

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



2022

INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Fan Shubin (*Chairman*)

Mr. Feng Yujian (*Chief Executive Officer*)

NON-EXECUTIVE DIRECTORS

Mr. Wang Hao

Ms. Qin Yi

Mr. Zhou Yue

Mr. Zhao Randolph

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Ngai Wai Fung

Ms. Zhao Yuhong

Mr. He Xiaofeng

AUDIT COMMITTEE

Dr. Ngai Wai Fung (*Chairman*)

Ms. Zhao Yuhong

Mr. He Xiaofeng

REMUNERATION COMMITTEE

Ms. Zhao Yuhong (*Chairman*)

Ms. Qin Yi

Mr. Zhao Randolph

Dr. Ngai Wai Fung

Mr. He Xiaofeng

NOMINATION COMMITTEE

Mr. Fan Shubin (*Chairman*)

Mr. Zhou Yue

Dr. Ngai Wai Fung

Ms. Zhao Yuhong

Mr. He Xiaofeng

STRATEGIC INVESTMENT COMMITTEE

Mr. Feng Yujian (*Chairman*)

Mr. Wang Hao

Mr. Zhou Yue

Mr. Zhao Randolph

Mr. He Xiaofeng

SECRETARY OF THE BOARD OF DIRECTORS

Ms. Wang Xia

COMPANY SECRETARY

Ms. Peng Sisi

AUTHORISED REPRESENTATIVES

Mr. Feng Yujian

Ms. Peng Sisi

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISERS

AS TO HONG KONG LAWS:

Norton Rose Fulbright Hong Kong

AS TO CAYMAN ISLANDS LAWS:

Conyers Dill & Pearman

AS TO PRC LAWS:

Beijing Jingtian & Gongcheng

Beijing Zhonglun W&D Law Firm

CORPORATE INFORMATION

REGISTERED OFFICE

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Grand Cayman
KY1-1111
Cayman Islands

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Beijing, China

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Central
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
China Merchants Bank
Bank of Communications
Bank of China
Ping An Bank
CITIC Bank International
The Hongkong and Shanghai Banking Corporation Limited

CORPORATE WEBSITES

www.bcgrand.com
www.capitaloutlets.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

LISTING INFORMATION

EQUITY SECURITY LISTED ON THE STOCK EXCHANGE OF HONG KONG	STOCK CODE
Ordinary shares	1329.HK

DEBT SECURITY LISTED ON THE SHENZHEN STOCK EXCHANGE	STOCK CODE
RMB2,700,000,000 Senior Class ABS due 2024	119487
RMB879,000,000 Subordinated Class ABS due 2024	119488
RMB2,600,000,000 Senior Class ABS due 2024	121533
RMB668,000,000 Subordinated Class ABS due 2024	121534

INVESTOR RELATIONS CONTACT

Email: comsec@bcgrand.com



CHAIRMAN'S STATEMENT



DEAR SHAREHOLDERS,

On behalf of the board of directors (the “Board”) of Beijing Capital Grand Limited (“Capital Grand” or the “Company”, together with its subsidiaries, the “Group”), I am pleased to present the interim results of the Group for the period ended 30 June 2022.

During the first half of 2022, the preliminary calculation suggested that the GDP of China reached RMB56,264.2 billion, representing a growth of 2.5% as compared to the corresponding period last year. During the period, the Chinese economy faced “triple pressure” from the shrinking demand, reduction of supply and the expectation of weaker growth. On one hand, the international environment has become increasingly challenging and complicated. Since the end of February, with the Russia-Ukraine crisis continued to ferment and escalate, the global political, economic and trading, energy and financial landscape were highly impacted, thus exposing the world to a higher risk of “stagflation”. On the other hand, the spread of the COVID-19 pandemic in Jilin, Guangdong, Shanghai, Beijing and other local regions has imposed huge impact on both the demand and supply sides of the economy. The outbreak of the COVID-19 pandemic in Shanghai has disrupted the national as well as global industrial chain. During the period, the PRC government efficiently coordinated work for the COVID-19 pandemic prevention and control, steadily implementing a package of effective policies and measures to stabilize the economy and ensure their effectiveness, and accelerating the resumption of production and operation, contributing to the steady recovery of the economy in general.

