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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)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board of directors (the “**Board**” or the “**Directors**”) of Beijing Capital Grand Limited (the “**Company**”) is pleased to present the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022, together with unaudited comparative amounts for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
	<i>Notes</i>	2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4, 5	550,839	682,911
Cost of sales		<u>(275,116)</u>	<u>(336,444)</u>
Gross profit		<u>275,723</u>	<u>346,467</u>
Other gains – net	5	63,887	137,447
Other income	5	5,117	22,072
Selling and marketing expenses		(40,197)	(56,983)
Administrative expenses		<u>(120,202)</u>	<u>(139,704)</u>
Operating profit		<u>184,328</u>	<u>309,299</u>
Finance costs	7	(240,768)	(236,599)
Share of losses of investments accounted for using the equity method		<u>(3,062)</u>	<u>(1,956)</u>
(Loss)/profit before income tax		<u>(59,502)</u>	<u>70,744</u>
Income tax expenses	8	<u>(57,736)</u>	<u>(90,193)</u>
Loss for the period		<u>(117,238)</u>	<u>(19,449)</u>
Attributable to:			
– Owners of the Company		(116,116)	(19,803)
– Non-controlling interests		<u>(1,122)</u>	<u>354</u>
Loss per share attributable to ordinary equity holders of the Company during the period			
– Basic losses per share (RMB cents)	10	(4.56)	(0.78)
– Diluted losses per share (RMB cents)		<u>(4.56)</u>	<u>(0.78)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period	<u>(117,238)</u>	<u>(19,449)</u>
Other comprehensive income/(loss) for the period		
Items that may be reclassified to profit or loss		
Cash flow hedges	50,508	37,521
Cost of hedging	<u>(30,163)</u>	<u>(30,414)</u>
	<u>20,345</u>	<u>7,107</u>
Total comprehensive loss for the period	<u><u>(96,893)</u></u>	<u><u>(12,342)</u></u>
Attributable to:		
– Owners of the Company	(95,771)	(12,696)
– Non-controlling interests	<u>(1,122)</u>	<u>354</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

		As at	
	Notes	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		185,766	183,081
Right-of-use assets		10,398	13,943
Long-term prepaid expenses		79,996	89,946
Investment properties		14,594,041	14,495,835
Intangible assets and lease prepayment		34,509	34,468
Investments accounted for using the equity method		291,103	287,665
Deferred income tax assets		–	7,155
Derivative financial assets		77,151	8,016
Trade and other receivables	11	47,456	35,644
Total non-current assets		15,320,420	15,155,753
Current assets			
Inventories		2,554,917	2,434,757
Incremental costs of obtaining a contract		4,275	4,195
Trade and other receivables	11	527,126	519,788
Prepayments	11	78,056	117,871
Restricted cash		52,744	84,959
Cash and cash equivalents		997,040	719,349
Total current assets		4,214,158	3,880,919
Total assets		19,534,578	19,036,672
LIABILITIES			
Non-current liabilities			
Borrowings		4,970,877	5,066,491
Lease liabilities		1,913	5,618
Other payables and accruals	13	5,955,562	5,286,574
Deferred income tax liabilities		864,603	814,604
Total non-current liabilities		11,792,955	11,173,287

		As at	
	Notes	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
LIABILITIES			
Current liabilities			
Trade payables	12	1,731,960	2,010,926
Other payables and accruals	13	519,049	377,186
Contract liabilities		275,651	202,048
Borrowings		444,014	395,645
Lease liabilities		7,321	7,152
Current income tax liabilities		70,468	80,375
		<u>3,048,463</u>	<u>3,073,332</u>
Total current liabilities		3,048,463	3,073,332
		<u>14,841,418</u>	<u>14,246,619</u>
Total liabilities		14,841,418	14,246,619
		<u>1,165,695</u>	<u>807,587</u>
Net current assets		1,165,695	807,587
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	16,732	16,732
Perpetual convertible bond securities	16	945,707	945,661
Reserves		3,261,197	3,240,852
Retained earnings		416,314	532,476
		<u>4,639,950</u>	<u>4,735,721</u>
Non-controlling interests		<u>53,210</u>	<u>54,332</u>
		<u>4,693,160</u>	<u>4,790,053</u>
Total equity		4,693,160	4,790,053
		<u>19,534,578</u>	<u>19,036,672</u>
Total equity and liabilities		19,534,578	19,036,672

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 General information

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

The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally 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 Mainland (“**Mainland China**”) of People’s Republic of China (the “**PRC**”).

The immediate holding company of the Company is BECL Investment Holding Limited. Beijing Capital Land Co., Ltd. (formerly named “**Beijing Capital Land Ltd.**”) (“**BCL**”, a limited liability company incorporated in the PRC with limited liability) is an intermediate holding company of the Company. In the opinion of the Directors, the ultimate holding company of the Company is Beijing Capital Group Ltd. (“**Capital Group**”), a state-owned enterprise established in the PRC.

Unless otherwise stated, this interim financial information is presented in Renminbi (“**RMB**”). 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 Directors on 19 August 2022.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2022 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. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2021, as described in the annual consolidated financial statements.

3.1 Amended standards adopted by the Group

The following amended standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2022.

