# 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 2020

The board of directors (the "Board" or the "Directors") of Beijing Capital Grand Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2020 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 2020*

| | Notes | Six months ended 30 June 2020 RMB'000 (Unaudited) | 2019 RMB'000 (Unaudited) |
|---|---|---|---|
| Revenue | 4 | **393,935** | 1,265,581 |
| Cost of sales | | **(276,396)** | (619,578) |
| **Gross profit** | | **117,539** | 646,003 |
| Fair value gains on investment properties | | **304,980** | 45,583 |
| Other (losses)/gains – net | 4 | **(148)** | 2,890 |
| Other income | 4 | **20,760** | 26,012 |
| Selling and marketing expenses | | **(69,067)** | (93,524) |
| Administrative expenses | | **(173,938)** | (179,400) |
| **Operating profit** | | **200,126** | 447,564 |
| Finance costs | 6 | **(229,419)** | (177,465) |
| Share of (losses)/gains of investments accounted for using the equity method | | **(1,455)** | 34 |
| **(Loss)/profit before income tax** | | **(30,748)** | 270,133 |
| Income tax expenses | 7 | **(76,020)** | (247,215) |
| **(Loss)/profit for the period** | | **(106,768)** | 22,918 |
| **Attributable to:** | | | |
| – Owners of the Company | | **(107,978)** | 22,711 |
| – Non-controlling interests | | **1,210** | 207 |
| **(Losses)/earnings per share attributable to owners of the Company during the period** | 9 | | |
| – Basic (losses)/earnings per share (RMB cents) | | **(4.24)** | 0.89 |
| – Diluted (losses)/earnings per share (RMB cents) | | **(4.24)** | 0.89 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2020*

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*For the six months ended 30 June 2020*

| | Notes | **As at 30 June 2020 RMB'000 (Unaudited)** | As at 31 December 2019 RMB'000 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **145,686** | 31,438 |
| Right-of-use assets | | **3,683** | 7,789 |
| Long-term prepaid expenses | | **126,195** | 148,371 |
| Investment properties | | **13,066,274** | 12,581,732 |
| Intangible assets | | **22,892** | 17,291 |
| Investments accounted for using the equity method | | **266,864** | 261,689 |
| Deferred income tax assets | | **29,636** | 19,467 |
| Derivative financial assets | | **23,274** | 1,058 |
| Trade and other receivables and prepayments | *10* | **38,681** | – |
| **Total non-current assets** | | **13,723,185** | 13,068,835 |
| **Current assets** | | | |
| Inventories | | **2,064,262** | 1,807,646 |
| Incremental costs of obtaining a contract | | **5,948** | 5,054 |
| Trade and other receivables and prepayments | *10* | **866,180** | 749,575 |
| Restricted cash | | **14,191** | 26,803 |
| Cash and cash equivalents | | **1,659,979** | 2,151,926 |
| **Total current assets** | | **4,610,560** | 4,741,004 |
| **Total assets** | | **18,333,745** | 17,809,839 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **2,864,120** | 2,629,696 |
| Guaranteed notes | *11* | **2,823,588** | 2,775,731 |
| Other payables and accruals | *12* | **2,691,900** | 2,691,900 |
| Deferred income tax liabilities | | **692,137** | 617,927 |
| **Total non-current liabilities** | | **9,071,745** | 8,715,254 |

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

# NOTES TO THE INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

## 1 GENERAL INFORMATION

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

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

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

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

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

## 2 BASIS OF PREPARATION

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

## 3 OPERATING SEGMENT INFORMATION

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

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

These operations of other segments are excluded from the reportable operating segments, as these operations are not the key concern of the Directors. The results of these operations are included in the "Others".

