the National Bureau of Statistics, the country recorded year-on-year increases of 6.6% and 9.0% in GDP and total retail sales of consumer goods, respectively, in 2018. Consumer demand remained the key driving force of economic growth. Leading industry players tended to empower themselves with retail technology, working intensively on refined store operation and online-offline resources integration. They also sped up digital transformation and change and revisited the nature of retail. Against the background of industrial recovery, their performance improved markedly, with year-on-year increases of 6.8%, 3.2%, 6.2% and 1.8% in the retail sales of supermarkets, department stores, specialty stores and boutiques, respectively.

In 2018, the domestic outlets industry experienced high-speed growth in its scale of operation. According to latest statistics from industry think tanks, the annual sales of the top-20 industry players totaled approximately RMB51 billion, which represented a year-on-year increase of 25%. 20 new projects were launched during the year, as for the type of operations, the dominance of traditional retail forms has gradually given way to a mix of distinctive outlets operations that stress on consumer experience. Actively embracing the changes in retail environment, outlets operators have resorted to omni-channel and digital transformation, using information technology and big-data analysis to optimize the plans of the operation management. A scene-based upgrade has been completed on the three retail factors, namely "people, commodities and sites" to enhance the consumption experience and lead the iteration and upgrading of consumer lifestyle in an innovative fashion. Industry leaders have commenced proactive mergers and acquisitions as well as collaborative operation, with an integrated approach to provide asset management services. Leveraging on sound underlying assets and outstanding business operation capability, some of the professional outlets operators have managed to realize asset securitization, striving to build a closed-loop business in the form of "invest-finance-operate-exit" and enable "resources, assets and capital" to reinforce and complement each other.

## BUSINESS REVIEW

*Balancing Heavy and Light Assets Models and Establishing a Synergetic Layout Across the Country*

– During the period, the Group developed new projects in Qingdao, Nanning and Xiamen, and signed entrusted management agreement on Dalian project. On a cumulative basis, the Group has held and managed 17 outlets projects, further consolidating its leading edge in the industry with a synergetic layout taking shape

*Launching Multiple New Stores and Amplifying the Scale Effect through Systematic Expansion*

– During the period, the Group enhanced the effect of its platform by continuously standardizing various processes including project development and construction, leasing and commencement of operation, to ensure seamless connection of these processes, lift work efficiency in both the headquarters and frontline companies, and achieve quality commencement of business

– On 29 April 2018, Wuhan Capital Outlets staged its grand opening, recording over 200,000 customer visits and RMB25.70 million in sales for the first three days

– On 22 September 2018, Hefei Capital Outlets staged its grand opening, recording over 300,000 customer visits and more than RMB31 million in sales for the first three days

– On 23 December 2018, Zhengzhou Capital Outlets staged its grand opening, with fervent customer visits and an excess of RMB10 million in sales on the first day

*Delivering Steady Growth in Operating Results through Cost Reduction and Efficiency Enhancement*

– During the period, the operating outlets stores recorded a turnover of over RMB5.1 billion, representing a year-on-year growth of 58%. Customer traffic amounted to 31.20 million for the year, representing a year-on-year growth of 23%, with steady improvement in operating results

– Leveraging on its advantageous chain operation, the Group took steps to work with marketing service providers through centralized purchase, conducting synchronized marketing for the Group's projects in multiple cities, and comprehensively promote omni-channel development, with innovative technology integration into marketing initiatives to gradually realize precision marketing and enhance cost efficiency in a practical manner

– Property management went through more intense and frequent inspections. Feasible energy-saving plans were prepared, taking into account the characteristics of the region where a project was operated, coupled with regular energy consumption analyses and inspections to oversee the implementation of such energy-saving measures for projects. Furthermore, the property management services from external providers were under strengthened monitoring and assessment to ensure that every project had its expenditure on property management fees controlled within the annual budget

*Accelerating the Ramping-Up of Customer Management and Goods Management Capabilities through Lean Operation*

