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China Merchants Commercial Real Estate Investment Trust

*(a Hong Kong collective investment scheme authorized under section 104
of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))*
(Stock Code: 01503)

Managed by
China Merchants Land Asset Management Co., Limited

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the “**Board**”) of China Merchants Land Asset Management Co., Limited (the “**Manager**”), as manager of China Merchants Commercial Real Estate Investment Trust (“**CMC REIT**” or “**China Merchants Commercial REIT**”) is pleased to announce the unaudited financial results of the CMC REIT and its subsidiaries for the six months ended 30 June 2022 (the “**Reporting Period**”) as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2022	2021 ("2021 Relevant Period")	
Revenue before Rental Rebate (RMB'000)	211,443	211,802	-0.2%
Rental Rebate (RMB'000)	(36,400)	–	–
Revenue (RMB'000)	175,043	211,802	-17.4%
Net Property Income (RMB'000)	125,053	161,024	-22.3%
Distributable Income (RMB'000)	75,918	97,600	-22.2%
Payout Ratio	100%	100%	–
Distribution per Unit (HK\$)	0.0771	0.1039	-25.8%
Annual Distribution Yield	6.0% ¹	7.5%	-1.5pp
Actual Distribution per Unit (HK\$)	0.1307 ³	0.1039	–
Actual Distribution Yield	10.1%	7.5%	–
		31 December	
	30 June 2022	2021	Change
Total Assets (RMB' million)	10,873	7,564	43.7%
Net Assets Attributable to Unitholders (RMB' million)	3,899	4,007	-2.7%
Net Assets per Unit Attributable to Unitholders (RMB)	3.46	3.55	-2.5%
Value of Portfolio (RMB' million)	9,498	6,746	40.8%
Gearing Ratio ²	35.0%	29.2%	5.8pp

Notes:

- (1) Based on the closing unit price of CMC REIT on 30 June 2022 and two times the distribution per unit for the Reporting Period.
- (2) This is calculated by dividing total borrowings over total assets.
- (3) Including cash payments received under the DPU Commitment.

DISTRIBUTION

Total distributable income is the consolidated profit after tax, before distribution to the unitholders of CMC REIT (“**Unitholders**”) as adjusted to eliminate the effects of the Adjustments as set out in the Trust Deed (“**Distributable Income**”). Distributable Income for the Reporting Period was RMB75.92 million (2021 Relevant Period: RMB97.60 million). Based on the Distributable Income, the distribution per unit to Unitholders for the Reporting Period is HKD0.0771 (equivalent to RMB0.0673), which represents an annual distribution yield of 6.0%, based on the closing Unit Price on 30 June 2022 (being HK\$2.58).

Pursuant to the Trust Deed, CMC REIT is required to distribute to the Unitholders no less than 90% of its distributable income of each financial period. The Manager intends to distribute to the Unitholders 100% of the distributable income for the Reporting Period.

Pursuant to the DPU Commitment (as defined in the offering circular of CMC REIT dated 28 November 2019 (the “**Offering Circular**”), Eureka Investment Company Limited (“**Eureka**”), being the holding company of the Vendor (as defined in the Offering Circular), has undertaken to make a cash payment to the Trustee (in its capacity as the trustee of CMC REIT) for the benefit of CMC REIT if the Annualised Provisional DPU (as defined in the Offering Circular) is less than the Annualised Committed DPU for the Relevant Period (as defined in the Offering Circular), so that in such circumstances the annualised distribution per Unit of CMC REIT for the Relevant Period shall be equal to the Annualised Committed DPU. The Annualised Committed DPU for year ending 31 December 2022 is HK\$0.2614 per Unit.

Including cash payments received under the DPU Commitment, the interim distribution per unit for the Reporting Period is HK\$0.1307 (“**Interim Distribution**”). The Interim Distribution will be paid to entities regarded as Unitholders as at the record date (as described in detail under the heading of “CLOSURE OF REGISTER OF UNITHOLDERS”). As such, those who are not regarded as Unitholders on the record date have no entitlement to receive any distributions for the Interim Distribution.

The distribution to Unitholders will be paid in Hong Kong dollars. The exchange rate of the distribution per unit for the Reporting Period is the average central parity rate as announced by the People’s Bank of China for the five business days preceding the date of this announcement.

CLOSURE OF REGISTER OF UNITHOLDERS

For the purpose of determining entitlement for the Interim Distribution, the register of Unitholders will be closed from Friday, 16 September 2022 to Tuesday, 20 September 2022, both days inclusive, during which period no transfer of units will be registered, and the record date will be on Tuesday, 20 September 2022. In order to qualify for the Interim Distribution, all unit certificates with completed transfer forms must be lodged with the unit registrar of CMC REIT, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 15 September 2022. The payment of the Interim Distribution will be made on Wednesday, 12 October 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In the first half of 2022, the Russo-Ukrainian War and its associated sanctions further disrupted global supply chains already weakened by COVID-19, leading to persistent high inflation and increased downward pressure on the global economy. In the first half of 2022, China's GDP increased 2.5% to RMB56,264 billion. The national average urban unemployment rate was 5.7%, and the retail sales of consumer goods totaled RMB21,043 billion, 0.7% lower than a year ago. Slowing economic growth, increasing unemployment and reduced consumer demand materially dented demand for commercial space. The Manager continued to adjust its business strategies in response to the evolving market dynamics, and provide various forms of support to tenants, in the hope of overcoming the present difficulties together with them.

In the first half of 2022, Shenzhen and Beijing were both placed under lockdown due to the pandemic, and the office market remained lackluster as office users were more cautious about office expansion. In the first half of 2022, the office rental market in Shenzhen faced some pressure in both occupancy rate and rent; city-wide Grade A office rental rates dropped by 0.7% from the end of 2021 to RMB 209.1/sq.m./month, while the vacancy rate rose by 3.4 percentage points. In the Nanshan district Grade A office rent rates managed to hold at the same level as the end of 2021, but as several Grade-A office buildings were launched over the past half year, the vacancy rate in the district increased by 5.3 percentage points to 26.2%. In Beijing it was a different story because of the lack of new supply there; while the Grade A office rental rates there also edged down, by 1.5% from the end of 2021, vacancy rates in the city have been improving. Within the CBD the situation was even better due to its developed transportation system and comprehensive amenities; Grade A office rental rates edged up 0.6% to RMB363/sq.m./month while the vacancy rate fell by 1.6 percentage points to 9.5%. In recent years this district has attracted a large number of tenants from emerging industries.