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

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

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

| | Property development RMB'000 | Investment property development and operation RMB'000 | Sale of merchandise inventories RMB'000 | Others RMB'000 | Total RMB'000 | Inter-segment elimination RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Six months ended 30 June 2020 (Unaudited)** | | | | | | | |
| Total revenue | **75,412** | **232,891** | **86,322** | **–** | **394,625** | **–** | **394,625** |
| Inter-segment revenue | **–** | **(690)** | **–** | **–** | **(690)** | **–** | **(690)** |
| **Revenue (from external customers)** | **75,412** | **232,201** | **86,322** | **–** | **393,935** | **–** | **393,935** |
| **Segment operating profit/(loss)** | **13,947** | **229,858** | **11,840** | **(65,745)** | **189,900** | **–** | **189,900** |
| Depreciation and amortisation *(Note 5)* | **(177)** | **(34,349)** | **(3,633)** | **–** | **(38,159)** | **–** | **(38,159)** |
| Income tax expenses *(Note 7)* | **(10,305)** | **(65,715)** | **–** | **–** | **(76,020)** | **–** | **(76,020)** |
| **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 | 8,131 | (76,923) | 433,102 | (288) | 432,814 |
| Depreciation and amortisation *(Note 5)* | – | (28,878) | (1,372) | (4) | (30,254) | – | (30,254) |
| Income tax expenses *(Note 7)* | (245,420) | (2,032) | 237 | – | (247,215) | – | (247,215) |
| **As at 30 June 2020 (Unaudited)** | | | | | | | |
| **Total segment assets** | **1,958,185** | **13,705,871** | **616,435** | **2,345,838** | **18,626,329** | **(2,357,527)** | **16,268,802** |
| **Total segment liabilities** | **(858,720)** | **(1,395,495)** | **(6,165)** | **(2,279,559)** | **(4,539,939)** | **2,357,527** | **(2,182,412)** |
| **As at 31 December 2019 (Audited)** | | | | | | | |
| **Total segment assets** | 1,585,920 | 13,312,384 | 304,088 | 2,354,581 | 17,556,973 | (2,279,210) | 15,277,763 |
| **Total segment liabilities** | (224,200) | (2,265,254) | (7,722) | (2,303,015) | (4,800,191) | 2,279,210 | (2,520,981) |

**(a) A reconciliation of segment operating profit to (loss)/profit before income tax is provided as follows:**

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Segment operating profit | **189,900** | 432,814 |
| Share of (losses)/gains of investments accounted for using the equity method | **(1,455)** | 34 |
| Interest income *(Note 4)* | **10,226** | 14,750 |
| Finance costs *(Note 6)* | **(229,419)** | (177,465) |
| **(Loss)/profit before income tax** | **(30,748)** | 270,133 |

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

| | **30 June** | 31 December |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Total segment assets | **16,268,802** | 15,277,763 |
| Cash and cash equivalents | **1,659,979** | 2,151,926 |
| Restricted cash | **14,191** | 26,803 |
| Deferred income tax assets | **29,636** | 19,467 |
| Investments accounted for using the equity method | **266,864** | 261,689 |
| Amounts due from related parties *(Note 10)* | **70,999** | 71,133 |
| Derivative financial assets | **23,274** | 1,058 |
| **Total assets per interim condensed consolidated statement of financial position** | **18,333,745** | 17,809,839 |
| Total segment liabilities | **(2,182,412)** | (2,520,981) |
| Borrowings | **(4,563,500)** | (3,765,000) |
| Guaranteed notes *(Note 11)* | **(2,839,296)** | (2,796,677) |
| Amounts due to related parties *(Note 12)* | **(118,242)** | (118,242) |
| Deferred income tax liabilities | **(692,137)** | (617,927) |
| Asset-backed securities scheme senior class | **(2,771,380)** | (2,700,839) |
| **Total liabilities per interim condensed consolidated statement of financial position** | **(13,166,967)** | (12,519,666) |

**(c) Assets and liabilities related to contracts with customers:**

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

The Company is incorporated in Cayman Islands, with most of its major subsidiaries domiciled in the PRC. Revenues from external customers of the Group are mainly derived in the PRC for the six months ended 30 June 2020 and 2019.

