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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 2019

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 2019, together with comparative amounts for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	5	**1,864,672**	1,224,040
Cost of sales		**(986,249)**	(818,440)
Gross profit		**878,423**	405,600
Fair value gains on investment properties		**56,095**	262,497
Other gains – net	5	**33,975**	1,218
Other income	5	**47,405**	47,157
Selling and marketing expenses		**(190,742)**	(163,082)
Administrative expenses		**(368,325)**	(297,535)
Operating profit		**456,831**	255,855
Finance costs	7	**(391,339)**	(212,509)
Share of losses of investments accounted for using the equity method		**(4,375)**	(4,155)
Profit before income tax		**61,117**	39,191
Income tax expenses	8	**(284,169)**	(236,649)
Loss for the year		**(223,052)**	(197,458)
Attributable to:			
– Owners of the Company		**(223,539)**	(197,698)
– Non-controlling interests		**487**	240
Losses per share attributable to owners of the Company during the year	10		
Basic losses per share (RMB)		**(0.09)**	(0.08)
Diluted losses per share (RMB)		**(0.09)**	(0.08)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2019

	Notes	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**31,438**	27,086
Right-of-use assets		**7,789**	–
Long-term prepaid expenses		**148,371**	151,337
Investment properties		**12,581,732**	10,763,096
Investments accounted for using the equity method		**261,689**	31,239
Intangible assets		**17,291**	2,319
Deferred income tax assets		**19,467**	16,176
Derivative financial assets		**1,058**	–
Prepayments		**–**	295,027
Total non-current assets		**13,068,835**	11,286,280
Current assets			
Inventories		**1,807,646**	2,083,387
Incremental costs of obtaining a contract		**5,054**	16,255
Trade and other receivables and prepayments	*11*	**749,575**	705,961
Assets classified as held-for-sale		**–**	73,239
Restricted cash		**26,803**	33,173
Cash and cash equivalents		**2,151,926**	3,408,491
Total current assets		**4,741,004**	6,320,506
Total assets		**17,809,839**	17,606,786
LIABILITIES			
Non-current liabilities			
Borrowings		**2,629,696**	4,912,007
Guaranteed notes	*12*	**2,775,731**	2,736,319
Other payables and accruals	*14*	**2,691,900**	–
Derivative financial liabilities		**–**	32,871
Provisions		**–**	4,123
Deferred income tax liabilities		**617,927**	605,077
Total non-current liabilities		**8,715,254**	8,290,397

	Notes	**31 December 2019** ***RMB'000***	31 December 2018 *RMB'000*
LIABILITIES			
Current liabilities			
Trade payables	*13*	**1,942,398**	1,662,540
Other payables and accruals	*14*	**362,936**	329,286
Contract liabilities		**142,500**	1,004,183
Borrowings		**1,135,304**	736,467
Lease liabilities		**5,906**	–
Current income tax liabilities		**215,368**	73,068
Total current liabilities		**3,804,412**	3,805,544
Total liabilities		**12,519,666**	12,095,941
Net current assets		**936,592**	2,514,962
Total assets less current liabilities		**14,005,427**	13,801,242
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**16,732**	16,732
Perpetual convertible bond securities		**945,477**	945,382
Reserves		**3,199,336**	3,196,922
Retained earnings		**1,077,452**	1,301,120
		5,238,997	5,460,156
Non-controlling interests		**51,176**	50,689
Total equity		**5,290,173**	5,510,845
Total equity and liabilities		**17,809,839**	17,606,786

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in commercial property development with a focus on the development, operation and management of outlets-backed commercial integrated projects and non-outlets retail property projects in the People's Republic of China (the "PRC" or "Mainland China").

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

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

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

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

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

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

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

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

2. BASIS OF PREPARATION

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

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

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 its annual reporting period commencing 1 January 2019:

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

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

(a) HKFRS 16 Leases – Impact of adoption

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

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

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

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

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

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

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

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

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

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

(b) Standards and amendments which are not yet effective

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

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 derives its revenue primarily from sale of completed properties. The segments of investment property development and operation derive their revenue primarily from rental income.

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

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

Total segment assets exclude amounts due from related parties, cash and cash equivalents, restricted cash, deferred income tax assets, investments accounted for using the equity method and derivative financial assets, all of which are managed on a central basis. Total segment liabilities exclude amounts due to related parties, borrowings, guaranteed notes, deferred income tax liabilities, derivative financial liabilities and asset-backed securities scheme senior class, all of which are managed on a central basis as well. These are part of the reconciliation to total assets and liabilities of the consolidated statement of financial position.