The retail rent rates and vacancy rates in both Shenzhen city and its Nanshan district remained relatively stable in the first half of year, little changed from the end of 2021. In accordance with the epidemic prevention measures imposed in Shenzhen, all shops were required to suspend operations during the control period except for retailers of daily necessities and take-out catering. The Shenzhen municipal government introduced a number of measures to bolster consumption and stabilize the overall retail market, including issuing consumption vouchers and providing subsidies for new cars. As a result, retail sales for the first half of the year in the city managed to remain at the same level as the corresponding period of last year. By category, sales of consumer goods grew by 1.4%, which was mainly driven by car sales, while food & beverage revenue dropped by 11.4%. Both these sectors are the key anchor trade mix of shopping mall, which adversely affected the operations and tenant adjustment of the shopping malls in the first half of the year. Some owners of shopping centres provided rent relief of up to 4.5 months to tenants in order to curb the vacancy rate.

Property Overview

	Occupancy rate (%) as at			Valuation (RMB million) as at			Passing rent (RMB/sq.m.) as at		
	30 Jun 2022	31 Dec 2021	30 Jun 2021	30 Jun 2022	31 Dec 2021	30 Jun 2021	30 Jun 2022	31 Dec 2021	30 Jun 2021
New Times Plaza	92.3	91.9	88.6	2,086	2,077	2,074	182.2	179.4	178.3
Cyberport Building	75.9	71.3	76.7	1,067	1,065	1,057	125.6	126.9	126.9
Technology Building	100.0	100.0	100.0	892	888	888	122.3	119.6	115.3
Technology Building 2	76.8	81.2	79.5	1,103	1,101	1,096	116.9	116.1	114.8
Garden City Shopping Centre	84.5	90.5	89.0	1,620	1,615	1,593	173.3	176.8	173.1
Sub total	86.5%	87.7%	87.1%	6,768	6,746	6,708			
Onward Science & Trade Center ¹	70.4	/	/	2,730	/	/	319.2	/	/
Total Property Portfolio	84.2	87.7	87.1	9,498	6,746	6,708			

Note:

- (1) The occupancy rate of Onward Science & Trade Center rose by 4 percentage points to 70.4% from that as of 31 March 2022 as stated in the acquisition circular dated 14 June 2022. Passing rent dropped by RMB7.6/sq.m. (or 2.3%) to RMB319.2/sq.m., mainly because some tenants have renewed their lease on 30 June 2022.

During the Reporting Period, the aggregate occupancy rate of the total property portfolio dropped from 87.7% on 31 December 2021 to 84.2% on 30 June 2022, mainly because of the lower occupancy rate of Onward Science & Trade Center which was newly acquired. The impact of the new Beijing property becomes evident once we examine the property by geography – the five existing properties in Shenzhen recorded an occupancy rate of 86.5%, representing a decrease of 1.2 percentage points from that in the end of 2021. By property nature, the occupancy rate of the four Shenzhen office buildings in aggregate rose from 86.9% in the end of 2021 to 87.0%, while the occupancy rate of Garden City Shopping Centre fell by 6 percentage points to 84.5%.

During the Reporting Period, passing rents within the property portfolio were stable with minimal fluctuations.

A revaluation of our properties was carried out as at 30 June 2022, by Cushman & Wakefield Limited, an independent property valuer and CMC REIT's principal valuer. The market value of our portfolio increased from RMB6,746 million as of 31 December 2021 to RMB9,498 million as of 30 June 2022. This increase of RMB2,752 million was primarily due to the injection of Onward Science & Trade Center, valued at RMB2,730 million. The remaining increase of RMB22 million was due to the properties located in Shenzhen.

New Times Plaza

Despite the ongoing COVID-19 pandemic and the release of several grade-A office buildings in the Nanshan district of Shenzhen, New Times Plaza was able to rise to the challenge. The prevailing rent rose by RMB2.8/sq.m. to RMB182.2/sq.m., and the occupancy rate rose by 0.4 percentage points to 92.3% over the Reporting Period. Given the supply/demand situation, the Manager will focus on maintaining the occupancy rate as New Times Plaza's principal lease management objective.

Cyberport Building, Technology Building and Technology Building 2

The operating statistics at Technology Building have been admirable ever since it acquired its new anchor tenant – Shenzhen Qianhai Shekou Free Trade Zone Hospital. The occupancy rate has been maintained at 100% since 30 June 2021, while the passing rent has also been rising steadily as the hospital continues to takeover space from expiring tenants at higher rents. Over the past 6 months the passing rent has risen from RMB119.6/sq.m. to RMB122.3/sq.m..

On the other hand, as the occupants of the Shenzhen Net Valley are primarily small enterprises who are disproportionately vulnerable to the disruption caused by Covid-19, this has dampened demand for office space from our other two properties in the area. We have prioritized the backfilling of vacancies at Cyberport Building, the newer of our two remaining properties, and the occupancy rate there has recovered by 4.6 percentage points to 75.9%. This new letting however has caused the passing rent to decline by RMB1.3/sq.m., to RMB125.6/sq.m. The occupancy rate of Technology Building 2 fell by 4.4 percentage points from the end of last year to 76.8% currently. As exiting tenants were paying lower rents, this has had the effect of boosting the passing rent by RMB0.8/sq.m., to RMB116.9/sq.m..

Garden City Shopping Centre

Over the Reporting Period, the occupancy rate of Garden City Shopping Centre fell by 6.0 percentage points to 84.5%, mainly because of two reasons. Firstly, because of the recurring epidemic in Shenzhen, all shops were closed for 7 to 30 days, and some tenants even chose to terminate their lease prematurely. Secondly, we did not arrange the renewal of some expiring leases so that certain areas have been left vacant as part of the upcoming assets enhancement plan. Those spaces are expected to achieve much higher rents after the renovations are completed. The overall passing rent declined RMB3.5 to RMB173.3/sq.m..

Onward Science & Trade Center

CMC REIT acquired a majority stake in Onward Science & Trade Center on 30 June 2022. The property is strategically located within the China World Trade Center CBD. The China World Trade Center CBD in the Chaoyang district of Beijing is one of the most famous international business districts in China, and its occupants are world leading financial, media, IT, consulting and service companies. The tenants of Onward Science & Trade Center are mainly from the financial, leasing and commercial service industries. As Onward Science & Trade Center is at the tail end of asset enhancement works, going forward the occupancy rate and passing rent are expected to improve.