– As part of the intensive efforts on the membership economy, an integrated membership management system has been developed which classifies members into different levels for management, to tap into the merits of economies of scale and membership data. In addition, a personalized customer communication service system has been established to maintain frequent and in-depth interaction with members, look into target consumer groups from various dimensions, raise the repurchase rate and coverage, and materialize the strategic transition from "focusing on customer traffic" to "centering on members"

– The Group fully capitalized on the advantages of its chain operation, continuously ushered in suitable new brands to join outlets, forged strategic alliances with more premium brands in a practical spirit and deepened joint operations. The design, production structure and quality of goods also came under better organization. Meanwhile, the Group was in active exploration to improve its proprietary business ability, tapped into big data on consumption to enhance perception, guidance and influence on customer, and expanded overseas direct sourcing at a steady pace to enrich its project brands and diversify its supply chain channels

– On top of its on-going commitment to expanding product portfolio and improving service quality, the Group also actively explored online channels and introduced new types of business operations, aiming to empower shopping experience through online-offline integration. As a result, customer satisfaction has improved year by year, with steady growth in willingness to visit again and recommend. Since its official launch in December, our online shopping mall app "鉅MAX" has offered a new shopping channel via mobile app in addition to the existing WeChat mobile and PC terminals. Equipped with a better surface of functions, the app has integrated the innovative marketing model specific to the project, to effectively boost the reliance of platform users on the shopping mall and its sales. In addition, the "JUMP360" trampoline theme park saw its Nanchang and Wuhan projects officially open for business, offering unique experience that drastically increased customer traffic and brought great opportunities for local consumer groups to relax and enjoy parent-child interaction

*Establishing a Sustainable Platform for Capital Circuit and Cultivating New Momentum for Asset Management*

– During the period, the Group was agile in seizing opportunities under favorable policies, and leveraged on sound underlying assets and superb business operation capabilities to deliver an innovation breakthrough. The Group received a letter of no-objection from the Shenzhen Stock Exchange for the first domestic shelf offering under a special scheme by the amount of RMB10 billion backed by commercial property assets, which greatly pushed forward the Group's transformation and upgrade from a "developer and operator" to a "major asset management platform" and enabled the Group to become a domestic benchmark of industry-finance integration for the retail sector

– 3-year senior unsecured floating-rate notes worth US$400 million were issued, laying a solid foundation for the Company to build a diversified financing system and a positive image in the international capital market

– The Group landed the first seed project for commercial real estate renovation, as a move to gradually expand its existing business lines, cultivate deep processing capability among different types of commercial properties, and intensively engage in commercial operation and asset management

*Continuously Ramping Up the Brand Influence of "Capital Outlets"*

– During the period, the Group's operating projects held marketing activities in line with local conditions, individual demands and important occasions, to quickly establish and deepen the brand image and influence of Capital Outlets

  • Owing to the favorable policy of developing Hainan into a pilot free trade port, the strategic position of Hainan International Tourism Consumption Center has grown clearer. Located in southeast Hainan, the Wanning store serves as an example for outlets tourism and has recorded a nearly 100% year-on-year increase in customer traffic, with almost 80% of visitors being walk-in customers and member consumption experiencing a year-on-year increase of 51%. The store also saw gradual improvement in consumer structure and stability

  • The Kunshan store has closely centered on its goal of "effectively driving customer traffic and improving the quality of and sales to customer groups" by carrying out more systematic marketing activities with better planning, conducting precision marketing innovation and efficiently integrating resources. As a result, customer traffic experienced a major increase of 38% year on year

  • In an attempt to pilot on resources integration and connect different industries, the Wuhan store staged the "First Special Shopping Carnival for Wuhan Vanke Owners", which bolstered its brand awareness and effectively lifted customer traffic and sales performance

- The Hangzhou store executed innovative marketing strategies by timely launching the “Mid-year Shopping Festival” and the “Grape Culture Festival”. Exquisite creation of offline festive atmosphere enticed a large number of customers and generated a scene of “hustle and bustle” during a traditionally off season

– In April 2018, “Capital Outlets, Run for Fun”, a competition sponsored by the Group, made its debut in Hefei. Under the theme “Running Happily to a Healthy Life”, the event aims to explain the social responsibility of popularizing mass fitness and creating a better life together