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

	Property development RMB'000	Investment property development and operation RMB'000	All other segments RMB'000	Total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Year ended 31 December 2019						
Total revenue	**1,069,667**	**621,976**	**174,431**	**1,866,074**	**–**	**1,866,074**
Inter-segment revenue	**–**	**(1,402)**	**–**	**(1,402)**	**–**	**(1,402)**
Revenue (from external customers) *(i)*	**1,069,667**	**620,574**	**174,431**	**1,864,672**	**–**	**1,864,672**
Segment operating profit/ (loss)	**478,003**	**86,411**	**(130,310)**	**434,104**	**(888)**	**433,216**
Depreciation and amortisation *(Note 6)*	**–**	**(63,252)**	**(3,275)**	**(66,527)**	**–**	**(66,527)**
Income tax expenses *(Note 8)*	**(258,479)**	**(5,005)**	**(20,685)**	**(284,169)**	**–**	**(284,169)**
Additions to non-current assets (other than investments, deferred income tax assets and derivative financial assets)	**196**	**1,886,171**	**2,389**	**1,888,756**	**–**	**1,888,756**
Year ended 31 December 2018						
Total revenue	793,311	350,848	80,479	1,224,638	–	1,224,638
Inter-segment revenue	–	(598)	–	(598)	–	(598)
Revenue (from external customers) *(i)*	793,311	350,250	80,479	1,224,040	–	1,224,040
Segment operating profit/ (losses)	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 investments and deferred income tax assets)	107	2,932,922	2,687	2,935,716	–	2,935,716

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

	Property development	Investment property development and operation	All other segments	Total	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019						
Total segment assets	**1,585,920**	**13,312,384**	**2,658,669**	**17,556,973**	**(2,279,210)**	**15,277,763**
Total segment liabilities	**(224,200)**	**(2,265,254)**	**(2,310,737)**	**(4,800,191)**	**2,279,210**	**(2,520,981)**
As at 31 December 2018						
Total segment assets	1,936,843	11,782,247	364,958	14,084,048	(14,045)	14,070,003
Total segment liabilities	(1,542,512)	(1,344,441)	(58,911)	(2,945,864)	14,045	(2,931,819)

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

	2019	2018
	RMB'000	*RMB'000*
Segment operating profit	**433,216**	219,459
Share of losses of investments accounted for using equity method	**(4,375)**	(4,155)
Interest income *(Note 5)*	**23,615**	36,396
Finance costs *(Note 7)*	**(391,339)**	(212,509)
Profit before income tax	**61,117**	39,191

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

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

Assets and liabilities related to contracts with customers:

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

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

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

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

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

5 REVENUE, OTHER GAINS-NET AND INCOME

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

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

6. PROFIT BEFORE INCOME TAX

	2019	2018
	RMB'000	*RMB'000*
Cost of properties sold	**522,102**	566,528
Cost of goods sold	**150,722**	75,753
Property management fee	**182,044**	104,618
Depreciation charge of right-of-use assets	**8,234**	10,061
Depreciation and amortisation	**66,527**	34,799
Employee benefit expenses	**277,014**	200,852
– Wages, salaries and staff welfare	**222,301**	168,283
– Pension scheme contributions	**22,471**	12,602
– Other allowance and benefits	**32,242**	19,967

7. FINANCE COSTS

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

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

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 year (year ended 31 December 2018: Nil).

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

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

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

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

9. DIVIDENDS

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

10. LOSSES PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

	2019	2018
	RMB'000	*RMB'000*
Losses attributable to ordinary equity holders of the parent used in the basic and diluted losses per share calculation	**(223,539)**	(197,698)
	Shares	*Shares*
Weighted average number of ordinary shares	**961,538,462**	961,538,462
Weighted average number of CPS	**1,072,928,106**	1,072,928,106
Weighted average number of shares into which the PCBS may be converted	**513,185,911**	513,185,911
Weighted average number of shares for basic and diluted losses per share	**2,547,652,479**	2,547,652,479

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**52,945**	28,758
Prepayments for land use rights and construction costs of investment properties	**–**	295,027
Prepayments to related parties	**6,973**	7,109
Prepayments of merchandise inventories	**118,138**	43,029
Other prepayments	**1,151**	12,089
Prepaid income tax, land appreciation tax and other taxes	**319,373**	338,147
Deposits for land use rights	**–**	29,000
Other deposits	**22,784**	45,218
Amounts due from related parties	**74,499**	49,856
Receivables from government repurchase of land use rights	**74,365**	74,360
Other receivables	**79,347**	78,395
	749,575	1,000,988
less: non-current portion		
– Prepayments for land use rights and construction costs of investment properties	**–**	(295,027)
Current portion	**749,575**	705,961