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

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

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

## 4 REVENUE, OTHER (LOSSES)/GAINS – NET AND OTHER INCOME

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

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

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

## 5 (LOSS)/PROFIT BEFORE INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Cost of properties sold | **56,503** | 427,686 |
| Cost of goods sold | **71,399** | 59,180 |
| Depreciation charge of right-of-use assets | **4,106** | 4,083 |
| Depreciation and amortisation | **38,159** | 30,254 |
| Employee benefit expenses | **138,374** | 137,787 |
| *– Wages, salaries and staff welfare* | ***118,936*** | *113,175* |
| *– Pension scheme contributions* | ***2,741*** | *9,842* |
| *– Other allowance and benefits* | ***16,697*** | *14,770* |

## 6 FINANCE COSTS

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

## 7 INCOME TAX EXPENSES

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

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

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

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

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

## 8 DIVIDENDS

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

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

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

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **(Losses)/Profit attributable to owners of the Company used in the basic and diluted losses per share calculation** | **(107,978)** | 22,711 |
| | ***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)/earnings per share | **2,547,652,479** | 2,547,652,479 |

## 10 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

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

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

## 11 GUARANTEED NOTES

| | **30 June 2020** *RMB'000* **(Unaudited)** | 31 December 2019 *RMB'000* (Audited) |
|---|---|---|
| As at 1 January | **2,796,677** | 2,759,458 |
| Interest expenses | **60,180** | 146,550 |
| Interest paid | **(62,772)** | (143,779) |
| Exchange rate effect on guaranteed notes | **45,211** | 34,448 |
| | **2,839,296** | 2,796,677 |
| Accrued interests for guaranteed notes, classified as other payables under current liabilities *(Note 12)* | **(15,708)** | (20,946) |
| Non-current portion | **2,823,588** | 2,775,731 |

On 2 August 2018, the Group issued floating rate guaranteed notes (the "Notes") amounted to US$400,000,000, which is due in August 2021. The Notes bear interest from and including 2 August 2018, payable quarterly in arrear on 2 February, 2 May, 2 August and 2 November in each year.

## 12 OTHER PAYABLES AND ACCRUALS

| | **30 June 2020** *RMB'000* **(Unaudited)** | 31 December 2019 *RMB'000* (Audited) |
|---|---|---|
| Other tax payables | **23,229** | 35,042 |
| Employee benefit payable | **9,740** | 29,603 |
| Other payables and accruals due to related parties | **13,245** | 10,820 |
| Amounts due to related parties | **118,242** | 118,242 |
| Accrued interests for guaranteed notes *(Note 11)* | **15,708** | 20,946 |
| Accrued interest for bank and other financial institution borrowings | **5,510** | 5,185 |
| Accrued interest for asset-backed securities scheme senior class (i) | **79,480** | 8,939 |
| Asset-backed securities scheme senior class (i) | **2,691,900** | 2,691,900 |
| Deposits | **108,964** | 107,016 |
| Collect and remit payment on behalf | **12,983** | 14,331 |
| Others | **14,920** | 12,812 |
| | **3,093,921** | 3,054,836 |
| less: non-current portion | | |
| – Asset-backed securities scheme senior class (i) | **(2,691,900)** | (2,691,900) |
| Current portion | **402,021** | 362,936 |

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 Hengsheng Huachuang, a wholly-owned subsidiary of the Group. The Subordinated Class ABS will not be listed. It will be treated as equity investment of Hengsheng Huachuang from an accounting perspective and offset in the interim condensed consolidated financial statements of the Group.

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

## 13 TRADE PAYABLES

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

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

As at 30 June 2020, included in the trade payables are trade payables of RMB1,261,000 (31 December 2019: RMB526,000) due to related parties which are repayable within 1 year and represented credit terms similar to those offered by the related parties to other major customers.

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

## 14 SHARE CAPITAL

| | 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| **Authorised:** | | |
| Ordinary shares | | |
| 20,000,000,000 (31 December 2019: 20,000,000,000) ordinary shares of HK$0.01 each | **160,009** | 160,009 |
| Class A CPS | | |
| 738,130,482 (31 December 2019: 738,130,482) CPS of HK$0.01 each | **5,875** | 5,875 |
| Class B CPS | | |
| 905,951,470 (31 December 2019: 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 2019: 961,538,462) ordinary shares of HK$0.01 each | **7,828** | 7,828 |
| Class A CPS | | |
| 166,976,636 (31 December 2019: 166,976,636) CPS of HK$0.01 each | **1,329** | 1,329 |
| Class B CPS | | |
| 905,951,470 (31 December 2019: 905,951,470) CPS of HK$0.01 each | **7,575** | 7,575 |
| | **16,732** | 16,732 |