	Effective for accounting periods beginning on or after
Property, Plant and Equipment: Proceeds before intended use	
– Amendments to HKAS 16	1 January 2022
Reference to the Conceptual Framework – Amendments to HKFRS 3	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37	1 January 2022
Annual Improvements to HKFRS Standards 2018-2020	1 January 2022
Amendments to AG 5 Merger Accounting for Common Control Combinations	1 January 2022

The adoption of above did not have any material impact on the Group’s results for the six months ended 30 June 2022 and the Group’s financial position as at 30 June 2022. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

3.2 New and amended standards not yet applied by the Group

The Group has not early adopted any of the new or amended standards which have been published but not yet effective for financial period commencing 1 January 2022. These new or amended standards are not expected to have material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	Effective for accounting periods beginning on or after
HKFRS 17 “Insurance Contracts”	1 January 2023
Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current”	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”	1 January 2023
Amendments to HKAS 8 “Definition of Accounting Estimates”	1 January 2023
Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	1 January 2023
Amendments to HKFRS 10 and HKAS 28 “Sale or contribution of assets between an investor and its associate or joint venture”	to be determined

4 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 segment of investment property development and operation derives its revenue primarily from rental income. The segment of sale of merchandise inventories derives its revenue primarily from sale of merchandise inventories.

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 “Other segments”.

The Directors assess the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Share of losses of investments accounted for using the equity method, interest income, foreign exchange 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 financial information.

Total segment assets exclude cash and cash equivalents, restricted cash, amounts due from related parties, 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 borrowings, amounts due to non-controlling interests, deferred income tax liabilities, China Life Investment-BCG Outlets First Stage Asset Support Scheme (“**Outlets Scheme**”) 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	Other segments RMB'000	Total RMB'000
Six months ended 30 June 2022 (Unaudited)					
Total revenue	1,982	428,643	121,024	–	551,649
Inter-segment revenue	–	(810)	–	–	(810)
Revenue (from external customers) (i)	1,982	427,833	121,024	–	550,839
Segment operating profit/(loss)	(6,201)	243,286	1,197	(37,128)	201,154
Depreciation and amortisation (Note 6)	(46)	(29,292)	(2,707)	–	(32,045)
Income tax expenses (Note 8)	(388)	(57,338)	–	(10)	(57,736)
Six months ended 30 June 2021 (Unaudited)					
Total revenue	86,238	451,129	146,574	–	683,941
Inter-segment revenue	–	(1,030)	–	–	(1,030)
Revenue (from external customers) (i)	86,238	450,099	146,574	–	682,911
Segment operating profit/(loss)	47,243	300,195	15,300	(59,316)	303,422
Depreciation and amortisation (Note 6)	–	(35,635)	(2,685)	–	(38,320)
Income tax expenses (Note 8)	(21,369)	(68,820)	–	(4)	(90,193)

(i) For the six months ended 30 June 2022 and 2021, the Group derives all revenue from contracts with customers at a point in time in property development segment and sale of merchandise inventories segment.

	Property development RMB'000	Investment property development and operation RMB'000	Sale of merchandise inventories RMB'000	Other segments RMB'000	Total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
As at 30 June 2022 (Unaudited)							
Total segment assets	4,510,625	18,328,873	510,967	6,183,816	29,534,281	(11,487,851)	18,046,430
Total segment liabilities	(896,619)	(7,022,780)	(1,000,082)	(4,906,482)	(13,825,963)	11,487,851	(2,338,112)
As at 31 December 2021 (Audited)							
Total segment assets	4,542,139	17,514,322	685,826	6,249,241	28,991,528	(11,133,116)	17,858,412
Total segment liabilities	(1,149,836)	(7,012,877)	(1,032,557)	(4,502,926)	(13,698,196)	11,133,116	(2,565,080)

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

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Segment operating profit	201,154	303,422
Share of losses of investments accounted for using the equity method	(3,062)	(1,956)
Interest income	3,985	5,877
Foreign exchange	(20,811)	–
Finance costs	(240,768)	(236,599)
	<u> </u>	<u> </u>
(Loss)/profit before income tax	(59,502)	70,744

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

	30 June	31 December
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)
Total segment assets	18,046,430	17,858,412
Cash and cash equivalents	997,040	719,349
Restricted cash	52,744	84,959
Deferred income tax assets	–	7,155
Investments accounted for using the equity method	291,103	287,665
Amounts due from related parties	70,110	71,116
Derivative financial assets	77,151	8,016
	<u> </u>	<u> </u>
Total assets per interim condensed consolidated statement of financial position	19,534,578	19,036,672
	<u> </u>	<u> </u>
Total segment liabilities	2,338,112	2,565,080
Borrowings	5,428,532	5,462,136
Amounts due to non-controlling interests	118,225	118,225
Deferred income tax liabilities	864,603	814,604
Outlets Scheme	667,284	–
Asset-backed Securities Scheme, senior class	5,424,662	5,286,574
	<u> </u>	<u> </u>
Total liabilities per interim condensed consolidated statement of financial position	14,841,418	14,246,619

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Sales commission for properties	<u>4,275</u>	<u>4,195</u>
Total incremental costs of obtaining a contract	<u>4,275</u>	<u>4,195</u>
Advances from sales of properties	<u>275,651</u>	<u>202,048</u>
Total contract liabilities	<u>275,651</u>	<u>202,048</u>

The Company was incorporated in the Cayman Islands, with most of its subsidiaries domiciled in the PRC. Revenues from external customers of the Group are mainly derived in Mainland China for the six months ended 30 June 2022 and 2021.