– In November 2018, with its steady expansion strategy, outstanding performance and innovation strength, the Group was listed in “Top 100 Chinese Commercial Property Firms” (中國商業地產TOP 100) for the third consecutive year and won the “2018 Influential Commercial Property Firms in China” award (2018中國商業地產年度影響力企業大獎). Both awards represent renewed industry recognition of the Group’s management and innovation capabilities as well as brand value

– With its outstanding operating results and innovative marketing model, the Beijing Store captured the award “Outstanding Contribution to Business in Beijing for the Fortieth Anniversary of the Reform and Opening Up” (改革開放四十年北京商業卓越貢獻獎) at Beijing Business Brand Conference (北京商業品牌大會), an event co-sponsored by Beijing Federation of Commerce (北京市商業聯合會) and Beijing Daily Group (北京日報報業集團)

## FINANCIAL REVIEW

### 1. Revenue and Operating Results

In 2018, the revenue of the Group was approximately RMB1,224,040,000 (2017: RMB511,523,000), representing an increase of 139% as compared to that of 2017. The increase in revenue was mainly attributable to: i) an increase in the gross floor area delivered, following quicker sales of the remaining units in Xi’an First City; and ii) additional rental income from continuously robust sales performance of the operating Outlets stores.

In 2018, the Group recorded a gross profit margin of approximately 33%, representing a decrease of 11 percentage points from 44% in 2017. The decline in gross profit margin was mainly attributable to a decline in gross profit margin following the sales of the remaining units in Xi’an First City.

In 2018, operating profit of the Group was approximately RMB255,855,000 (2017: RMB378,766,000), representing a decrease of 32% as compared to that of 2017. Such decrease was mainly attributable to: i) the absence of one-off extraordinary gain recorded in 2017 relating to governmental subsidies for Nanchang Capital Outlets and the revenue from repurchase by the local government of land use rights in Huzhou Capital Outlets; and ii) a substantial increase in administrative and selling expenses in connection with the opening of new projects in 2018 and continued investment in newly launched projects.

In 2018, the Group's loss for the year was approximately RMB197,458,000 (2017: profit of RMB113,309,000 for the year), representing a decrease of 274% as compared to that of 2017. Such decrease was mainly attributable to the decline in operating profit and the increase in finance cost.

**2. Liquidity and Financial Resources**

The Group's liquidity remained on a healthy level and financial resources were also reasonably distributed. As at 31 December 2018, the Group's cash and cash equivalents and restricted cash totaled RMB3,441,664,000 (31 December 2017: approximately RMB1,851,310,000), of which approximately RMB3,411,542,000 (31 December 2017: RMB1,834,881,000), approximately RMB1,543,000 (31 December 2017: approximately RMB16,429,000) and approximately RMB28,579,000 (31 December 2017: Nil) were denominated in RMB, Hong Kong Dollar ("HK$") and US Dollar ("US$"), respectively. The majority of the Group's cash and cash equivalents and restricted cash are deposited with creditworthy banks with no recent history of default.

As at 31 December 2018, the Group's current ratio was 1.66 (31 December 2017: 1.15).

As at 31 December 2018, the Group's net gearing ratio was 90% (31 December 2017: 47%), based on the division of net debt by total equity. Net debt includes total bank and other borrowings and guaranteed notes (including current and non-current portions), less cash and cash equivalents and restricted cash. The change of net gearing ratio was primarily due to the increase in total debt of the Group in 2018.

**3. Changes in Major Subsidiaries, Principal Jointly Controlled Entities and Associates**

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

Nanning Juda Outlets Limited (南寧鉅大奧特萊斯置業有限公司), a subsidiary of the Group, was established in July 2018, and 100% of its net assets was held by the Group.

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

In early January 2019, Shanghai Juque Investment Management Limited (上海鉅礐投資管理有限公司), a subsidiary of the Group, entered into an equity exchange contract with the purchaser to dispose of the entire 30% equity interests in the Changsha Capital Outlets Joyous Sky Avenue project held by Shanghai Juque, at a consideration of RMB74,841,000. As at 31 December 2018, the above investment accounted for using the equity method was classified as assets held for sale by the Group.