CHAIRMAN'S STATEMENT

During the period, the total retail sales of consumer goods in China was RMB21,043.2 billion, representing a decrease of 0.7% as compared to the corresponding period last year. On a quarterly basis, the total retail sales of consumer goods expanded by 3.3% in the first quarter and declined by 4.6% in the second quarter. Approaching June, as the COVID-19 pandemic subsided and under the support of the relevant government policies, the total retail sales of consumer goods recorded an increase of 3.1% as compared to the corresponding period last year, reversing its downturn from negative growth in April and May. Meanwhile, various local governments expedited the launch of policies and measures for promoting consumption, kicking start market promotion in such forms as offering of consumption vouchers and granting of consumption subsidies. Despite the promising effect of boosting consumption by these policies, the retail market was yet to recover.

Affected by the recurrence of the COVID-19 pandemic, the accumulated customer traffic flow of all shopping malls throughout China amounted to approximately 12.89 billion visits during the period, representing a decrease of approximately 21% as compared to the corresponding period in 2021 and a decrease of approximately 39% as compared to the corresponding period in 2019. On a monthly basis, the customer traffic flow in January remained basically flat as compared to the corresponding period in 2021, and subsequently declined in February. The customer traffic flow throughout China rebounded in June and returned to 87% of that in the corresponding period in 2021, but has not yet recovered to the pre-pandemic level.

During the period, the Group achieved a total turnover of approximately RMB4.42 billion and a customer traffic of approximately 20.09 million in Outlets operation, representing a decrease of approximately 15% and approximately 16% as compared to the corresponding period last year, respectively. Largely due to the impact of the COVID-19 pandemic, a number of stores of the Outlets of the Group were put on lockdown or closed and the schedule of traditional marketing activities has been disrupted. Some of the brand owners also experienced disruption in the supply chain. The Outlets suffered various degrees of impact in terms of customers, products and markets. On a monthly basis, the operations of the Group's Outlets achieved a good start with remarkable sales results in January. However, since 20 January, especially after March, with the escalation of the COVID-19 pandemic nationwide, commercial activities in various local regions nearly stagnated. In particular, the operation of the Beijing Outlets was suspended twice, which had a significant impact on the sales of the Group's Outlets in the first half of the year. The Group's operating results stabilized and rebounded as the COVID-19 pandemic gradually improved in June.

Faced with normalization of the COVID-19 pandemic, the Group strengthened its regular COVID-19 pandemic management during the period. 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 and upgraded the membership system. Through precise marketing and efficient operation, the customer satisfaction rate showed 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 relationship.

CHAIRMAN'S STATEMENT

During the period, the Group expedited the membership system upgrade, strengthened the operation of private traffic and enhanced the activities of members and sales conversion, resulting in a growth of approximately 13% in total number of members as compared to the corresponding period last year and an increase of approximately 6 percentage points in the percentage of sales to members. During the period, 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 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.

The Group continued to improve and optimize the online sales platforms and channels of its proprietary business during the period. Subsequent to the launch of mini program of the online shopping mall for the proprietary business, the corporate WeChat account of the proprietary business was also launched in March to further develop diverse sales channels and to expand its interaction with and access to consumers. At the same time, the Group continued to develop its wholesale business. During the first half of the year, the sales of wholesale business recorded a growth of approximately 27% as compared to the corresponding period last year.

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 assets-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.

During the period, the Group achieved an operating revenue of approximately RMB550,839,000, representing a decrease of approximately 19% as compared to the corresponding period last year, and recorded a net loss attributable to the parent company of approximately RMB116,116,000. The Board has resolved not to declare interim dividend for the six months ended 30 June 2022.

CHAIRMAN'S STATEMENT

Looking ahead to the second half of the year, global economy will be further threatened by the rising risk of “stagflation” and the intensifying downward pressure on the economy. 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 with strong resilience, great potential and long-term 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 to stabilize economic growth, improvement in economic performance is expected to continue.

Against the backdrop of the normalization of the COVID-19 pandemic, refined operation and precision marketing for members are pivotal to not only delivering a better consumer experience, but also cost reduction and efficiency improvement. Capital Outlets’ new membership system has also been launched. The Group will comprehensively upgrade its benefits, services and system so as to achieve integration of point systems between online and offline businesses, enable exchange of points across industries, pursue precise data-driven marketing and hence increase sales.