As at 30 June 2022, total non-current assets other than deferred income tax assets and derivative financial assets located in Mainland China is RMB15,243,269,000 (31 December 2021: RMB15,140,582,000). As at 30 June 2022 and 31 December 2021, none of these non-current assets are located in Hong Kong.

For the six months ended 30 June 2022 and 2021, 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 2022, revenue of RMB1,982,000 (six months ended 30 June 2021: RMB102,822,000) was included in the contract liabilities at the beginning of the period.

5 Revenue, other gains – net and other income

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue		
Rental revenue from investment properties	427,833	450,099
Sale of goods	121,024	146,574
Sale of properties	<u>1,982</u>	<u>86,238</u>
	<u>550,839</u>	<u>682,911</u>
Other gains – net		
Fair value gains on investment properties	80,864	123,716
Government grants	2,172	10,137
Foreign exchange losses – net	(20,811)	–
Others	<u>1,662</u>	<u>3,594</u>
	<u>63,887</u>	<u>137,447</u>
Other income		
Short-term lease income	–	14,369
Interest income	3,985	5,877
Others	<u>1,132</u>	<u>1,826</u>
	<u>5,117</u>	<u>22,072</u>

6 Expenses by nature

Expenses by nature comprised cost of sales, selling and marketing expenses and administrative expenses as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold	(12,997)	42,330
– Amount during the period	2,072	42,330
– Adjustment (i)	(15,069)	–
Direct operating expenses arising from property management and other property related services	110,799	98,379
Cost of goods sold	116,416	127,462
Employee benefit expense	96,696	116,930
– Wages, salaries and staff welfare	69,487	84,351
– Pension scheme contributions	11,274	16,345
– Other allowance and benefits	15,935	16,234
Depreciation and amortisation	32,045	38,320
Depreciation charge of right-of-use assets	3,545	3,545

- (i) For the six months ended 30 June 2022, an adjustment of RMB15,069,000 was made to the cost of properties sold upon final agreement of the actual overall construction costs with the relevant contractors (six months ended 30 June 2021: Nil).

7 Finance costs

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on bank and other financial institution borrowings	165,436	125,633
Interest expense on Outlets Scheme	5,698	–
Interest expenses on Asset-backed Securities Scheme, senior class	143,646	82,607
Interest expenses on lease liabilities	261	423
Net fair value losses/(gains) on derivative financial instruments		
– Reclassified from cash flow hedge reserve	(1,303)	40,870
– Reclassified from costs of hedging reserves	8,887	725
– Ineffectiveness of cash flow hedges	1,511	164
Interest expenses on guaranteed notes	–	39,337
	324,136	289,759
Less: interests capitalised	(83,368)	(53,160)
	240,768	236,599

8 Income tax expenses

No provision for Hong Kong profits tax has been made as the Group did not derive any assessable profit in Hong Kong during the period (six months ended 30 June 2021: Nil).

PRC enterprise income tax has been provided at a rate of 25% (six months ended 30 June 2021: 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 cities in the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, which is based on the estimated 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
– PRC enterprise income tax	721	22,823
– PRC land appreciation tax (credit)	(139)	11,661
Deferred income tax	57,154	55,709
	<u>57,736</u>	<u>90,193</u>
Total tax charges for the period	<u>57,736</u>	<u>90,193</u>

9 Dividends

No dividend has been paid or declared by the Company during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

10 Loss per share attributable to ordinary equity holders of the Company

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company	(116,116)	(19,803)
Excluding: loss attributable to the holders of convertible preference shares (the "CPS") and perpetual convertible bonds securities (the "PCBS")	72,245	12,284
Loss attributable to ordinary equity holders of the Company used in the basic and diluted loss per share calculation	<u>(43,871)</u>	<u>(7,519)</u>
	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares	<u>961,538,462</u>	<u>961,538,462</u>
– Basic losses per share (RMB cents)	(4.56)	(0.78)
– Diluted losses per share (RMB cents)	<u>(4.56)</u>	<u>(0.78)</u>

Diluted earnings per share are equal to the basic earnings per share since the Company has no potential dilutive ordinary shares during the six months ended 30 June 2022 and 2021.

11 Trade and other receivables and prepayments

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables from contracts with customers	61,269	65,157
Less: provision for impairment of trade receivables	(546)	(572)
	60,723	64,585
Prepayments to related parties	2,529	13,516
Prepayments of merchandise inventories	69,422	79,549
Other prepayments	6,105	24,806
Input value-added tax to be deducted and prepaid other taxes	370,821	354,859
Other deposits	7,637	10,264
Other receivables due from related parties	3,226	3,226
Amounts due from related parties	70,110	71,116
Other receivables	72,067	61,703
Less: provision for impairment of other receivables	(10,002)	(10,321)
	652,638	673,303
Less: non-current portion		
– Input value-added tax to be deducted	(47,456)	(35,644)
Current portion	605,182	637,659

Trade receivables mainly arise from rental revenue of investment properties. Lessees are generally granted credit terms of 1 to 3 months. An ageing analysis of the Group's trade receivables based on invoice date as at the end of the reporting period is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	61,269	65,157

As at 30 June 2022, included in the trade receivables are of RMB1,840,000 (31 December 2021: RMB6,723,000) due from a fellow subsidiary which are receivable within 3 months and represented credit terms similar to those offered to other major customers.