Financial Performance

Total revenue of CMC REIT for the Reporting Period was RMB175.0 million, a decrease of approximately RMB36.8 million over the revenue for the 2021 Relevant Period. The rental relief provided to tenants in 2022 is the main reason of this decrease in total revenue.

Property operating expenses of CMC REIT for the Reporting Period were RMB50.0 million. Property management expenses were RMB25.8 million, which contributed to 51.6% of property operating expenses; operation manager's fee and other taxes contributed to 14.1% and 30.5% of property operating expenses respectively. After deducting property operating expenses, net property income was RMB125.1 million for the Reporting Period.

The appraised value of CMC REIT's portfolio increased RMB2,752 million compared to 31 December 2021. Financial costs for the Reporting Period were RMB30.5 million, comprising approximately RMB28.1 million in interest expense on bank borrowings, with the remainder consisting of amortization of upfront payments.

Rental Income for each property

RMB million

	Reporting Period	2021 Relevant Period	Change
New Times Plaza	57.1	62.0	-7.9%
Cyberport Building	11.7	20.7	-43.5%
Technology Building	20.5	26.2	-21.8%
Technology Building 2	20.2	24.3	-16.9%
Garden City Shopping Centre	34.7	47.8	-27.4%
Onward Science & Trade Center	0.0	/	/
Total	<u>144.2</u>	<u>181.0</u>	<u>-20.3%</u>

The rental income for the Reporting Period was RMB144.2 million, a decrease of 20.3% when compared to the 2021 Relevant Period. This decrease was primarily due to rental relief.

A rental relief package was provided to tenants of properties in the second quarter of 2022. This package aimed at tenants that are individuals or small enterprises. Selected tenants were granted a maximum of 3 months of rental rebate under the scheme. The total relief on rental was RMB36.4 million. The relief amounts by building are listed below:

RMB million

New Times Plaza	4.0
Cyberport Building	8.7
Technology Building	4.9
Technology Building 2	2.6
Garden City Shopping Centre	<u>16.2</u>
Total	<u>36.4</u>

Rental income of Technology Building decreased by 21.8%, or RMB5.7 million. It is mainly due to the impact of RMB4.9 million in rental relief provided to tenants.

The 43.5% decrease in rental income for Cyberport Building is mainly due to rental relief.

For Garden City Shopping Center, the increase in rental income except rental relief is RMB3.1 million.

Capital Structure

Total net borrowings of CMC REIT were RMB3,802 million, equivalent to a gearing ratio of 35.0%. This ratio is lower than the permitted limit of 50% as stipulated by the amended Code on Real Estate Investment Trusts (the “REIT Code”) gazette in December 2020. Gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets were 60.6% (2021 year end: 47.0%).

Pursuant to the onshore facility agreement and offshore facility agreement entered into between the banks and the PRC Property Companies, as well as the Holding Company (as defined in the Offering Circular) in November 2019, CMC REIT has obtained onshore loan facility and offshore loan facility of RMB100 million and RMB2,400 million, respectively. As at 30 June 2022, CMC REIT has drawn down an amount of RMB18 million and HKD 2,700 million from the above mentioned loan facilities (total drawn down amount equals to RMB2,319 million), which is secured and will mature at 16 December 2022.

CMC REIT has obtained a new offshore loan facility of RMB100 million. As at 30 June 2022, CMC REIT has drawn down an amount of HKD 115 million (equivalent to RMB98 million) from this loan facility, which is secured and will mature at 17 May 2023.

For the acquisition completed at 30 June 2022, CMC REIT has entered into a new offshore facility. This facility is dominated in Hong Kong dollar with amount up to RMB1,500 million. This facility is payable at 30 June 2023. As at 30 June 2022, CMC REIT has drawn down HKD 1,629 million (equivalent to RMB1,387 million) from the secured facility.

The offshore loans stated above bear interest at a fixed rate of 1.2% – 2.75% per annum or HIBOR plus 0.9% – 1.0% per annum, respectively. The onshore loans stated above bear interest at a fixed rate of 4.5% per annum.

The Manager has received a letter of intent from a bank for a refinancing loan of up to RMB3,900 million to refinance the above facilities. The refinancing loan will be due and payable within 36 months from the date of the first drawdown.

Net Assets Attributable to Unitholders

As at 30 June 2022, net assets attributable to Unitholders amounted to RMB3,899 million (31 December 2021: RMB4,007 million) or RMB3.46 per Unit, equivalent to HKD4.05 per Unit (“NAV per Unit”) (31 December 2021: RMB3.55 per Unit, equivalent to HKD4.34) based on central parity rate as announced by the People’s Bank on 30 June 2022. The closing unit price of HKD2.58 on 30 June 2022 was at a 36.3% discount to the NAV per Unit.

Assets Enhancement

Currently, the asset enhancement works of our office properties are nearly complete except for Technology Building, while upgrading of Garden City Shopping Centre has fallen behind schedule.

New Times Plaza has essentially completed the upgrading works of the common areas on each office floor. The upgrading and renovation of the lobby is ongoing, and should be completed by Q3 2022. Because subway construction is taking place in parts of the external grounds of New Times Plaza, and the progress of this construction has been slowed by COVID-19 restrictions, certain remaining external works such as landscaping and the erecting of billboards will be delayed.

As for Garden City Shopping Centre, we remain in close communication with the Metro Group and the relevant governmental authorities regarding the tunnel connecting our mall to the new Metro line, to speed up tendering and construction on our end. The design of Garden City Shopping Centre's new facade has been finalised, while construction drawings for the interior design are in progress. The landscape design will be complimentary to the drawing and plans of the future municipal rejuvenation project. As upgrading works are contingent on the progress of the new Metro line and beyond our control, epidemic conditions permitting, we will do our utmost, including obtaining government approvals, to complete the asset enhancement plan as soon as the subway connection is ready.

Asset enhancement works at Onward Science & Trade Center were mostly completed before we acquired it, and all that remains is the replacement of certain elevators and fire inspection. These will be completed this year.