In the second half of the year, the Group will adhere to the “store-oriented policy” and boost operation efficiency by adopting accurate strategies and promoting efficient operation. Focusing on ramping up customer traffic and matching of customer with goods, the Group will enhance the conversion of private traffic operation and roll out digital and featured marketing campaigns on the principle of “doing great things with the lowest cost”. 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 position and leading the industrial trends.

On behalf of the Board, I would like to express our sincere gratitude to all our shareholders, partners and clients for their care and strong support to Capital Grand. Following the grand launch of the Qingdao and Xiamen Outlets, the Group will have further diversified and optimized its strategic layout across the country. We will continue to improve our capability in gaining insight on consumption demand, refine products, services and shopping experience with the characteristics of Capital Outlets and strive to develop as the most valuable outlets operator which provides excellent consumer experience in China so as to continuously create value for our shareholders, customers and partners!

Mr. Fan Shubin

Chairman

Beijing, 19 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2022, the spread of the 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 the 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 the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 showed 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 the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT PROPERTIES

Project	Approximate Site Area (m ²) <i>(Note 1)</i>	Total Gross Floor Area (m ²) <i>(Note 2)</i>	Property Type (m ²)	Time of Launching /Expected Time of Launching	Attributable Interests
Beijing Capital Outlets (Changyang Town, Fangshan District, Beijing)	90,770 ^(Note 3)	108,720	Outlets: 104,340 Parking space: 4,380	2013	100%
	90,770 ^(Note 3)	87,770	Outlets: 39,540 Supermarket: 3,260 Parking space: 44,970	2019	100%
Kunshan Capital Outlets (Kunshan Development Zone)	46,240	50,420	Outlets: 50,420	2015	100%
	46,790	50,110	Outlets: 50,110	2017	100%
Huzhou Capital Outlets (Huzhou Taihu Lake Tourism Resort) ^(Note 4)	109,940	97,540	Outlets: 97,540	2013	100%
Nanchang Capital Outlets (Xinjian District, Nanchang)	56,830	129,700	Outlets: 85,240 Parking space: 44,460	2017	100%
	30,150 ^(Note 5)	28,370	Cinema: 4,990 Supermarket: 7,660 Parking space: 15,720	2018	40%
Hangzhou Capital Outlets (Fuyang District, Hangzhou)	101,690	112,280	Outlets: 88,980 Parking space: 23,300	2017	100%
Wuhan Capital Outlets (Wuhan East Lake High-tech Development Zone)	89,760	107,560	Outlets: 83,740 Parking space: 23,820	2018	99%
Xi'an Capital Outlets (Xi'an Hi-tech Industrial Development Zone)	119,650	118,840	Outlets: 83,040 Parking space: 35,800	2019	100%
Zhengzhou Capital Outlets (Xingyang City, Zhengzhou)	80,860	96,580	Outlets: 81,070 Parking space: 15,510	2018	100%
Jinan Capital Outlets (Tangye New Area, Jinan)	114,930 ^(Note 6)	121,520	Outlets: 76,990 Parking space: 44,530	2019	100%
Hefei Capital Outlets (Binhu New District, Hefei)	87,910	96,270	Outlets: 75,230 Parking space: 21,040	2018	100%
Chongqing Capital Outlets (Banan District, Chongqing)	74,350 ^(Note 7)	110,560	Outlets: 79,110 Parking space: 31,450	2019	100%
Kunming Capital Outlets (Wuhua District, Kunming)	67,920	136,040	Outlets: 86,010 Parking space: 50,030	2020	85%
Qingdao Capital Outlets (Qingdao High-tech Zone)	93,970	97,600	Outlets: 80,280 Parking space: 17,320	2021	100%
Nanning Capital Outlets (Xingning District, Nanning)	101,970 ^(Note 8)	145,590	Outlets: 113,740 Parking Facility and Parking Space: 31,850	2021	100%
Xiamen Capital Outlets (Xiang'an District, Xiamen)	55,660	124,870	Outlets: 83,480 Parking space: 34,890 Supermarket: 6,500	2022	100%