12 Trade payables

An ageing 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	1,264,851	1,526,672
1 to 2 years	209,278	338,555
2 to 3 years	115,836	132,495
over 3 years	141,995	13,204
	1,731,960	2,010,926

As at 30 June 2022, included in the trade payables are trade payables of RMB9,438,000 (31 December 2021: RMB8,599,000) due to a fellow subsidiary which are repayable within 1 year and represented credit terms similar to those offered by the related party to other major customers.

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

13 Other payables and accruals

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Other taxes payables	47,242	58,119
Employee benefits payable	4,065	1,773
Other payables and accruals due to related parties	19,540	16,373
Amounts due to non-controlling interests	118,225	118,225
Interest payable	141,203	5,708
Asset-backed Securities Scheme, senior class (i)	5,288,812	5,286,574
Outlets Scheme (ii)	666,750	–
Deposits received	130,881	126,755
Collect and remit payment on behalf of customers	4,735	4,373
Prepaid rental income from tenants	34,254	34,828
Others	18,904	11,032
	6,474,611	5,663,760
Less: non-current portion		
– Asset-backed Securities Scheme, senior class and Outlets Scheme	(5,955,562)	(5,286,574)
Current portion	519,049	377,186

Other than the Outlets Scheme, Asset-backed Securities Scheme, senior class and interest payable, the financial liabilities included in the above balance are non-interest bearing and normally settled on demand.

- (i) On 9 December 2019, the Group issued an asset-backed securities scheme known as Phase I Asset-backed Securities Scheme. The issuance of the asset-backed securities scheme was for the purpose of securitising the properties held by the Group, namely the Beijing 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 Asset-backed Securities Scheme, senior class 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 maturing on 9 December 2024, all of which were subscribed by qualified investors (which were Third Parties) and has been listed 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 maturing on 9 December 2024, all of which were subscribed by Zhuhai Hengqin Hengsheng Huachuang Commercial Management Co., Ltd (“**Hengsheng Huachuang**”), an indirect wholly-owned subsidiary of the Company. The Subordinated Class ABS will not be listed.

On 28 May 2021, the Group privately issued an asset-backed securities scheme known as Phase II Asset-backed Securities Scheme. The issuance of the asset-backed securities scheme was for the purpose of securitising the properties held by the Group, namely the Hefei Capital Outlets, the Hangzhou Capital Outlets, the Jinan Capital Outlets and the Jiangxi Capital Outlets, and raising funds for the operation and development of the businesses of the Group.

The total issuance of the scheme was RMB3,268,000,000, including: (i) the Asset-backed Securities Scheme, senior class in the principal amount of RMB2,600,000,000 with a fixed coupon rate of 5.05% per annum and a maturity term of three years maturing on 28 May 2024, all of which were subscribed by qualified investors (which were Third Parties) and has been listed on the Integrated Negotiated Trading Platform of the Shenzhen Stock Exchange; and (ii) the Subordinated Class ABS in the principal amount of RMB668,000,000 with no fixed coupon rate and a maturity term of three years maturing on 28 May 2024, all of which were subscribed by Hengsheng Huachuang, an indirect wholly-owned subsidiary of the Company. The Subordinated Class ABS will not be listed.

- (ii) On 27 April 2022, the Group issued an asset-backed securitised product known as China Life Investment-BCG Outlets First Stage Asset Support Scheme, for the purpose of issuing beneficiary certificates with a total principal amount of not more than RMB1,350,000,000. Under the Scheme, Hengsheng Huachuang (as the Scheme’s originator) will provide loans to Chongqing Shouju Outlet Real Estate Co., Ltd. (an indirect wholly-owned subsidiary of the Company) and Kunming Capital Outlet Commercial Management Co., Ltd. (an indirect non wholly-owned subsidiary of the Company) and the rights such as the creditor’s right and interests that Hengsheng Huachuang is entitled thereto will be used as the underlying assets for securitisation under the Scheme for the purpose of raising funds for the Group’s operation and development of business.

As at 30 June 2022, the Group has issued the Outlets Scheme in the principal amount of RMB670,000,000 with a fixed coupon rate of 4.85% per annum and a maturity term of three years maturing on 27 April 2025, all of which were held by China Life Investment Management Company Limited.