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

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

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

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

12. GUARANTEED NOTES

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

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

13. TRADE PAYABLES

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

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

As at 31 December 2019, included in the trade payables are trade payables of RMB526,000 (31 December 2018: RMB802,000) due to related parties which are repayable within 1 year and represented credit terms similar to those offered by the related parties to other major customers.

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

14. OTHER PAYABLES AND ACCRUALS

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

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

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

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

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

15. SHARE CAPITAL

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Authorised:		
Ordinary shares 20,000,000,000 (31 December 2018: 20,000,000,000) ordinary shares of HK$0.01 each	**160,009**	160,009
Class A CPS 738,130,482 (31 December 2018: 738,130,482) CPS of HK$0.01 each	**5,875**	5,875
Class B CPS 905,951,470 (31 December 2018: 905,951,470) CPS of HK$0.01 each	**7,575**	7,575
	173,459	173,459
Issued and fully paid:		
Ordinary shares 961,538,462 (31 December 2018: 961,538,462) ordinary shares of HK$0.01 each	**7,828**	7,828
Class A CPS 166,976,636 (31 December 2018: 166,976,636) CPS of HK$0.01 each	**1,329**	1,329
Class B CPS 905,951,470 (31 December 2018: 905,951,470) CPS of HK$0.01 each	**7,575**	7,575
	16,732	16,732

16. 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.

17. PCBS

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

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

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

As at 31 December 2019, the Group has accrued interest amounting to RMB280,000 (31 December 2018: RMB185,000).

18. COMMITMENTS

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

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

19. FINANCIAL GUARANTEES

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

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

As at 31 December 2019, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage repayments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interests and penalties owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2019 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 2018: Nil).

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held on or about 21 April 2020 and the notice of 2019 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 2019, China's economy was transitioning from high-speed growth to high-quality development, with a GDP growth rate of 6.1% for the whole year. Total retail sales of consumer goods amounted to RMB41.2 trillion, representing a year-on-year nominal increase of 8%. The contribution of consumption expenditure to economic growth increased notably. Per capita GDP exceeded US$10,000 for the first time, while household income and consumption expenditure also increased steadily. Per capita consumption expenditure was RMB21,559, exceeding RMB20,000 for the first time, with a nominal growth of 8.6%. Household consumption continued to upgrade, and the quality of life steadily improved.

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

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

BUSINESS REVIEW

Aligning construction with shop-opening to gain incremental momentum

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

– On 18 January 2019, Jinan Capital Outlets staged its grand opening, recording over 300,000 customer visits and RMB38 million in sales for the first three days;

– On 1 May 2019, Phase II of Beijing 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;

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

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

Exploring inventory potential through lean operation

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

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

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

Continuously ramping up the brand influence of "capital outlets" through unified marketing

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

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

– Our Wuhan store received the "Golden Lily Best Marketing Award for Shopping Centers" (金百合購物中心最佳營銷大獎) conferred by China Chain Store & Franchise Association (CCFA).

Strengthening digital operation capabilities through innovative upgrading

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

FUTURE DEVELOPMENT AND PROSPECTS

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

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

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

FINANCIAL REVIEW

1. Revenue and Operating Results

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

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

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

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

2. Liquidity and Financial Resources

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

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

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

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

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

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

4. Borrowings, Guaranteed Notes and Asset Backed Securitization Scheme

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

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

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

5. Foreign Exchange Exposure

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

6. Financial Guarantees

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to purchasers of properties. As at 31 December 2019, the financial guarantees amounted to approximately RMB1,163,279,000 (31 December 2018: RMB1,375,293,000).

7. Capital Commitments

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

COST OF EMPLOYEES AND REMUNERATION POLICY

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

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

During the year ended 31 December 2019, 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, comprising Dr. Ngai Wai Fung as chairman as well as Ms. Zhao Yuhong and Mr. He Xiaofeng as members, has reviewed, together with the participation of the management, the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the audited financial statements of the Group for the year ended 31 December 2019.

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

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 the non-executive directors and Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng are the 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 2019 containing all 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
Peng Sisi
Company Secretary

Hong Kong, 6 March 2020

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.