Asset Enhancement Budget

Up to 30 June 2022, the cumulative capital expenditure related to asset enhancement is RMB53.2 million, broken down as follows:

Technology Building 2	RMB5.5 million
Cyberport Building	RMB9.5 million
New Times Plaza	RMB11.5 million
Garden City Shopping Centre	RMB26.7 million

Prevention of COVID-19

In the first half of 2022, the pandemic was recurring in Shenzhen. Under the harsh conditions, the Manager was strict in disease control, to put every prevention work in place.

The recurring outbreak of COVID-19 pandemic in the Q1 2022 exerted huge influence on commercial complexes. In response to governmental requirements for disease control, all training or educative tenants in Garden City Shopping Centre closed their business from 7 January 2022 to 5 April 2022; while retailing tenants closed their business from 13 March 2022 to 19 March 2022. Food & beverage tenants, also under big impacts, closed their business from 27 February 2022 to 6 March 2022, and restricted their business from 7 March 2022 to 30 March 2022. In the Q2 2022, even though the pandemic was mitigated, the influence on tenants continued. It would take a long time for commercial tenants to absorb the negative effects of consumer's desire reduction and downward economic trend.

The four office buildings and Garden City Shopping Centre continued to regard disease control as an important part of ordinary work, for example: to clean and sterilise the office areas and public areas frequently every day; to strengthen personnel and vehicles control at the entrance/exit, equip the entrance/exit with thermometers, where special inspectors will check the face mask and health code; to enhance the cleaning and sterilisation of indoor air filtering devices to ensure air circulation; to keep in touch with governmental authorities at any time, to issue the notice of disease control in a timely manner.

In the harshest month from February to March 2022, the four office buildings were in the good care of employees on duty 24 hours a day, to assist customers in remote office, solve problems for tenants, and ensure tenants' office requirements were satisfied in the lockdown. Garden City Shopping Centre strictly implemented the governmental requirements for disease control on commercial venues, and actively worked with customers to launch food & beverage delivery service and assist customers in stabilising operation during the lockdown.

In addition, Technology Building is the biggest vaccination point for China Merchants Subdistrict, and also the only foreigners vaccination point in Shenzhen; Cyberport Building, Technology Building 2 and Garden City Shopping Centre set up nucleic acid detection stations, to save time for tenants and increase their experience.

With the pandemic becoming a normal, the Manager faced up to the difficulties, and kept prudent optimism in operation and management. Meanwhile, the Manager focused on tenants' operation during the pandemic, adopted flexible leasing strategy, provided rental relief and appropriate support for tenants at its discretion.

Outlook

Affected by the COVID-19 pandemic, businesses are more cautious about expansion, and demand continues to be suppressed. Moreover, there are many office and industrial buildings under construction in Shenzhen, which will be incrementally launched into the market. This substantial volume of supply will make the Shenzhen office market increasingly challenging. The situation is similar in Beijing. In the early years the government released a large number of commercial sites within CBD area with expected completion by 2025. Thus whether in Shenzhen or Beijing, oversupply matched with suppressed demand can be expected in short to medium term for the office market. As for the market for retail properties, the uncertain economic outlook and poor consumer demand has weakened the confidence of retailers. Consequently, leasing demand for retail space will remain dampened.

Currently, of the 6 properties owned by CMC REIT only Technology Building has no plans for asset enhancement. The other 5 have either completed or are undergoing asset enhancement initiatives. This will improve building quality and enhance market competitiveness, resulting in higher rents and revenue for unit holders. However, due to controlling measures for COVID-19, some projects have been delayed. In particular, the launch date of Metro Line 12 which runs near our Shenzhen properties has been postponed to the second half of 2022, directly affecting the completion of asset enhancement at Garden City Shopping Centre.

Besides the above mentioned impacts, most of the world is continuing to tighten monetary policy in response to high inflation, which subsequently impedes the development of the REIT sector. For example, in the first half of 2022, the US Federal Reserve Board raised interest rates thrice followed by a 0.75% hike in July. This tightening of monetary policy and the high interest rate environment have increased financing costs, suppressing the further expansion of the REIT industry.

The Manager will closely track the market dynamics, expand marketing channels, and gain equilibrium in rent level and occupancy rate, to create high quality stable benefits to unit holders. The Manager will also work more closely with operation and property managers, to speed up the asset enhancement initiatives progress along with the development of Metro Line 12, in the hope that the overall constructions of Garden City Shopping Centre could be completed in 2023, when a brand new image will be released to the market.

At present, the Manager is actively negotiating with several banks on the refinancing of CMC REIT's debt, and aims for more flexible terms that will facilitate future asset acquisition and expansion of CMC REIT. At the same time, this is a chance to further optimise the capital structure of CMC REIT.

PORTFOLIO HIGHLIGHTS

Tenant's Industry Profile

The following tables depict the industry profile of our tenants by reference to their rental area as a percentage of the Gross Rentable Area ("GRA") as at 30 June 2022, and their percentage contribution to Gross Rental Income in June 2022:

Breakdown for all properties	Percentage of GRA	Percentage of monthly rental income
Scientific and Information Technology	15.3%	12.1%
Leasing and Business Service	10.9%	15.5%
Health Care Service	10.6%	9.3%
Real Estate	9.4%	12.9%
Finance	7.8%	14.8%
Department Store	6.4%	8.2%
Life Service	5.9%	5.3%
Food and Beverage	5.3%	7.4%
Logistics	4.4%	5.4%
Petroleum	2.3%	3.0%
Hotel	1.1%	0.9%
Construction and Engineering	0.8%	1.1%
Supermarket	0.7%	0.9%
Education	0.6%	0.2%
Wholesale and Retail	0.4%	0.5%
Manufacturing	0.2%	0.2%
Others	2.1%	2.3%
Vacant	15.8%	–

Breakdown for office buildings	Percentage of GRA	Percentage of monthly rental income
Scientific and Information Technology	19.0%	15.2%
Leasing and Business Service	13.6%	19.3%
Health Care Service	13.2%	11.7%
Real Estate	11.6%	16.1%
Finance	9.7%	18.5%
Logistics	5.5%	6.8%
Petroleum	2.9%	3.7%
Food and Beverage	1.6%	1.5%
Hotel	1.4%	1.2%
Construction and Engineering	1.0%	1.3%
Life Service	0.7%	0.5%
Education	0.7%	0.2%
Wholesale and Retail	0.5%	0.6%
Manufacturing	0.2%	0.3%
Supermarket	0.1%	0.2%
Others	2.4%	2.9%
Vacant	15.9%	–

Breakdown for retail property	Percentage of GRA	Percentage of monthly rental income
Department Store	32.9%	41.0%
Life Service	27.4%	24.5%
Food and Beverage	20.8%	30.8%
Supermarket	3.4%	3.7%
Vacant	15.5%	–

Note: The Tenants' industry sector are based on the classification of the Manager.