## 15 CPS

### Class A CPS

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

### Class B CPS

The class B CPS with a par value HK$0.01 each were created as a new class of shares in the share capital of the Company on 14 December 2016. Upon the completion date of the business combination of Beijing Chuangxin Jianye Real Estate Investment Ltd. and Zhejiang Outlets 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 the ordinary shares, class A CPS and class B CPS or other share capital of the Company unless at the same time it pays to the holders of the PCBS any deferred or unpaid interest payment. In the event that any dividend or distribution is paid on the ordinary shares, CPS (save and except for Preferred Distributions to be paid on the class B CPS at a rate which shall not exceed the rate of interest) or other share capital of the Company, the Company shall pay additional variable interest on the PCBS representing such dividend or distribution so paid in an aggregate amount equal to (a) the amount of such dividend or distribution per share multiplied by (b) the aggregate number of ordinary shares into which the PCBS then outstanding may be converted, in the same form and on the same date.

As at 30 June 2020, the Group has accrued interest amounting to RMB330,000 (31 December 2019: RMB280,000).

## 17 COMMITMENTS

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

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

## 18 FINANCIAL GUARANTEES

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

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Mortgage facilities for certain purchasers of the Group's properties | **1,101,460** | 1,163,279 |

As at 30 June 2020, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage repayments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interests and penalties owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Market Review of Outlets

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

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

## BUSINESS REVIEW

### Overcome Difficulties Together and Boost Sales

- Overcome difficulties to make a breakthrough, and make every effort to promote operations. As the nationwide outbreak was gradually brought under control, the Group innovated the sales form through nationwide live streaming interacting for the period from March to May and nationwide key festival activities for the period from May to June. It implemented a staggered shopping arrangement, and promoted the use of the online customer visits to supplement offline channels, so as to promote full recovery of sales. In the first half of the year, its total sales were approximately RMB2.9 billion, with 14.66 million customer visits. At present, the project sales and customer visits gradually return to the level for the same period of last year. Beijing Store made great efforts to overcome the difficulties in staffing and material resources during the outbreak and brilliantly presented the "3+4" popular featured block, thus becoming a new engine for enhancing the overall sales of the project.

- Steady resumption of work and business activities, and assumption of social responsibility. During the period, according to control requirements of the government and the implementation of epidemic prevention work, the Group formulated and issued the guidelines and plans for project operation and epidemic prevention work, so as to ensure the orderly resumption of projects as planned, such that both the resumption of business activities and epidemic prevention are given consideration and promoted, thus ensuring the timely and safe resumption of projects. Meanwhile, the Group implemented preferential policies including phased rent reductions, for the tenants in opened projects, so as to fight against the outbreak together with the tenants.

### Strengthening Core Competencies, and Turning Crisis into Opportunity

- IP-based marketing. During the period, the Group integrated and planned as a whole, the pricing standards of nationwide marketing resources. It fully empowered the marketing activities of nationwide projects with a focus on key IP activities and through nationwide interaction, and sought scale effect to reduce costs and expand brand influence. In the unified marketing campaign of "12 Capital Outlets Cities, Shopping Spree on 6th June for 2 Stores Anniversary Celebration (首創奧萊12城、嗨購66雙店慶)", Wuhan Store achieved a 100% month-on-month sales growth, while the sales growth in 12 cities nationwide reached approximately 40% month-on-month.

- Experience-based scenario. The Group actively introduces family-style consumer brands, enriches the experience form, integrates consumer experience into every detail and process of scenario design, goods display and customer service, and enhances the business atmosphere and experience, so as to effectively enhance the attraction of the project to customers and promote the improvement in the results of operations.

- Digital operation. The Group focuses on building its own data asset platforms, and promotes the construction of digital information management systems based on the business middle-end platform and the data middle-end platform. The Group strengthens the capacity of full data integration, analysis and application, makes member profiling accurate, enhances the match between customer and goods, and provides cross-channel and high-quality customer experience. During the outbreak, the customer visits dropped sharply. Beijing Store actively expanded online sales channels, rapidly increased the number of online brands on the 鉅MAX platform, adjusted the product mix in a real time manner, established various live streaming platforms, and conducted 15 "Boss live-streaming sales" activities, with sales reaching approximately RMB1 million. It promoted sales among over 300 customer Wechat groups, thus achieving the sales of over RMB10 million.