MANAGEMENT DISCUSSION AND ANALYSIS

DEVELOPMENT PROPERTIES

Project	Approximate Site Area (m ²)	Unsold Gross Floor Area (m ²)	Unsold Ground Floor Area (m ²)	Property Type (m ²)	Attributable Interests
Xi'an First City (Xi'an Economic Technology Development Zone)	355,900	322,331	200,551	Residential/ Commercial/ Office buildings/ Parking space	100%
Nanchang Capital Outlets (Xinjian District, Nanchang)	30,150 ^(Note 5)	24,365	24,365	Commercial	40%
Jinan Capital Outlets (Tangye New Area, Jinan)	114,930 ^(Note 6)	2,154	2,154	Commercial	100%
Chongqing Capital Outlets (Banan District, Chongqing)	74,350 ^(Note 7)	5,444	5,444	Commercial	100%
Nanning Capital Outlets (Xingning District, Nanning)	101,970 ^(Note 8)	6,565	6,565	Commercial	100%

Note 1: Approximate site area is based on State-owned Construction Land Use Right Grant Contract or Land Use Right Certificates;

Note 2: Total gross floor area is based on State-owned Construction Land Use Right Grant Contract and the latest project design plan;

Note 3: The site area of Beijing Capital Outlets is 90,800 m², of which the gross floor areas of Phase I and Phase II are 108,700 m² and 87,800 m², respectively;

Note 4: The total site area of Huzhou Capital Outlets is 214,300 m², of which the site area of Phase I and Phase II are 109,900 m² and 104,400 m², respectively;

Note 5: The site area of Nanchang Capital Outlets Plot B is 30,200 m², of which 29,700 m² of the gross floor area is investment property and 31,300 m² is development property;

Note 6: The site area of Jinan Capital Outlets is 114,900 m², of which 121,500 m² of the gross floor area is investment property and 63,000 m² is development property;

Note 7: The site area of Chongqing Capital Outlets is 74,300 m², of which 110,600 m² of the gross floor area is investment property and 17,100 m² is development property;

Note 8: The site area of Nanning Capital Outlets is 102,000 m², of which 145,600 m² of the gross floor area is investment property and 15,300 m² is development property.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the 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

There were no significant changes to the Group's principal subsidiaries and major non-controlling interests during the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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. (重慶首創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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

8. SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS, AND FUTURE PLANS FOR SIGNIFICANT INVESTMENT OR ACQUISITION OF MATERIAL CAPITAL ASSETS

During the six months ended 30 June 2022, (a) the Group did not make any material acquisition or disposal of subsidiaries, associates and joint ventures; and (b) the Company has no specific plans for significant investments or acquisitions of material capital assets.

9. PLEDGE OF ASSETS

As at 30 June 2022, the total amount of the Group's pledge of investment properties and land use rights arising from borrowings were RMB3,573,930,000 (31 December 2021: RMB2,873,260,000).

10. CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liabilities.

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, so far as is known to the Directors, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, or underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("SFO")) which were to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, so far as is known to the Directors, the following entities, not being a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of the issued share capital (%)	Number of ordinary shares can be converted from Class A Convertible Preference Shares, Class B Convertible Preference Shares and PCBS at initial conversion price of HK\$2.10 per share	Total Interest	Percentage of total interests to total issued shares
BECL Investment Holding Limited ("BECL")	Beneficial owner	701,353,846	72.94%	1,072,928,106 <i>(Note 5)</i>	1,774,281,952	184.53%
BCL	Interests of controlled corporation <i>(Note 1)</i>	701,353,846	72.94%	1,072,928,106 <i>(Note 5)</i>	1,774,281,952	184.53%
Beijing Capital City Development Group Co., Ltd. ("Capital City Development")	Interests of controlled corporation <i>(Note 1)</i>	701,353,846	72.94%	1,072,928,106 <i>(Note 5)</i>	1,774,281,952	184.53%
BCG Chinastar International Limited ("BCG Chinastar")	Beneficial owner	19,800,000	2.06%	–	19,800,000	2.06%
Capital Group	Interests of controlled corporation <i>(Note 2)</i>	721,153,846	75%	1,072,928,106 <i>(Note 5)</i>	1,794,081,952	186.58%
Smart Win Group Limited	Beneficial owner	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Sino-Ocean Land (Hong Kong) Limited	Interests of controlled corporation <i>(Note 3)</i>	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Faith Ocean International Limited	Interests of controlled corporation <i>(Note 3)</i>	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Shine Wind Development Limited	Interests of controlled corporation <i>(Note 3)</i>	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Sino-Ocean Group Holding Limited	Interests of controlled corporation <i>(Note 3)</i>	95,192,308	9.9%	313,140,124	408,332,432	42.47%
KKR CG Judo Outlets	Beneficial owner	95,192,308	9.9%	200,045,787	295,238,095	30.70%