Lease Expiry Profile of all properties

The following tables set out the tenant expires of the properties shown as a percentage of their GRA and as a percentage of monthly rental income as of June 2022:

Expiry Period	Percentage of GRA	Percentage of monthly rental income
2022	21.4%	27.7%
2023	22.3%	22.8%
2024	16.8%	20.5%
2025	10.3%	10.0%
2026	6.3%	7.0%
2027 and beyond	7.1%	12.0%
Vacant	15.8%	–

Lease Expiry Profile of office buildings

Expiry Period	Percentage of GRA	Percentage of monthly rental income
2022	22.3%	28.5%
2023	24.0%	22.1%
2024	18.9%	22.8%
2025	8.8%	8.0%
2026	3.6%	5.3%
2027 and beyond	6.5%	13.3%
Vacant	15.9%	–

Lease Expiry Profile of retail property

Expiry Period	Percentage of GRA	Percentage of monthly rental income
2022	18.0%	25.0%
2023	15.0%	25.4%
2024	8.0%	11.3%
2025	16.4%	17.8%
2026	17.4%	13.8%
2027 and beyond	9.7%	6.7%
Vacant	15.5%	–

CORPORATE GOVERNANCE

With the objectives of establishing and maintaining high standards of corporate governance, policies and procedures have been put in place to promote the operation of CMC REIT in a transparent manner and with built-in checks and balances. The Manager has adopted a compliance manual (the “**Compliance Manual**”) which sets out corporate governance policies as well as the responsibilities and functions of each key officer. The Compliance Manual also clearly defines reporting channels, workflows, and specifies procedures and forms designed to facilitate the compliance of the Manager with various provisions of the Trust Deed, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”), the Code on Real Estate Investment Trusts (the “**REIT Code**”) and other relevant rules and regulations.

The corporate governance policies of CMC REIT have been adopted having due regard to the requirements under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”), with necessary changes as if those rules were applicable to REITs. To prevent the misuse of inside information and to monitor and supervise any dealings of Units, the Manager has adopted a code containing rules on dealings by the directors and the Manager equivalent to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Throughout the Reporting Period, the Manager and CMC REIT has complied with the REIT Code, the relevant provisions of the SFO, the Listing Rules applicable to CMC REIT, the Trust Deed and the Compliance Manual in all material respects.

EMPLOYEES

CMC REIT is an externally managed trust and does not employ any staff.

NEW UNITS ISSUED

During the Reporting Period, there were no new Units issued.

REPURCHASE, SALE OR REDEMPTION OF UNITS

Pursuant to the Trust Deed, the Manager shall not repurchase any units on behalf of CMC REIT unless permitted to do so under the relevant codes and guidelines issued by SFC from time to time. During the Reporting Period under review, there was no sale or redemption of units by CMC REIT or its wholly-owned and controlled entities.

PUBLIC FLOAT OF THE UNITS

Based on the information that is publicly available and as far as the Manager is aware, not less than 25% of the issued units were held in public hands as at 30 June 2022.

SUMMARY OF PROPERTIES TRADING

During the Reporting Period, CMC REIT acquired a 51% interest in a special purpose vehicle that holds a 46.41% interest in certain units with a total floor area of 48,370 sq.m. in Onward Science & Trade Center. For details, refer to our circular dated 14 June 2022.

REVIEW OF FINANCIAL RESULTS

The unaudited interim results of CMC REIT for the Reporting Period have been reviewed by the Disclosures Committee and Audit Committee of the Manager in accordance with their respective terms of reference, in conjunction with the external auditors of CMC REIT.

PUBLICATION OF INTERIM REPORT

The interim report of CMC REIT for the Reporting Period will be published on the respective websites of the Stock Exchange at www.hkexnews.hk and CMC REIT at www.cmcreit.com, and will be despatched to Unitholders on or around 28 September 2022.

By order of the Board
China Merchants Land Asset Management Co., Limited
(as manager of China Merchants Commercial Real Estate
Investment Trust)
Mr. HUANG Junlong
Chairman of the Manager

Hong Kong, 30 August 2022

As of the date of this announcement, the Board of the Manager comprises Mr. HUANG Junlong (Chairman), Mr. YU Zhiliang and Ms. LIU Ning as Non-executive Directors, Mr. GUO Jin as Executive Director, and Mr. LIN Hua, Mr. LIN Chen and Ms. Wong Yuan Chin Tzena as Independent Non-executive Directors.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTES	For six months period ended	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	4	175,043	211,802
Property operating expenses	5	(49,990)	(50,778)
Net property income		125,053	161,024
Exchange (losses) gains		(93,518)	16,575
Other income	6	6,363	4,892
Increase in fair value of investment properties		17,279	57,874
Manager's fee		(8,435)	(10,845)
Trust and other expenses		(1,659)	(3,451)
Finance costs	7	(30,523)	(29,486)
Profit before tax and distribution to unitholders	8	14,560	196,583
Income taxes	9	(41,804)	(63,816)
(Loss) profit for the period, before distribution to unitholders		(27,244)	132,767
Distribution to unitholders		(75,918)	(97,600)
(Loss) profit for the period and total comprehensive (expense) income for the period, after distribution to unitholders		(103,162)	35,167
(Loss) profit for the period, before distribution to unitholders attributable to:			
Unitholders		(32,090)	132,767
Non-controlling interests		4,846	–
		(27,244)	132,767
Total comprehensive (expense) income for the period, after distribution to unitholders attributable to:			
Unitholders		(108,008)	35,167
Non-controlling interests		4,846	–
		(103,162)	35,167
Basic (loss) earnings per unit	10	RMB(0.03)	RMB0.12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	<i>NOTES</i>	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Non-current assets			
Investment properties	<i>11</i>	9,498,000	6,746,000
Property, plant and equipment		784	425
Time deposits with maturity over one year		50,070	–
		<u>9,548,854</u>	<u>6,746,425</u>
Current assets			
Trade and other receivables	<i>12</i>	24,709	10,171
Amounts due from related companies		72,976	73,280
Time deposits with maturity over three months		82,523	–
Bank balances and cash		1,144,362	734,089
		<u>1,324,570</u>	<u>817,540</u>
Total assets		<u>10,873,424</u>	<u>7,563,965</u>
Current liabilities			
Trade and other payables	<i>13</i>	252,780	105,926
Amounts due to related companies		159,420	15,528
Distribution payable		128,684	136,392
Tax payables		13,277	15,172
Secured bank borrowings	<i>14</i>	3,802,056	2,209,875
		<u>4,356,217</u>	<u>2,482,893</u>