**Stay Resolute and Confident, Start Again, and Continuously Enhance the Brand Influence of "Capital Outlets"**

- During the period, the Group stayed resolute and confident, and actively responded to the challenge of the outbreak. It continuously created the output of the Capital Outlets IP activity, organizing the New Silk Road World Model Contest, etc., to strengthen the fashion and cultural attributes of Capital Outlets, and expand the influence of the Capital Outlets as a brand.

- During the period, with many years of professional operation and management experience and good market reputation, the Group won 19 important awards including the "China Outlets Innovative Marketing Award" at the "7th China Outlets Industry Development Forum and 2019 China Outlets Awards Ceremony", an annual industry event.

## FUTURE DEVELOPMENT AND PROSPECTS

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

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

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

## FINANCIAL REVIEW

### 1. Revenue and Operating Results

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

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

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

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

### 2. Liquidity and Financial Resources

The Group's liquidity remained at a healthy level with reasonable distribution of financial resources. As at 30 June 2020, the Group's cash and cash equivalents and restricted cash totaled RMB1,674,170,000 (31 December 2019: approximately RMB2,178,729,000), of which approximately RMB1,671,643,000 (31 December 2019: RMB2,162,610,000), approximately RMB893,000 (31 December 2019: approximately RMB1,141,000) and approximately RMB1,634,000 (31 December 2019: RMB14,978,000) were denominated in RMB, Hong Kong Dollar ("HK$") and US Dollar ("US$"), respectively. The majority of the Group's cash and cash equivalents and restricted cash are deposited with creditworthy banks with no recent history of default.

As at 30 June 2020, the Group's current ratio was 1.13 (31 December 2019: 1.25).

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

**3. Changes in Major Subsidiaries and Principal Non-controlling Interests**

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

**4. Borrowings, Guaranteed Notes and Asset Backed Securitization Scheme**

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

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

On 9 December 2019, the Group non-publicly issued an asset-backed securities scheme known as Zhonglian Yichuang – Beijing Capital Grand Outlets No.1 Phase I Asset-backed Securities Scheme* (中聯一創 – 首創鉅大奧特萊斯一號第一期資產支持專項計劃). The issuance of the asset-backed securities scheme was for the purpose of securitizing the properties held by the Group, namely the Fangshan Capital Outlets and the Kunshan Capital Outlets, and raising funds for the operation and development of the businesses of the Group. The total issuance of the scheme was RMB3,579,000,000, including: (i) the Senior Class ABS in the principal amount of RMB2,700,000,000 with a fixed coupon rate of 5.2% per annum and a maturity term of five years, all of which were subscribed by qualified investors (which were Third Parties) and will be listed and tradeable on the Integrated Negotiated Trading Platform (綜合協議交易平台) of the Shenzhen Stock Exchange; and (ii) the Subordinated Class ABS in the principal amount of RMB879,000,000 with no fixed coupon rate and a maturity term of five years, all of which were subscribed by Zhuhai Hengqin Hengsheng Huachuang Business Management Co., Ltd (珠海橫琴恆盛華創商業管理有限公司) ("Hengsheng Huachuang"), a wholly-owned subsidiary of the Group. The Subordinated Class ABS will not be listed. It will be treated as equity investment of Hengsheng Huachuang from an accounting perspective and offset in the interim condensed consolidated financial statements of the Group. As at 30 June 2020, the amortised cost of the Group's Senior Class ABS was approximately RMB2,771,380,000 (31 December 2019: RMB2,700,839,000), including the current portion of RMB79,480,000 (31 December 2019: RMB8,939,000) and the non-current portion of RMB2,691,900,000 (31 December 2019: RMB2,691,900,000).

**5. Foreign Exchange Exposure**

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

**6. Financial Guarantees**

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

**7. Capital Commitments**

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

## INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2020 (30 June 2019: 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 2020 to 30 June 2020, the Company complied with the requirements under the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the 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 2019 annual general meeting due to urgent business matters. Instead, the 2019 annual general meeting was chaired by the chairman of the audit committee of the Company (the "Audit Committee") who, together with the management of the Company, answered the questions from shareholders.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 2020.

## HUMAN RESOURCES

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

## REVIEW BY AUDIT COMMITTEE

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

## 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 2020 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**
**Peng Sisi**
*Company Secretary*

Hong Kong, 14 August 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.*