

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

CAPITAL GRAND
BEIJING CAPITAL GRAND LIMITED
首創鉅大有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1329)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the “Board” or the “Directors”) of Beijing Capital Grand Limited (the “Company” or the “Capital Grand”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2019 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 2019

		Six months ended 30 June	
	Notes	2019	2018
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	5	1,265,581	391,236
Cost of sales		(619,578)	(221,805)
Gross profit		646,003	169,431
Other income	5	26,012	14,174
Fair value gains on investment properties	5	45,583	183,281
Other gains – net	5	2,890	2,130
Selling and marketing expenses		(93,524)	(62,639)
Administrative expenses		(179,400)	(134,880)
Operating profit		447,564	171,497
Finance costs	7	(177,465)	(66,736)
Share of gains/(losses) of investments accounted for using the equity method		34	(1,251)
Profit before income tax		270,133	103,510
Income tax expenses	8	(247,215)	(91,061)
Profit for the period		22,918	12,449
Attributable to:			
– Owners of the Company		22,711	12,476
– Non-controlling interests		207	(27)
Earnings per share attributable to owners of the Company during the period	10		
– Basic earnings per share (RMB cents)		0.89	0.49
– Diluted earnings per share (RMB cents)		0.89	0.49

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the six months ended 30 June 2019

		As at	
	<i>Notes</i>	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		26,669	27,086
Right-of-use assets		11,940	–
Long-term prepaid expenses		144,135	151,337
Investment properties		11,935,722	10,763,096
Intangible assets		16,798	2,319
Investments accounted for using the equity method		264,573	31,239
Deferred income tax assets		21,313	16,176
Prepayments	<i>11</i>	–	295,027
		12,421,150	11,286,280
Current assets			
Inventories		1,791,498	2,083,387
Incremental costs of obtaining a contract		–	16,255
Trade and other receivables and prepayments	<i>11</i>	719,582	705,961
Assets classified as held-for-sale		–	73,239
Restricted cash		13,759	33,173
Cash and cash equivalents		1,930,129	3,408,491
		4,454,968	6,320,506
Total assets		16,876,118	17,606,786

		As at	
	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
LIABILITIES			
Current liabilities			
Trade payables	13	1,732,234	1,662,540
Other payables and accruals		327,534	329,286
Contract liabilities		102,433	1,004,183
Borrowings		570,800	736,467
Lease liabilities		8,348	–
Current income tax liabilities		268,361	73,068
		<u>3,009,710</u>	<u>3,805,544</u>
Non-current liabilities			
Borrowings		4,972,007	4,912,007
Lease liabilities		2,000	–
Guaranteed notes	12	2,735,494	2,736,319
Derivative financial liabilities		55,099	32,871
Provisions		–	4,123
Deferred income tax liabilities		587,076	605,077
		<u>8,351,676</u>	<u>8,290,397</u>
Total liabilities		<u>11,361,386</u>	<u>12,095,941</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	16,732	16,732
Perpetual convertible bond securities		945,429	945,382
Reserves		3,177,925	3,196,922
Retained earnings		1,323,750	1,301,120
		<u>5,463,836</u>	<u>5,460,156</u>
Non-controlling interests		<u>50,896</u>	<u>50,689</u>
Total equity		<u>5,514,732</u>	<u>5,510,845</u>
Total equity and liabilities		<u>16,876,118</u>	<u>17,606,786</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

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

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

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3. ACCOUNTING POLICIES

3.1 Changes in accounting policy and disclosures

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements, except for the adoption of new and amended standards and its impact as set out below.