14 Share capital

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Authorised:		
Ordinary shares 18,355,918,048 (31 December 2021: 18,355,918,048) ordinary shares of HK\$0.01 each	160,009	160,009
Class A CPS 738,130,482 (31 December 2021: 738,130,482) CPS of HK\$0.01 each	5,875	5,875
Class B CPS 905,951,470 (31 December 2021: 905,951,470) CPS of HK\$0.01 each	<u>7,575</u>	<u>7,575</u>
	<u>173,459</u>	<u>173,459</u>
Issued and fully paid:		
Ordinary shares 961,538,462 (31 December 2021: 961,538,462) ordinary shares of HK\$0.01 each	7,828	7,828
Class A CPS 738,130,482 (31 December 2021: 738,130,482) CPS of HK\$0.01 each	1,329	1,329
Class B CPS 905,951,470 (31 December 2021: 905,951,470) CPS of HK\$0.01 each	<u>7,575</u>	<u>7,575</u>
	<u>16,732</u>	<u>16,732</u>

15 CPS

Class A CPS

The class A CPS with a par value HK\$0.01 each were created as a new class of shares in the share capital of the Company on 22 January 2015. Upon the completion date of the business combination of Xi'an Capital Xin Kai Real Estate Ltd ("Xin Kai", an indirect wholly-owned subsidiary of the Company) 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. On 28 December 2016, 571,153,846 class A CPS have been converted into ordinary shares.

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 (an indirect wholly-owned subsidiary of the Company) and Zhejiang Outlets Property Real Estate Co., Ltd (an indirect wholly-owned subsidiary of the Company) 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 Class A and B 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 2022, the Group has accrued interest amounting to RMB510,000 (31 December 2021: RMB464,000).

17 Commitments

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for:		
– Properties under development	408,182	423,204
– Investment properties	33,603	51,977
	441,785	475,181

18 Financial guarantees

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Mortgage facilities for certain purchasers of the Group's properties	546,250	603,605

As at 30 June 2022 and 31 December 2021, 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.

The Group has not recognised any liabilities in connection with the aforesaid financial guarantee contracts as the directors of the Company are of the view that it is remote for the Group to suffer from any significant losses on these financial guarantee contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2022, the spreading of COVID-19 pandemic across various regions in China has led to temporary economic stagnation, and the consumption industry was highly affected in particular. The preliminary calculation suggested that the total retail sales of consumer goods amounted to RMB21,043.2 billion for the first half of 2022, representing a decrease of 0.7% as compared to the corresponding period last year. Among which, the retail sales of apparels and income from food and beverage recorded the decreases of 6.5% and 7.7% as compared to the corresponding period last year, respectively.

With the temporary economic stagnation, the undermined consumer confidence has in turn resulted in more conservative consumption pattern. The consumer confidence index for May was 86.8, representing a significant decrease from that of 121.5 in January. In order to boost the economy, the State Council held a national teleconference on stabilizing the fundamentals of the economy, during which a package of policies and measures to stabilize the economy were determined. All possible policies in relation to keeping the market entities afloat, stabilizing employment and increasing job opportunities have been rolled out accordingly. In June, as the COVID-19 pandemic stabilised and under the support of the relevant policies, the total retail sales of consumer goods registered an increase of 3.1% as compared to the corresponding period last year, reversing its downturn from the negative growth in April and May. However, there was still a significant drop in the total consumption. According to the statistics from China General Chamber of Commerce, the retail sales of goods of the 50 key large-scale retail enterprises nationwide decreased by approximately 16.7% in total in the first half of 2022.

During the first half of 2022, the business environment was hit hard in such aspects as customers, products and markets. Due to the outbreak of COVID-19 pandemic in various regions nationwide, restrictive policies on unnecessary travelling became increasingly stringent, consumers were kept away from purchasing in-store. For instance, regions including Beijing, Shanghai and Jilin have implemented lockdown and management measures for up to 1 to 2 months. Businesses were forced to shut down and experienced drastic decline in customer traffic. Moreover, the factories were closed and the logistic and transportation were hampered in COVID-19 pandemic-stricken regions, many brands in Jiangsu, Zhejiang and Shanghai faced supply chain disruption in different stages and were unable to deliver their goods, resulting in product shortage in stores.

According to the customer traffic data published by Winneryun Data Monitoring Platform (匯客雲數據平台監測), in the first quarter of 2022, the accumulated customer traffic flow of all shopping malls throughout China amounted to approximately 7.28 billion visits with a daily average customer traffic of approximately 16,243 visits for each shopping mall, representing the decreases of approximately 12.6% and approximately 34% as compared to the corresponding period in 2021 and 2019 (non COVID-impacted year), respectively. During the Labor Day holiday, the total customer traffic flow of all shopping malls throughout China amounted to approximately 168 million visits with a daily average customer traffic of approximately 16,145 visits for each shopping mall, representing a decrease of approximately 43.5% as compared to the corresponding period in 2021. During the Dragon Boat Festival holiday, the total customer traffic flow of all shopping malls throughout China amounted to approximately 310 million visits with a daily average customer traffic of approximately 20,052 visits for each shopping mall, representing a decrease of approximately 19.7% as compared to the corresponding period in 2021. The customer traffic recovery rate only rebounded after the Dragon Boat Festival.