MANAGEMENT DISCUSSION AND ANALYSIS

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of the issued share capital (%)	Number of ordinary shares can be converted from Class A Convertible Preference Shares, Class B Convertible Preference Shares and PCBS at initial conversion price of HK\$2.10 per share	Total Interest	Percentage of total interests to total issued shares
KKR CG Judo	Interests of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR China Growth Fund L.P.	Interests of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Associates China Growth L.P.	Interests of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR China Growth Limited	Interests of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Group Partnership L.P.	Interests of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Group Holdings L.P.	Interests of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Group Holdings Corp.	Interests of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Group Co. Inc	Interests of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR & Co. Inc	Interests of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Management LLP	Interests of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%
Henry Robert Kravis	Interests of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%
Roberts George R.	Interests of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Total interests in 1,774,281,952 shares were deemed to be the corporation interest under the SFO
2. Total interests in 1,794,081,952 shares were deemed to be the corporation interest under the SFO
3. Total interests in 408,332,432 shares were deemed to be the corporation interest under the SFO
4. Total interests in 295,238,095 shares were deemed to be the corporation interest under the SFO
5. On 19 December 2016, the Company issued 905,951,470 Class B Convertible Preference Shares to BECL pursuant to the Class B Convertible Preference Share Subscription Agreement. On 28 December 2016, BECL converted 571,153,846 Class A Convertible Preference Shares into ordinary shares.

Save as disclosed above, as at 30 June 2022, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company adopted the share option scheme (the "Scheme") on 14 March 2012 (the "Adoption Date") which would remain in force for a period of 10 years from the Adoption Date.

Under the Scheme, the Directors may at their discretion grant options to (i) any employee of any member of the Group or any entity in which any member of the Group holds equity interest (the "Invested Entity"); (ii) any executive and non-executive Directors of any member of the Group or any Invested Entity; (iii) any supplier and customer of any member of the Group or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; or (vi) any adviser or consultant of any member of the Group or any Invested Entity, to subscribe for the shares of the Company.

The number of shares in respect of options granted under the Scheme shall not exceed 10% of the issued share capital of the Company on the date of adopting the Scheme. The limit may be refreshed at any time provided that the new limit must not in aggregate exceed 10% of the issued share capital of the Company as at the date of obtaining shareholders' approval at a general meeting. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of options granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last day of such 12-month period; unless approved by the shareholders of the Company in accordance with the Listing Rules. A nominal consideration of HK\$1 is payable by the grantee on acceptance of the grant of an option.

MANAGEMENT DISCUSSION AND ANALYSIS

Options may be exercised at any time from the date of grant of the options to the 10th anniversary of the date of grant, as may be determined by the Directors. The exercise price is determined by the Directors, and will not fall below the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotation sheets on the date of the grant of the options; (ii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the grant of the options; or (iii) the nominal value of the shares.

As of 30 June 2022, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

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.

BOARD COMPOSITION

As at 30 June 2022, the Board consisted of a total of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company subsequent to the date of the 2021 Annual Report are set out below:

On 27 May 2022, Dr. Ngai Wai Fung, the independent non-executive director of the Company, has resigned from the position of independent non-executive director of BaWang International (Group) Holding Limited (stock code: 01338.HK).

MANAGEMENT DISCUSSION AND ANALYSIS

CODE ON CORPORATE GOVERNANCE PRACTICES

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 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 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

COST OF EMPLOYEES AND REMUNERATION POLICY

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.

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.

Mr. Feng Yujian

Chief Executive Officer
Beijing, 19 August 2022

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Beijing Capital Grand Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 23 to 68, which comprises the interim condensed consolidated statement of financial position of Beijing Capital Grand Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2022 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 19 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	6, 7	550,839	682,911
Cost of sales	8	(275,116)	(336,444)
Gross profit		275,723	346,467
Other gains – net	7	63,887	137,447
Other income	7	5,117	22,072
Selling and marketing expenses	8	(40,197)	(56,983)
Administrative expenses	8	(120,202)	(139,704)
Operating profit		184,328	309,299
Finance costs	9	(240,768)	(236,599)
Share of losses of investments accounted for using the equity method	17	(3,062)	(1,956)
(Loss)/profit before income tax		(59,502)	70,744
Income tax expenses	10	(57,736)	(90,193)
Loss for the period		(117,238)	(19,449)
Attributable to:			
– Owners of the Company		(116,116)	(19,803)
– Non-controlling interests		(1,122)	354
Loss per share attributable to ordinary equity holders of the Company during the period	12		
– Basic losses per share (RMB cents)		(4.56)	(0.78)
– Diluted losses per share (RMB cents)		(4.56)	(0.78)

Details of the dividend proposed for the period are disclosed in Note 11.