	<i>NOTES</i>	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Non-current liabilities, excluding net assets attributable to unitholders			
Amounts due to non-controlling interests		1,137,255	–
Deferred tax liabilities		1,099,908	1,074,088
		<hr/>	<hr/>
Total non-current liabilities, excluding net assets attributable to unitholders		2,237,163	1,074,088
		<hr/>	<hr/>
Total liabilities, excluding net assets attributable to unitholders		6,593,380	3,556,981
		<hr/>	<hr/>
Non-controlling interests		381,068	–
		<hr/>	<hr/>
Net assets attributable to unitholders		3,898,976	4,006,984
		<hr/>	<hr/>
Number of units in issue		1,127,819,549	1,127,819,549
		<hr/>	<hr/>
Net asset value per unit attributable to unitholders	<i>15</i>	RMB3.46	RMB3.55
		<hr/>	<hr/>

DISTRIBUTION STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	For six months period ended	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss) profit for the period attributable to unitholders, before distribution to unitholders	(32,090)	132,767
Adjustments on amount that are attributable to unitholders:		
Increase in fair value of investment properties	(10,815)	(57,874)
Non-cash finance costs	2,400	2,400
Exchange losses (gains)	93,518	(16,575)
Reversal of impairment losses for expected credit loss model	–	(6)
Depreciation	39	39
Deferred tax	22,866	36,849
	<hr/>	<hr/>
Total distributable income to unitholders (note (ii))	75,918	97,600
	<hr/>	<hr/>
Payout ratio (note (i))	100%	100%
	<hr/>	<hr/>
Distributions per unit (“DPU”)		
Before taking into account the effect of the distribution commitment	RMB0.0673	RMB0.0865
	<hr/>	<hr/>
After taking into account the effect of the distribution commitment	RMB0.1141	RMB0.0865
	<hr/>	<hr/>

Notes:

- (i) Pursuant to the Trust Deed, the total distributable income is profit for the period, before distribution to unitholders as adjusted to eliminate the effects of Adjustments (as set out in the Trust Deed) which have been recorded in the condensed consolidated statement of profit or loss and other comprehensive income statement for the relevant period. China Merchants Commercial REIT is required to distribute to unitholders not less than 90% of its distributable income of each financial period. The Manager intends to distribute to the Unitholders an amount of 100% of annual total distributable income of China Merchants Commercial REIT for each relevant period from the 10 December 2019 (“**Listing Date**”) to 31 December 2022, and at least 90% of the total annual distributable income for each financial year thereafter.
- (ii) The proposed interim distribution per unit of RMB0.0673 (six months ended 30 June 2021: RMB0.0865) for the six months ended 30 June 2022 is calculated based on the interim distribution to be paid to unitholders of RMB75,918,000 (six months ended 30 June 2021: RMB97,600,000) for the period and 1,127,819,549 (six months ended 30 June 2021: 1,127,819,549) units in issue as at 30 June 2022.

- (iii) Pursuant to the DPU commitment deed entered into among, Eureka, China Merchants Commercial REIT and the Trustee, Eureka has undertaken to make a payment to the Trustee for the benefit of China Merchants Commercial REIT if the annualised provisional DPU is less than the annualised committed DPU for the relevant periods as set out below:

Relevant period	Annualised committed DPU
Listing Date to 31 December 2019	HK\$0.2360 per unit
12 months ending 31 December 2020	HK\$0.2360 per unit
12 months ending 31 December 2021	HK\$0.2541 per unit
12 months ending 31 December 2022	HK\$0.2614 per unit

The interim DPU for the period ended 30 June 2022 after taking into account the effect of the distribution commitment is HK\$0.1307 (equivalent to RMB0.1141). All distributions are settled in Hong Kong dollars.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. GENERAL INFORMATION

China Merchants Commercial REIT is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its units are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**HKSE**”). China Merchants Commercial REIT is governed by the deed of trust dated 15 November 2019, as amended from time to time (the “**Trust Deed**”), entered into between China Merchants Land Assets Management Co., Limited (the “**Manager**”) and the Trustee, and the Code on Real Estate Investment Trusts (the “**REIT Code**”) issued by the Securities and Futures Commission of Hong Kong.

The principal activity of China Merchants Commercial REIT is investment holding and its subsidiaries own and invest in income-producing commercial properties in Shenzhen and Beijing with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit. The address of the registered office of the Manager and the Trustee, are Room 2603 to 2606, 26/F, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong and level 60, International Commerce Centre, 1 Austin Road, West Kowloon, Hong Kong, respectively.

The condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is the same as the functional currency of China Merchants Commercial REIT.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKSE and with International Accounting Standard 34 (“**IAS 34**”) “Interim Financial Reporting” and the relevant disclosure requirements set out in Appendix C of the REIT Code issued by the Securities Futures Commission of Hong Kong.

As at 30 June 2022, the Group had a net current liabilities of RMB3,031,647,000. In preparing the financial statements, the Manager has given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken by the Manager to manage the liquidity position of the Group and to improve the financial position of the Group, and the plans and measures are as follows.

The Group has planned to refinance the existing banking facilities of RMB3,900,000,000 including term loans for financing its investment properties.

The Manager are of opinion that, the Group is able to meet the requirements in financial, operational, legal and litigation aspects listed under the draft of banking facilities letter for the refinancing of the existing banking facilities. Therefore, the Group will be able to refinance the existing banking facilities. Moreover, the Group has received quotations from several other banks which have high interest in providing banking facilities to the Group if the Group does not refinance the banking facilities with the existing bank.

As at 30 June 2022, the fair value of investment properties of RMB9,498,000,000 which is above the total amount of the banking facilities expected to be refinanced or obtained from other banks. In view of sufficient headroom between the amount of banking facilities and the fair value of investment properties, the Manager are of the opinion that the refinancing of existing available bank facilities or obtaining banking facilities from other banks are highly probable.