The sales and customer traffic of the OUTLETS projects held by the Group (the “**Outlets**”) were also notably affected. During the first half of the year, a number of stores of the Outlets operated by the Group were put on lockdown or closed due to the COVID-19 pandemic. Faced with these challenges, the Group proactively strengthened its regular COVID-19 pandemic management. On the premise of ensuring the operational safety of its Outlets, the Group adopted diverse measures and made proactive efforts in innovation in pursuit of value creation for tenants and customers. Besides, it has accelerated the integration of its online and offline operation with greater efforts made in membership marketing, making it the fundamental channel for product sales. Through precise marketing and efficient operation, the customer satisfaction rate saw continuous improvement and consumers’ confidence was also enhanced. Meanwhile, the Group remained committed to overcoming difficulties with tenants and increased the support offered to tenants to boost their confidence in the cooperation.

BUSINESS REVIEW

PURSUING STEADY GROWTH IN SALES WITH MULTIPRONGED AND ACTIVE MEASURES AS THE COVID-19 PANDEMIC BECAME THE NORM

- During the first half of the year, the Group achieved a total turnover of approximately RMB4.42 billion in Outlets operation, representing a decrease of approximately 15% as compared to the corresponding period last year. On a monthly basis, the outlets operation achieved a good start with encouraging results in January and recorded an increase of approximately 49% as compare to the corresponding period last year. However, this was followed by a more widespread outbreak of COVID-19 pandemic. Since 20 January, especially after March, the surge of COVID-19 cases almost led to a complete halt of businesses nationwide. In particular, the operation of the Beijing Outlets was suspended twice, which had a significant impact on declining sales. Approaching June, with the gradual easing of the COVID-19 pandemic outbreak, the business performance of the Group started to rebound;
- During the period, the Group enhanced daily COVID-19 pandemic prevention and strictly implemented safety management measures against the COVID-19 outbreak to ensure operational safety in the Outlets. Besides, it secured all key sales points in line with the COVID-19 pandemic prevention requirements and minimised loss through project promotional events by leveraging its own strengths and location advantages. The Group continued to consolidate the IP events and the monthly themed promotion events of “Come Together to Capital Outlets and Celebrate each Festival (來首創奧萊過節)” in order to increase consumer loyalty by setting up photo-taking hot-spots for KOLs and promoting “consumption as if in a tour and a mini-holiday and at a tourist destination (微旅遊、微度假、目的地消費)”. Together with our brand promotion and regular livestreaming events, the capability of attracting and retaining customers and e-commerce were enhanced. In May, we carried out the “Super Joint Celebration Activities for the 10th Anniversary of Capital Outlets (首創奧萊濃情十載超級聯慶)” in a total of 14 cities throughout the country to celebrate the 10th anniversary of the brand of Capital Outlets and the 9th anniversary of the Beijing Outlets since its commencement of operation. In particular, the 42 hours’ live streaming in favour of the Beijing Outlets recorded an accumulated sales approximately RMB1 million and a number of viewers amounting to approximately 270 thousands.

ACHIEVING THE FINANCING GOALS AS SCHEDULED THROUGH ORDERLY FINANCING AND INNOVATION

- During the period, the Group further broadened the channels for obtaining long-term and low-cost financing. The Group initiated the establishment of “China Life Investment – BCG Outlets First Stage Asset Support Scheme (國壽投資 – 首創鉅大奧特萊斯第一期資產支持計劃)” in collaboration with China Life Investment Holding Company Limited, which not only marked the launch of the first investment real-estate mortgage loan cum asset-backed plan (CMBS) in the inter-insurance market, but also demonstrated the high recognition of the Group’s outlets projects and capability in operation from investors who invest with their insurance funds.

OPTIMIZING THE SALES CHANNELS OF PROPRIETARY BUSINESS AND CONTINUING TO IMPROVE THE ONLINE SALES PLATFORM

- After upgrading the mini program of the online shopping mall for the proprietary business, the Group effectively enhanced the online sales platform to drive the development of the online and offline sales channels. In April 2022, the Group’s sales were approximately 300% higher than the monthly average in the first half of 2022, breaking the highest monthly sales record for the first half of the year;
- In March 2022, the Group set up the corporate WeChat account for its proprietary business, which offered more diversified sales channels and expanded its interaction with and access to consumers;
- The Group continued to pursue the expansion of the wholesale business and the sales channels. During the period, the turnover of the wholesale business climbed by approximately 27% as compared to the corresponding period last year.

ACCELERATING THE UPGRADE OF THE MEMBERSHIP SYSTEM AND ENHANCING PRIVATE TRAFFIC OPERATION

- The Group completed the upgrade of the new member benefits and membership system. This allowed it to better analyse, organise, categorise and profile members based on their data, thereby achieving integration of point systems between businesses, enabling both internal and external exchange of points across industries, supporting the precise data-driven marketing and hence increasing sales;
- Currently, the Group has approximately 3.35 million members in total, representing a growth of approximately 13% as compared to the corresponding period last year. Among them, approximately 389,000 members were new joiners in the first half of the year. The share of member sales was up by approximately 6 percentage points to approximately 43% as compared to the corresponding period last year, which reflected growing member stickiness;
- By improving and upgrading the operating quality and content of private traffic continuously, it increased member engagement and sales conversion rate. In the first half of the year, the Group set up a total of 490 sales communities for 14 proprietary and branded outlets projects with approximately 92,000 unique members across the country.