The notes on pages 29 to 68 form an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Loss for the period		(117,238)	(19,449)
Other comprehensive income/(loss) for the period			
Items that may be reclassified to profit or loss			
Cash flow hedges	18	50,508	37,521
Cost of hedging	18	(30,163)	(30,414)
		20,345	7,107
Total comprehensive loss for the period		(96,893)	(12,342)
Attributable to:			
– Owners of the Company		(95,771)	(12,696)
– Non-controlling interests		(1,122)	354

The notes on pages 29 to 68 form an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at	
		30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	185,766	183,081
Right-of-use assets		10,398	13,943
Long-term prepaid expenses	14	79,996	89,946
Investment properties	15	14,594,041	14,495,835
Intangible assets and lease prepayment	16	34,509	34,468
Investments accounted for using the equity method	17	291,103	287,665
Deferred income tax assets		–	7,155
Derivative financial assets	18	77,151	8,016
Trade and other receivables	19	47,456	35,644
Total non-current assets		15,320,420	15,155,753
Current assets			
Inventories	20	2,554,917	2,434,757
Incremental costs of obtaining a contract	6	4,275	4,195
Trade and other receivables	19	527,126	519,788
Prepayments	19	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	21	4,970,877	5,066,491
Lease liabilities		1,913	5,618
Other payables and accruals	22	5,955,562	5,286,574
Deferred income tax liabilities		864,603	814,604
Total non-current liabilities		11,792,955	11,173,287

The notes on pages 29 to 68 are an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at	
		30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
LIABILITIES			
Current liabilities			
Trade payables	23	1,731,960	2,010,926
Other payables and accruals	22	519,049	377,186
Contract liabilities	6	275,651	202,048
Borrowings	21	444,014	395,645
Lease liabilities		7,321	7,152
Current income tax liabilities		70,468	80,375
Total current liabilities		3,048,463	3,073,332
Total liabilities		14,841,418	14,246,619
Net current assets		1,165,695	807,587
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	16,732	16,732
Perpetual convertible bond securities	26	945,707	945,661
Reserves		3,261,197	3,240,852
Retained earnings		416,314	532,476
		4,639,950	4,735,721
Non-controlling interests		53,210	54,332
Total equity		4,693,160	4,790,053
Total equity and liabilities		19,534,578	19,036,672

The notes on pages 29 to 68 form an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company																		
		Issued capital			Class B convertible preference shares		Perpetual convertible bond securities		Share premium account		Other reserves		Retained earnings		Subtotal		Non-controlling interests		Total	
		Ordinary shares	Class A convertible preference shares	Class B convertible preference shares	Perpetual convertible bond securities	Share premium account	Other reserves	Retained earnings	Subtotal	Non-controlling interests	Total									
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)	Notes																			
At 1 January 2022		7,828	1,329	7,575	945,661	3,169,418	71,434	532,476	4,735,721	54,332	4,790,053									
Loss for the period		-	-	-	-	-	-	(116,116)	(116,116)	(1,122)	(117,238)									
Other comprehensive income for the period	18	-	-	-	-	-	20,345	-	20,345	-	20,345									
Total comprehensive income/(loss) for the period		-	-	-	-	-	20,345	(116,116)	(95,771)	(1,122)	(96,893)									
Transactions with owners																				
Dividends payable to perpetual convertible bond securities holders		-	-	-	46	-	-	(46)	-	-	-									
Total transactions with owners		-	-	-	46	-	-	(46)	-	-	-									
At 30 June 2022		7,828	1,329	7,575	945,707	3,169,418	91,779	416,314	4,639,950	53,210	4,693,160									
At 1 January 2021		7,828	1,329	7,575	945,572	3,169,418	54,564	756,911	4,943,197	53,933	4,997,130									
(Loss)/profit for the period		-	-	-	-	-	-	(19,803)	(19,803)	354	(19,449)									
Other comprehensive income for the period	18	-	-	-	-	-	7,107	-	7,107	-	7,107									
Total comprehensive income/(loss) for the period		-	-	-	-	-	7,107	(19,803)	(12,696)	354	(12,342)									
Transactions with owners																				
Dividends payable to perpetual convertible bond securities holders		-	-	-	45	-	-	(45)	-	-	-									
Total transactions with owners		-	-	-	45	-	-	(45)	-	-	-									
At 30 June 2021		7,828	1,329	7,575	945,617	3,169,418	61,671	737,063	4,930,501	54,287	4,984,788									