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

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

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

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

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

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

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

	As at 30 June 2019 Effects of the adoption of HKFRS 16 RMB’000	As at 1 January 2019 Effects of the adoption of HKFRS 16 RMB’000
Properties	<u>11,940</u>	<u>16,023</u>
Total right-of-use assets	<u>11,940</u>	<u>16,023</u>

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

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

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

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

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

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

	Property development RMB’000	Investment property development and operation RMB’000	All other segments RMB’000	Total RMB’000	Inter-segment elimination RMB’000	Total RMB’000
Six months ended						
30 June 2019 (Unaudited)						
Total revenue	919,704	275,620	70,768	1,266,092	–	1,266,092
Inter-segment revenue	–	(511)	–	(511)	–	(511)
Revenue (from external customers)	919,704	275,109	70,768	1,265,581	–	1,265,581
Segment operating profit/(loss)	465,803	36,091	(68,792)	433,102	(288)	432,814
Depreciation and amortisation (Note 6)	–	(28,878)	(1,376)	(30,254)	–	(30,254)
Income tax expense (Note 8)	(245,420)	(2,032)	237	(247,215)	–	(247,215)

	Property development RMB'000	Investment property development and operation RMB'000	All other segments RMB'000	Total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Six months ended						
30 June 2018 (Unaudited)						
Total revenue	196,645	157,893	36,924	391,462	–	391,462
Inter-segment revenue	–	(226)	–	(226)	–	(226)
Revenue (from external customers)	196,645	157,667	36,924	391,236	–	391,236
Segment operating profit/(loss)	76,625	154,483	(70,117)	160,991	(145)	160,846
Depreciation and amortisation (Note 6)	(48)	(7,377)	(4,238)	(11,663)	–	(11,663)
Income tax expense (Note 8)	(42,684)	(47,721)	(656)	(91,061)	–	(91,061)
	Property development RMB'000	Investment property development and operation RMB'000	All other segments RMB'000	Total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
As at 30 June 2019						
(Unaudited)						
Total segment assets	1,659,497	12,327,879	869,185	14,856,561	(12,087)	14,844,474
Total segment liabilities	(280,911)	(1,990,766)	(38,646)	(2,310,323)	12,087	(2,298,236)
As at 31 December 2018						
(Audited)						
Total segment assets	1,936,843	11,782,247	396,197	14,115,287	(14,045)	14,101,242
Total segment liabilities	(1,542,512)	(1,344,441)	(58,911)	(2,945,864)	14,045	(2,931,819)

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Segment operating profit	432,814	160,846
Share of gains/(losses) of investment accounted for using the equity method	34	(1,251)
Interest income (Note 5)	14,750	10,651
Finance costs (Note 7)	(177,465)	(66,736)
Profit before income tax	270,133	103,510

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

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

Assets and liabilities related to contracts with customers:

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

The Company is incorporated in Cayman Islands, with most of its major subsidiaries domiciled in the PRC. Revenue from external customers of the Group are mainly derived in the PRC for the six months ended 30 June 2019 and 2018.

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

For the six months ended 30 June 2019 and 2018, the Group does not have any single customer with the transaction value over 10% of the Group's total external sales.

5 REVENUE, OTHER GAINS AND INCOME

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

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

6 PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of properties sold	427,686	116,593
Cost of goods sold	59,180	31,922
Depreciation of right-of-use assets	4,083	6,521
Depreciation and amortisation	30,254	11,663
Employee benefit expense	137,787	102,545
– <i>Wages, salaries and staff welfare</i>	113,175	85,938
– <i>Pension scheme contributions</i>	9,842	6,309
– <i>Other allowance and benefits</i>	14,770	10,298

7 FINANCE COSTS

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

8 INCOME TAX EXPENSES

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

PRC corporate income tax has been provided at the rate of 25% (six months ended 30 June 2018: 25%) on the taxable profits of the Group's PRC subsidiaries during the period.

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

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

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

9 DIVIDENDS

No dividend has been paid or declared by the Board of Directors during the period (six months ended 30 June 2018: 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 2019 is based on the profit for the period attributable to owners of the Company of RMB22,711,000 (six months ended 30 June 2018: RMB12,476,000), the weighted average number of ordinary shares of 961,538,462 (six months ended 30 June 2018: 961,538,462), the weighted average number of convertible preference shares (“CPS”) of 1,072,928,106 (six months ended 30 June 2018: 1,072,928,106) and the weighted average number of shares of 513,185,911 (six months ended 30 June 2018: 513,185,911) into which the perpetual convertible bond securities (“PCBS”) may be converted, in issue during the period.