CONTINUOUSLY ENHANCING THE BRAND INFLUENCE OF “CAPITAL OUTLETS”

- During the period, with years of professional operation and management experience and good market reputation, proven by its outstanding performance throughout 2021, Capital Outlets has received 18 major awards including “Urban Growth Driver of 20 Years Among China Outlets Award”(中國奧萊 20 年城市驅動力大獎), “Model of Cultural Tourism Outlets Award”(文旅奧萊示範獎) and “Leading Commercial Brand”(領軍商業品牌) at the “9th China Outlets Industry Development Forum and 2021 China Outlets Awards Ceremony”(第九屆中國奧特萊斯產業發展論壇暨 2021 年度中國奧萊頒獎盛典), an annual event of the industry.

FUTURE PROSPECTS

Currently, the global economy will be further threatened by the rising risk of “stagflation” and the intensifying downward pressure on the economic growth. Meanwhile, domestic economic development will still be hampered by various instabilities and uncertainties, such as disruptions caused by the COVID-19 pandemic. Nevertheless, the fundamentals of Chinese economy including strong resilience, great potential and long-term positive outlook will remain unchanged, while the advantages of having a unified and large market will also remain the same. With the effective implementation of a package of policy measures by the PRC government to stabilize economic growth, the economic growth in China is expected to improve gradually.

In the second half of 2022, a further recovery will be envisaged for the outlets market. Following the grand launch of the Qingdao and Xiamen Outlets, the Group will have further diversified and optimized its strategic layout across the country.

In the second half of 2022, the Group will focus on promoting efficient operation while continuing to enhance its ability to upgrade the shopping environment, price-performance ratio and innovation services in regards to customers, products and markets. The Group will innovate the marketing approaches to boost the overall customer visits and sales with the aid of digital marketing. Besides, it will accelerate the upgrade of the membership system, empowering the marketing among different social groups and tracing the operating data with an aim to effectively achieve the conversion of private traffic operation. With a commitment to maintaining its advantages in terms of price, experience and brand, the Group will provide customers with more satisfactory services and superior consumer experience, thereby continuously reinforcing its competitiveness in the outlets industry, striving to become the most valuable outlets operator in China which provides excellent experience for consumers.

FINANCIAL REVIEW

1. Revenue and Operating Results

For the six months ended 30 June 2022, the revenue of the Group was approximately RMB550,839,000, representing a decrease of 19% as compared to RMB682,911,000 for the same period in 2021. The decrease in revenue was mainly attributable to the decrease in rental income from investment properties in the first half of 2022 due to the impact of COVID-19 pandemic and the corresponding decrease in revenue from sales of goods and sales of properties.

For the six months ended 30 June 2022, the gross profit margin of the Group was approximately 50%, representing a decrease of 1% from 51% in the same period of 2021. The gross profit margin was essentially flat.

For the six months ended 30 June 2022, the operating profit of the Group was approximately RMB184,328,000, representing a decrease of 40% as compared to RMB309,299,000 for the same period in 2021. Such decrease was mainly attributable to (i) a decrease of approximately 19% in the aggregate revenue from the Group's rental income from investment properties, income from the sale of properties and income from the sale of goods as compared to the same period of the previous year; (ii) a decrease of approximately 54% in the aggregate from the Group's fair value gains on investment properties and other net income as compared to the same period of the previous year.

For the six months ended 30 June 2022, the loss for the period of the Group was approximately RMB117,238,000, representing an increase of 503% as compared to the loss of RMB19,449,000 for the same period in 2021. Such increase in loss for the period was mainly attributable to the decrease in operating profit.

2. Liquidity and Financial Resources

The Group has sufficient capital to meet the operational requirements. As at 30 June 2022, the Group's total cash and cash equivalents and restricted cash amounted to approximately RMB1,049,784,000 (31 December 2021: approximately RMB804,308,000), of which approximately RMB1,049,054,000 (31 December 2021: approximately RMB803,107,000), approximately RMB578,000 (31 December 2021: approximately RMB1,029,000) and approximately RMB152,000 (31 December 2021: approximately RMB172,000) 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 2022, the Group's current ratio was 1.38 (31 December 2021: 1.26).

As at 30 June 2022, the Group's net gearing ratio was 223% (31 December 2021: 208%), based on the division of net debt by total equity. Net debt includes total bank and other borrowings, the Outlets Scheme (including current and non-current portions), the Asset-backed Securities Scheme, senior class (including current and non-current portions) 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 in the first half of 2022.

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

Nil.

4. Borrowings and Asset-Backed Securities Scheme

As at 30 June 2022, the Group's borrowings from banks, related parties and other financial institutions amounted to approximately RMB5,414,891,000 (31 December 2021: approximately RMB5,462,136,000). Of the total amount, bank borrowings of RMB1,468,425,000 (31 December 2021: RMB1,539,146,000) was secured by the land use rights and buildings and guaranteed by BCL or the Group. Bank borrowings and borrowings from related parties of approximately RMB119,940,000 (31 December 2021: approximately RMB164,940,000) were credit borrowings. Borrowings from other financial institutions of approximately RMB1,000,000,000 (31 December 2021: approximately RMB1,000,000,000) were guaranteed by BCL. Bank borrowings of approximately RMB1,326,526,000 (31 December 2021: approximately RMB1,258,050,000) were guaranteed by Capital Group. Borrowings from other financial institutions of approximately RMB1,500,000,000 (31 December 2021: approximately RMB1,500,000,000) were guaranteed by Capital Group.