The notes on pages 29 to 68 form an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		52,434	45,754
Income tax paid		(14,947)	(12,084)
Net cash flows generated from operating activities		37,487	33,670
Cash flows from investing activities			
Interests income		3,985	415
Purchases of property, plant and equipment	13	(10,413)	(15,405)
Additions of long-term prepaid expenses		(12,777)	(15,107)
Additions of investment properties		(101,565)	(314,340)
Purchases of intangible assets		(1,631)	(7,682)
Investment in a joint venture		(6,500)	(10,000)
Repayments from an associate	29(d)	1,236	–
Amounts provided to an associate	29(d)	(180)	–
Amounts received from government relating to repurchase of land use rights		–	60,000
Net cash flows used in investing activities		(127,845)	(302,119)
Cash flows from financing activities			
New bank and other financial institutions borrowings		255,050	1,163,700
Loan from Beijing Capital Land Ltd.		–	1,500,000
Repayments of bank borrowings		(368,258)	(1,930,976)
Interests paid on bank and other financial institution borrowings		(163,822)	(109,570)
Repayments of the loan from Beijing Capital Land Ltd.		–	(300,000)
Interests paid on guaranteed notes		–	(36,274)
Cash paid for hedging instrument		(9,389)	(45,493)
Principal elements of lease payments		(3,797)	(3,986)
Interest expense and management fee on China Life Investment-BCG Outlets First Stage Asset Support Scheme		(8,503)	–
Issue of China Life Investment-BCG Outlets First Stage Asset Support Scheme (“Outlets Scheme”)		670,000	–
Issuance cost paid on Outlets Scheme		(3,250)	–
Issue of Asset-backed Securities Scheme, senior class		–	2,586,200
Net cash flows generated from financing activities		368,031	2,823,601
Net increase in cash and cash equivalents		277,673	2,555,152
Cash and cash equivalents at beginning of the period		719,349	840,441
Exchange gains/(losses) on cash and cash equivalents		18	(65)
Cash and cash equivalents at end of the period		997,040	3,395,528

The notes on pages 29 to 68 form an integral part of this interim financial information.

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 “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”).

NOTES TO THE INTERIM FINANCIAL INFORMATION

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

4 ESTIMATES

The preparation of the condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

5 FINANCIAL RISK MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other financial institution borrowings, Asset-backed Securities Scheme, senior class, China Life Investment-BCG Outlets First Stage Asset Support Scheme ("Outlets Scheme") and cash and cash equivalents.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as financial assets included in trade and other receivables, financial liabilities included in other payables and accruals (excluding Asset-backed Securities Scheme, senior class, Outlets Scheme), which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on minimising potential adverse effects of these risks, with material impact, on the Group's financial performance.

The Directors reviews and agrees policies for managing each of these risks and they are summarised below.

NOTES TO THE INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)**5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(a) Foreign exchange risk**

The Group mainly operates in Mainland China and Hong Kong with most of the Group's monetary assets, liabilities and transactions principally denominated in Hong Kong Dollars ("HK\$"), United States dollars ("US\$") and RMB. The Group is exposed to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are not denominated in the Group's functional currency.

The Group uses structured cross currency swaps to manage its foreign exchange risk arising from US\$-denominated floating rate bank borrowing amounting to US\$197,800,000 (31 December 2021: US\$197,900,000). The Group seeks to apply, wherever possible, hedge accounting to present its financial statements in accordance with the economic purpose of the hedging activity. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms and performing a quantitative assessment as needed. As a result, the Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned, the hedging instruments have a one-to-one hedge ratio with the hedged items. In view of the nature of the hedging activities, no significant ineffectiveness is expected at inception.

	30 June 2022 RMB'000	31 December 2021 RMB'000
Assets		
HK\$	578	1,029
US\$	152	172
	730	1,201
Liabilities		
US\$	1,326,526	1,258,050

As at 30 June 2022, if RMB had weakened/strengthened by 10% against HK\$/US\$ with all other variables held constant, loss before tax for the period of the Group would have been RMB73,000 higher/lower (31 December 2021: RMB120,000 higher/lower).