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

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	22,711	12,476
	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares	961,538,462	961,538,462
Weighted average number of CPS	1,072,928,106	1,072,928,106
Weighted average number of shares into which the PCBS may be converted	513,185,911	513,185,911
Weighted average number of shares for basic and diluted earnings per share	2,547,652,479	2,547,652,479

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

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

Included in the trade receivables are trade receivables of RMB1,200,000 (31 December 2018:Nil) due from related parties which are receivable within 1 year and represented credit terms similar to those offered to other major customers.

12 GUARANTEED NOTES

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

On 2 August 2018, Trade Horizon Global Limited, 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 ageing analysis of the Group’s trade payables as at the end of the reporting period, is as follows:

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

Included in the trade payables are trade payables of RMB839,000 (31 December 2018: RMB802,000) due to a related party which are repayable within 1 year and represented credit terms similar to those offered by the related parties 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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Authorised:		
Ordinary shares 20,000,000,000 (31 December 2018: 20,000,000,000) ordinary shares of HK\$0.01 each	<u>160,009</u>	<u>160,009</u>
Class A CPS 738,130,482 (31 December 2018: 738,130,482) CPS of HK\$0.01 each	<u>5,875</u>	<u>5,875</u>
Class B CPS 905,951,470 (31 December 2018: 905,951,470) CPS of HK\$0.01 each	<u>7,575</u>	<u>7,575</u>
	<u>173,459</u>	<u>173,459</u>
Issued and fully paid:		
Ordinary shares 961,538,462 (31 December 2018: 961,538,462) ordinary shares of HK\$0.01 each	<u>7,828</u>	<u>7,828</u>
Class A CPS 166,976,636 (31 December 2018: 166,976,636) CPS of HK\$0.01 each	<u>1,329</u>	<u>1,329</u>
Class B CPS 905,951,470 (31 December 2018: 905,951,470) CPS of HK\$0.01 each	<u>7,575</u>	<u>7,575</u>
	<u>16,732</u>	<u>16,732</u>

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

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

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

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

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

As at 30 June 2019, the Group has accrued interest amounting to RMB232,000 (31 December 2018: RMB185,000).

17 COMMITMENTS

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

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

18 FINANCIAL GUARANTEES

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

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

As at 30 June 2019, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage repayments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interests and penalties owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW OF OUTLETS

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

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

BUSINESS REVIEW

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

- During the period, the Group launched two new projects, namely Jinan Project and Phase II of Beijing Fangshan Project, bringing the total number of operating projects to 10 and maintaining its industry championship by the number of projects acquired and in operation. The Group realized a total turnover of nearly RMB3.64 billion, representing a year-on-year increase of 54%; and customer visits amounted to 18.64 million for the first half of the year, which represented a year-on-year increase of 103%, both indicating steady improvement in operating results
- On 18 January, Jinan Capital Outlets staged its grand opening, recording over 300,000 customer visits and RMB38 million in sales for the first three days
- On 1 May, Phase II of Beijing Fangshan Capital Outlets staged its grand opening, recording over 170,000 customer visits and over RMB50 million in sales on its first day, setting a new daily sales record for Capital Outlets

ACCELERATING QUALITY AND EFFICIENCY ENHANCEMENT THROUGH OPERATIONS UPGRADE AND INVENTORY OPTIMIZATION

- We regard products as the soul and adjustment as a constant necessity. Phase I of Beijing Fangshan Store was in continuous brand adjustment and upgrade as well as product restructuring. As a result, the adjusted brands delivered an excess of RMB400 million in sales, which amounted to an increase of more than RMB100 million and a year-on-year increase of 32%
- We adopt innovative management and strive to raise customer satisfaction. Our Jiangsu Kunshan Store implemented innovative marketing by launching the unique format featuring family experience consumption, with an array of marketing activities taking place that centered on members. This effectively improved customer visits and sales, delivering a year-on-year increase of 69% in customer visits with 79% of sales coming from members
- We examine consumption regularities and adapt to market changes. Our Hainan Wanning Store extended its business hours during peak seasons to yield higher efficiency from time; new pop-up brand shops were established, coupled with regular special sales events to gain higher efficiency from space. During the Labour Day sales campaign, we recorded a year-on-year increase of 55% in average daily sales