## 4. Borrowings and Guaranteed Notes

As at 31 December 2018, the Group's borrowings from banks and other financing institutions were approximately RMB5,648,474,000 (31 December 2017: approximately RMB3,205,000,000). The bank borrowings were secured by land use rights and investment properties, and/or guaranteed by the Company or Beijing Capital Land Ltd. ("BCL").

As at 31 December 2018, the amortized cost of the Group's guaranteed notes (the "Notes") was approximately RMB2,759,458,000 (31 December 2017: RMB1,326,329,000), including the current portion of RMB23,139,000 (31 December 2017: RMB1,326,329,000) and the non-current portion of RMB2,736,319,000 (31 December 2017: Nil). As at 31 December 2017, the guaranteed notes with a face value of RMB1,300,000,000 at a nominal interest rate of 5.25% per annum were due in 2018. As at 31 December 2018, the three-year floating-rate guaranteed notes with a face value of US$400,000,000 were listed for trading on the Stock Exchange of Hong Kong in August 2018. The details of the Notes were set out in the announcements dated 27 July and 2 August 2018.

## 5. Foreign Exchange Exposure

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

## 6. Financial Guarantees

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to purchasers of properties. As at 31 December 2018, the financial guarantees amounted to approximately RMB1,375,293,000 (31 December 2017: RMB1,397,714,000).

## 7. Capital Commitments

As at 31 December 2018, the Group had capital commitments relating to the development properties under construction of approximately RMB397,292,000 (31 December 2017: RMB265,023,000), and had capital commitments relating to the investment properties under construction of approximately RMB561,152,000 (31 December 2017: RMB203,920,000).

## HUMAN RESOURCES

As at 31 December 2018, the Group had 1,076 employees (as of 31 December 2017: 832). The remuneration policy and package of the Group's employees are structured in accordance to market conditions, the performance, educational background and experience of individual employees as well as statutory requirements where appropriate. In addition, the Group also provides other staff benefits such as pension scheme, medical insurance scheme, unemployment insurance scheme, housing provident fund and share options to motivate and reward employees at all levels to meet the Group's business performance targets.

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

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee"), comprising Dr. Ngai Wai Fung as chairman as well as Ms. Zhao Yuhong and Mr. He Xiaofeng as members, together with the participation of the management, has reviewed the accounting principles and practices adopted by the Group and discussed the auditing and financial reporting matters including the review of the audited financial statements of the Group for the year ended 31 December 2018.

## COMPLIANCE WITH THE 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 shareholder value. At the same time, the Board also actively improves transparency and accountability to all shareholders.

For the year ended 31 December 2018, the Company complied with the requirements under the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules and the continuing obligations requirements of a listed issuer pursuant to the Listing Rules, except for the deviation from Code Provision E.1.2 of the CG Code that the chairman of the board should attend the annual general meetings of the company. The Chairman of the Board was unable to attend the 2017 annual general meeting due to urgent business matters. Instead, the meeting was chaired by the chairman of the Audit Committee who, together with the management of the Company, answered the questions from shareholders.

## BOARD COMPOSITION

As at the date of this announcement, Mr. Zhong Beichen is the chairman of the Board and executive Director; Mr. Feng Yujian is the chief executive officer and executive Director; Mr. Wang Hao, Ms. Qin Yi, Mr. Wang Honghui and Mr. Yang, Paul Chunyao are non-executive Directors and Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng are independent non-executive Directors.

## PUBLICATION OF FINAL RESULTS AND ANNUAL 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 annual report of the Company for the year ended 31 December 2018 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, 6 March 2019

*As at the date of this announcement, the Board comprises Mr. Zhong Beichen (Chairman) and Mr. Feng Yujian (Chief Executive Officer) as executive Directors; Mr. Wang Hao, Ms. Qin Yi, Mr. Wang Honghui and Mr. Yang, Paul Chunyao as non-executive Directors; and Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng as independent non-executive Directors.*