On 9 December 2019, the Group issued an asset-backed securitization 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) for the purpose of securitizing the two properties held by the Group, namely the Beijing Capital Outlets and the Kunshan Capital Outlets. The total issuance of the scheme was RMB3,579,000,000 with a maturity term of five years, 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, all of which were subscribed by qualified independent third party investors, and listed and traded 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, all of which were subscribed by Hengsheng Huachuang. The Subordinated Class ABS will not be listed. Details are set out in the announcement of the Company dated 9 December 2019.

On 28 May 2021, the Group issued Zhonglian BCG – Capital Outlets Phase II Asset-backed Securities Scheme (中聯首創證券 – 首創鉅大奧特萊斯二期資產支持專項計劃) for the purpose of securitizing the four properties held by the Group, namely the Hefei Capital Outlets, the Hangzhou Capital Outlets, the Jinan Capital Outlets and the Jiangxi Capital Outlets. The total issuance of the scheme was not more than RMB3,268,000,000 with a maturity term of three years, including: (i) the Senior Class ABS in the principal amount of RMB2,600,000,000 with a fixed coupon rate of 5.05% per annum, which are listed and traded on the Integrated Negotiated Trading Platform (綜合協議交易平台) of the Shenzhen Stock Exchange, all of which were subscribed by qualified independent third party investors; and (ii) the Subordinated Class ABS in the principal amount of RMB668,000,000 with no fixed coupon rate, all of which were subscribed by Hengsheng Huachuang. The Subordinated Class ABS will not be listed. Details are set out in the announcement of the Company dated 28 May 2021.

On 27 April 2022, the Group issued an asset-backed securitized product known as China Life Investment – BCG Outlets First Stage Asset Support Scheme (國壽投資 – 首創鉅大奧特萊斯第一期資產支持計劃), under which beneficiary certificates in an aggregate principal amount of not more than RMB1,350,000,000 will be issued. Under the scheme, Hengsheng Huachuang (as the Scheme’s originator) will provide loans to Chongqing Shouju Outlet Real Estate Co., Ltd. (重慶首鉅奧特萊斯置業有限公司) (an indirect wholly-owned subsidiary of the Company) and Kunming Beijing Capital Outlets Commercial Operation Management Co., Ltd. (昆明首創奧萊商業營運管理有限公司) (an indirect non wholly-owned subsidiary of the Company). The creditor’s right and interests that Hengsheng Huachuang is entitled thereto will be used as the underlying assets for securitization under the scheme for the purpose of raising funds for the Group’s operation and development. As at 30 June 2022, the Group has issued asset-backed securities in the principal amount of RMB670,000,000 with a fixed coupon rate of 4.85% and a maturity term of three years. Details are set out in the announcement of the Company dated 27 April 2022.

5. Foreign Exchange Exposure

Major subsidiaries of the Group operate in the PRC and most of the transactions are denominated in RMB. As at 30 June 2022, the Group had US\$-denominated bank borrowings amounting to US\$197,800,000 (31 December 2021: US\$197,900,000). Accordingly, the Group has entered into the cross currency interest rate swap agreements to manage the risk of US\$ exchange rate fluctuations. In addition, certain of the Group’s 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 2022, the financial guarantees amounted to approximately RMB546,250,000 (31 December 2021: RMB603,605,000).

7. Capital Commitments

As at 30 June 2022, the Group had capital commitments relating to the development properties under construction of approximately RMB408,182,000 (31 December 2021: RMB423,204,000), and had capital commitments relating to the investment properties under construction of approximately RMB33,603,000 (31 December 2021: RMB51,977,000).

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2022 (30 June 2021: 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 2022 to 30 June 2022, the Company complied with the requirements under the code provisions (the "**Code Provision**") set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and the continuing obligations requirements of a listed issuer pursuant to the Listing Rules, except for the following deviations:

- (a) Under the Code Provision F.2.2, the chairman of the board should attend the annual general meetings of the company. The chairman of the Board was unable to attend the 2021 annual general meeting because of the COVID-19 pandemic measures. Instead, the 2021 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.

The Board shall nevertheless review its board meeting arrangement from time to time to ensure the appropriate action is being taken to comply with the requirements under the Code Provision.

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 2022.

HUMAN RESOURCES

As at 30 June 2022, the Group employed 1,092 employees (as of 30 June 2021: 1,153). The remuneration policy and package of the Group's employees are structured in accordance with 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 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 financial reporting matters including the review of the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bcgrand.com). The interim report of the Company for the six months ended 30 June 2022 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, 19 August 2022

As at the date of this announcement, the Board comprises Mr. Fan Shubin (Chairman) and Mr. Feng Yujian (Chief Executive Officer) as executive directors; Mr. Wang Hao, Ms. Qin Yi, Mr. Zhou Yue and Mr. Zhao Randolph as non-executive directors; and Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng as independent non-executive directors.