As at 30 June 2022, bank borrowings with a carrying amount of HK\$3,785,997,000 included a covenant which requires the total debts of the Group over the earnings before interest, tax and depreciation of the Group to be less than a required ratio. Upon the acquisition of subsidiaries on 30 June 2022 as mentioned in note 19, the Group breached the relevant covenant. Subsequent to 30 June 2022, the Group has obtained a waiver letter from the bank indicating that bank would not exercise such repayment of demand clause before its maturity date.

The Manager are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to meet its financial obligations as they fall due within twelve months from the date of approval of the condensed consolidated financial statements. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

Except the below additional significant accounting policies which became relevant during the interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Non-controlling interests

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

Profit or loss and each item of other comprehensive income are attributed to the unitholders and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the unitholders and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests in subsidiaries are presented separately from net assets attributable to unitholders, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

Except as described below, the application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impact on application of Amendments to IFRSs Annual Improvements to IFRSs 2018–2020

The Group has applied the annual improvements which make amendments to the following standards:

IFRS 9 Financial Instruments

The amendments clarified that the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fee paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue recognition

	For six months period ended	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Rental income from office buildings and a shopping centre	144,196	180,926
Management fee income	20,815	18,896
Carpark income	4,059	4,472
Others	5,973	7,508
Revenue from contracts with customers recognised over time	30,847	30,876
	175,043	211,802

Segment information

The Group determines its operating segments based on the reports reviewed by the Manager, being the chief operating decision maker (the “CODM”), that are used to make strategic decisions. The Group's reportable segments are classified as six investment properties, which are individual office buildings namely New Times Plaza, Cyberport Building, Technology Building, Technology Building 2 and Onward Science and Trade Center, and a shopping centre namely Garden City Shopping Centre.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the period ended 30 June 2022 (unaudited)

	New Times Plaza RMB'000	Cyberport Building RMB'000	Technology Building RMB'000	Technology Building 2 RMB'000	Garden City Shopping Centre RMB'000	Onward Science and Trade Center RMB'000	Total RMB'000
Segment revenue	<u>66,185</u>	<u>14,478</u>	<u>23,338</u>	<u>22,800</u>	<u>48,242</u>	<u>-</u>	<u>175,043</u>
Segment results	<u>50,932</u>	<u>353</u>	<u>23,622</u>	<u>18,361</u>	<u>41,997</u>	<u>12,057</u>	<u>147,322</u>
Exchange losses							(93,518)
Other income							1,046
Manager's fee							(8,435)
Trust and other expenses							(1,659)
Finance costs							<u>(30,196)</u>
Profit before tax and distribution to unitholders							14,560
Income taxes							<u>(41,804)</u>
Loss for the period, before distribution to unitholders							<u>(27,244)</u>

For the period ended 30 June 2021 (unaudited)

	New Times Plaza RMB'000	Cyberport Building RMB'000	Technology Building RMB'000	Technology Building 2 RMB'000	Garden City Shopping Centre RMB'000	Total RMB'000
Segment revenue	<u>70,448</u>	<u>23,763</u>	<u>28,284</u>	<u>26,819</u>	<u>62,488</u>	<u>211,802</u>
Segment results	<u>63,121</u>	<u>32,634</u>	<u>44,196</u>	<u>35,995</u>	<u>47,811</u>	<u>223,757</u>
Exchange gains						16,575
Other income						5
Manager's fee						(10,845)
Trust and other expenses						(3,451)
Finance costs						<u>(29,458)</u>
Profit before tax and distribution to unitholders						196,583
Income taxes						<u>(63,816)</u>
Profit for the period, before distribution to unitholders						<u>132,767</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit before tax earned by each segment without allocation of exchange (losses) gains, certain other income, other unallocated operating expenses and other unallocated finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

As at 30 June 2022 (unaudited)

	New Times Plaza <i>RMB'000</i>	Cyberport Building <i>RMB'000</i>	Technology Building <i>RMB'000</i>	Technology Building 2 <i>RMB'000</i>	Garden City Shopping Centre <i>RMB'000</i>	Onward Science and Trade Center <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	<u>2,297,771</u>	<u>1,140,751</u>	<u>991,102</u>	<u>1,182,358</u>	<u>1,779,947</u>	<u>3,136,617</u>	<u>10,528,546</u>
Unallocated assets							<u>344,878</u>
Consolidated total assets							<u>10,873,424</u>
Segment liabilities	<u>361,560</u>	<u>206,917</u>	<u>172,975</u>	<u>215,724</u>	<u>274,987</u>	<u>1,385,563</u>	<u>2,617,726</u>
Unallocated liabilities							<u>3,975,654</u>
Consolidated total liabilities							<u>6,593,380</u>

As at 31 December 2021 (audited)

	New Times Plaza <i>RMB'000</i>	Cyberport Building <i>RMB'000</i>	Technology Building <i>RMB'000</i>	Technology Building 2 <i>RMB'000</i>	Garden City Shopping Centre <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	<u>2,244,391</u>	<u>1,123,619</u>	<u>967,463</u>	<u>1,165,638</u>	<u>1,745,494</u>	<u>7,246,605</u>
Unallocated assets						<u>317,360</u>
Consolidated total assets						<u>7,563,965</u>
Segment liabilities	<u>361,015</u>	<u>203,550</u>	<u>165,580</u>	<u>215,484</u>	<u>266,635</u>	<u>1,212,264</u>
Unallocated liabilities						<u>2,344,717</u>
Consolidated total liabilities						<u>3,556,981</u>

5. PROPERTY OPERATING EXPENSES

	For six months period ended	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Advertising and promotion	1,275	831
Agency fee	122	138
Property management expenses	25,849	24,601
Operations manager's fee	7,072	8,655
Other taxes	15,264	15,410
Others	408	1,143
	<u>49,990</u>	<u>50,778</u>

6. OTHER INCOME

	For six months period ended	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest income	5,547	4,754
Others	816	138
	<u>6,363</u>	<u>4,892</u>

7. FINANCE COSTS

	For six months period ended	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest expense on bank borrowings	28,123	27,086
Amortisation of upfront payments	2,400	2,400
	<u>30,523</u>	<u>29,486</u>

8. PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS

	For six months period ended	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before tax and distribution to unitholders has been arrived at after charging (crediting):		
Auditors' remuneration	1,572	1,502
Depreciation	39	39
Trustee's remuneration	860	661
Principal valuer's fee	83	83
Bank charges	3,641	16
Interest income	(5,547)	(4,754)
	<u> </u>	<u> </u>

9. INCOME TAXES

	For six months period ended	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")		
Current year	17,567	27,120
Overprovision in prior period	(247)	(153)
Deferred tax	<u>24,484</u>	<u>36,849</u>
	<u>41,804</u>	<u>63,816</u>

No provision for Hong Kong Profits Tax has been provided as the Group has no estimated assessable profits in Hong Kong in both periods.

Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the BVI.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory income tax rate of the PRC subsidiaries is 25% for the current period.

10. BASIC (LOSS) EARNINGS PER UNIT

The calculation of the basic (loss) earnings per unit, before distribution to unitholders is based on the (loss) profit for the period, before distribution to unitholders attributable to unitholders of RMB32,090,000 (six months ended 30 June 2021: RMB132,767,000) and the weighted average number of units of 1,127,819,549 (six months ended 30 June 2021: 1,127,819,549) in issue during the period.

There were no dilutive potential units during the period ended 30 June 2022 and 30 June 2021, therefore the diluted earnings per unit has not been presented.

11. INVESTMENT PROPERTIES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
FAIR VALUE		
At the beginning of the period/year	6,746,000	6,644,000
Additions during the period/year	41,031	20,493
Acquisition of subsidiaries	2,693,690	–
Fair value changes on investment properties	17,279	81,507
	<u>9,498,000</u>	<u>6,746,000</u>
At the end of the period/year	<u>9,498,000</u>	<u>6,746,000</u>

12. TRADE AND OTHER RECEIVABLES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade receivables	9,472	2,982
Deferred rent receivables	–	6,979
Other receivables	1,397	210
Receivable in respect of overpayment of consideration for the acquisition of subsidiaries	13,840	–
	<u>24,709</u>	<u>10,171</u>

Trade receivables represent lease receivables. Lease receivables under rental of office buildings and shopping centre are generally required to be settled by tenants upon issuance of demand note.

The following is an ageing analysis of trade receivables, presented based on the date of demand note:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Within 1 month	2,552	1,438
More than 1 months but within 3 months	2,672	1,229
Over 3 months	4,248	315
	<u>9,472</u>	<u>2,982</u>

13. TRADE AND OTHER PAYABLES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade payables	<u>5,226</u>	<u>3,836</u>
Other tax payables	26,860	12,554
Rental receipt in advance	67,527	3,796
Receipt on behalf of tenants (<i>note</i>)	8,690	9,038
Rental deposit received from tenants	88,309	62,067
Accruals and other payables	18,557	14,635
Construction cost payable	8,274	–
Dividend payable to a shareholder of a subsidiary	12,127	–
Amount due to a shareholder of a subsidiary	<u>17,210</u>	<u>–</u>
	<u>247,554</u>	<u>102,090</u>
	<u>252,780</u>	<u>105,926</u>

Note:

The Group collected the turnover of tenants, who operate food and beverage business in a shopping centre, on behalf of them and is obligated to remit to them every half month.

The credit period granted by suppliers to the Group ranges from 30 to 90 days during the period. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Within 1 month	2,278	2,458
More than 1 month but within 3 months	1,204	1,128
Over 3 months	<u>1,744</u>	<u>250</u>
	<u>5,226</u>	<u>3,836</u>

14. SECURED BANK BORROWINGS

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Secured bank borrowings	3,804,256	2,214,475
Front-end fee	(2,200)	(4,600)
	<u>3,802,056</u>	<u>2,209,875</u>

The maturity of the secured bank borrowings is as follows:

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Within one year	<u>3,802,056</u>	<u>2,209,875</u>

15. NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The net asset value per unit is calculated by dividing the net assets attributable to unitholders as at 30 June 2022 of RMB3,898,976,000 (31 December 2021: RMB4,006,984,000) by the number of units in issue of 1,127,819,549 units as at 30 June 2022 (31 December 2021: RMB1,127,819,549).

16. NET CURRENT LIABILITIES

At 30 June 2022, the Group's net current liabilities, calculated as current assets less current liabilities, amounted to RMB3,031,647,000 (31 December 2021: RMB1,665,353,000).

17. TOTAL ASSETS LESS CURRENT LIABILITIES

At 30 June 2022, the Group's total assets less current liabilities amounted to RMB6,517,207,000 (31 December 2021: RMB5,081,072,000).

18. CAPITAL COMMITMENT

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Capital expenditure in respect of the improvement works of investment properties contracted for but not provided in the condensed consolidated financial statements	<u>41,079</u>	<u>46,950</u>

19. ACQUISITION OF SUBSIDIARIES

On 30 June 2022, the Group acquired 51% of the equity interest in SA Venice I and its subsidiaries (together, “SA Venice I Group”) at cash consideration of RMB1,327,697,000. The Manager considers that the SA Venice I Group is not a business applying the concentration test in IFRS 3 and accordingly such acquisition is not accounted for as an acquisition of business but as an acquisition of assets.

SA Venice I is an investment holding company. SA Venice I Group is principally engaged in property investment in Beijing, the PRC. Assets acquired and liabilities recognised at the date of acquisition (which is 30 June 2022) are set as follows and the classification of assets and liabilities below are consistent with the condensed consolidated statement of financial position:

	<i>RMB'000</i>
Investment properties	2,693,690
Property, plant and equipment	409
Trade and other receivables	610
Amount due from related companies	626
Pledged bank deposit	132,593
Bank balances and cash	258,538
Trade and other payables	(116,675)
Amounts due to non-controlling interests	(1,137,255)
Amounts due to a related company	(120,126)
Tax payable	(7,155)
Deferred tax liabilities	(1,336)
Non-controlling interests	(376,222)
	<hr/>
Total identifiable net assets	1,327,697
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Payment for acquisition settled in cash (<i>note</i>)	1,341,537
Less: Cash and cash equivalent balances acquired	(258,538)
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Net cash outflow arising on acquisition of SA Venice I Group	1,082,999
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Note:

The consideration for acquisition was determined subsequent to the payment based on the fair values relevant assets and liabilities as at 30 June 2022 and the overpayment of RMB13,840,000 is included in other receivables which will be refunded by the seller.