PROMOTING DIGITAL TRANSFORMATION AND UPGRADE THROUGH INNOVATION AND TECHNOLOGICAL EMPOWERMENT

- During the period, the Group established robust central business platform and central data platform to connect and integrate the data scattered across various business units. In the meantime, work has been done to promote the intelligent upgrade of offline stores to form an online-offline integrated smart hub, which improves the Group's digital operation capabilities such as omni-channel customer attraction and closed-loop big data analysis
- In a bid to develop its big data analysis capability, the Group worked to build a data analysis platform based on the existing customer traffic monitoring system, which generates statements at multiple levels, conducts in-depth analysis on specific business demands and automatically delivers statements via mobile terminals to enhance the timeliness and accuracy of data-driven decision making
- In an effort to further improve the big membership management system, the Group broke through the barrier between online and offline data through its digitalization drive by tapping into Capital Outlets' e-commerce platform, “鉅 MAX” micro-mall, to better connect with the recourses of offline physical stores and offer more discounts and interests to members for better member loyalty. Big data analysis supports the resource replacement among online and offline brands as well as marketing strategy innovation, which in turn provides richer and more diversified options to customers

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

- During the period, the Group examined the evolvement and division of consumer groups more closely. Committed to innovative marketing concepts of accurate positioning, IP marketing and introducing customers from different industries, the Group actively combined new life attitudes with the features of local projects, rolling out scenario-based marketing campaigns such as “3+4” Featured Block, “Beach Culture Festival”, “Free Lobster Meal” and “Group Purchase Carnival for the Children’s Day”. Meanwhile, the Jump360 trampoline project was launched in multiple stores, creating a consumption experience unique to Capital Outlets
- The Group developed Capital Outlets’ self-owned IP activities. “Shopping Bonanza with Super Brand Celebration” (超級合慶全民瘋搶), a unified marketing campaign, pooled the strengths of strategic brands and the brand resources of all sites with extended business hours to yield more efficiency from time. The campaign delivered a good effect and boosted the brand influence of Capital Outlets nationwide
- During the period, the Group won the “Golden Coordinate – Commercial Real Estate Corporate Golden Awards” (年度商業地產卓越企業金座標獎) issued by China Commercial Real Estate Forum (中國商業地產行業發展論壇) for its years of professional operation and management experience as well as good market reputation
- Our Wuhan store obtained the “Golden Lily Best Marketing Award for Shopping Centers” (金百合購物中心最佳營銷大獎) conferred by China Chain Store & Franchise Association (CCFA)

FINANCIAL REVIEW

1. Revenue and Operating Results

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

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

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

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

2. Liquidity and Financial Resources

The Group's liquidity remained at a healthy level with reasonable distribution of financial resources. As at 30 June 2019, the Group's cash and cash equivalents and restricted cash totaled RMB1,943,888,000 (31 December 2018: approximately RMB3,441,664,000), of which approximately RMB1,917,911,000 (31 December 2018: RMB3,411,542,000) was dominated in RMB. The majority of the Group's cash and cash equivalents and restricted cash are deposited with creditworthy banks with no recent history of default.

As at 30 June 2019, the Group's current ratio was 1.48 (31 December 2018: 1.66).

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

3. Changes in Major Subsidiaries and Principal Non-Controlling Interests

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

4. Borrowings and Guaranteed Notes

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

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

5. Foreign Exchange Exposure

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

6. Financial Guarantees

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

7. Capital Commitments

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

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE CODE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

HUMAN RESOURCES

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

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors, namely Dr. Ngai Wai Fung as chairman, Ms. Zhao Yuhong and Mr. He Xiaofeng as members. The Audit Committee, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2019.

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 2019 containing all the information required by the Listing Rules will be dispatched 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, 9 August 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.