The aggregate net foreign exchange losses recognised in profit or loss were:

	Six months ended 30 June 2022 RMB'000	2021 RMB'000
Net foreign exchange losses included in other gains-net	(20,811)	–
Total net foreign exchange losses recognised in loss before income tax for the period	(20,811)	–

NOTES TO THE INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)**5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(b) Interest rate risk**

The Group's interest rate risk arises from interest-bearing bank and other financial institution borrowings, Asset-backed Securities Scheme, senior class and Outlets Scheme. Bank borrowings obtained at variable interest rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Other financial institution borrowings, Asset-backed Securities Scheme, senior class and Outlets Scheme obtained at fixed rates expose the Group to fair value interest rate risk. The management continuously monitors the interest rate position and makes decisions with reference to the latest market condition.

The interest rate risk of floating rate bank borrowing amounting to US\$197,800,000 (31 December 2021: US\$197,900,000) was managed by the use of structured cross currency interest rate swaps.

As at 30 June 2022, if interest rates on bank borrowings had been 50 basis points higher/lower with all other variables held constant, loss before tax for the period would have been RMB14,099,000 (31 December 2021: RMB14,335,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	30 June 2022 RMB'000	% of total loans	31 December 2021 RMB'000	% of total loans
Variable rate borrowings	2,819,751	52%	2,866,996	52%
Fixed rate borrowings – repricing or maturity dates:				
Less than 1 year	95,140	2%	–	–
1 to 5 years	2,500,000	46%	2,595,140	48%
Total	5,414,891	100%	5,462,136	100%

(c) Credit risk

Credit risk is managed on group basis. It mainly arises from cash and cash equivalents and trade and other receivables, etc. The Group has policies in place to ensure that credit sales are made to customers with a sufficient financial strength and appropriate percentage of down payment. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers and follow up action is taken to recover overdue debts, if any.

NOTES TO THE INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)**5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)***(c) Credit risk (Continued)*

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade and other receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Cash and cash equivalents

The Group expects that there is no significant credit risk associated with cash and cash equivalent since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Trade and other receivables (excluding prepayments)

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade, lease receivables and contract assets (excluding prepayments). To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the aging. The expected credit loss also incorporates forward looking information.

As at 30 June 2022, the loss allowance was determined as follows for trade receivables:

	Within 3 months
Expected loss rate	0.9%
Gross carrying amount – trade receivables	61,269
Loss allowance	546

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for trade receivables during the period ended 30 June 2022 (31 December 2021: Nil).

The Group uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

NOTES TO THE INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)**5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(c) Credit risk (Continued)**

Trade and other receivables (excluding prepayments) (Continued)

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flows.	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition.	Lifetime expected losses.
Stage three	Receivables for which there is a credit loss since initial recognition.	Lifetime expected losses.

The Group accounts for its credit risk by appropriately providing for expected losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

Since credit risk has not significantly increased after initial recognition, the loss allowance recognised was therefore limited to 12 months expected losses.

	Individual provision for impairment	Group provision for impairment	Total
Carrying amount of other receivables	7,905	145,137	153,042
Expected credit loss rate	100%	1.4%	6.5%
Loss allowance	(7,905)	(2,097)	(10,002)
Other receivables, net	–	143,040	143,040

NOTES TO THE INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)**5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(d) Liquidity risk**

The Group's policies are to maintain sufficient cash and cash equivalents and to have available funding through Asset-backed Securities Scheme, senior class, Outlets Scheme, bank, other financial institution borrowings and loans from a related party to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 30 June 2022 (Unaudited)				
Trade payables	1,731,960	–	–	1,731,960
Other payables and accruals (including interest)	872,422	7,019,019	–	7,891,441
Borrowings (including interest)	913,698	4,910,107	665,515	6,489,320
Lease liabilities	7,592	1,993	–	9,585
	3,525,672	11,931,119	665,515	16,122,306
At 31 December 2021 (Audited)				
Trade payables	2,010,926	–	–	2,010,926
Other payables and accruals (including interest)	548,458	5,757,621	–	6,306,079
Borrowings (including interest)	666,642	4,945,460	549,470	6,161,572
Lease liabilities	7,592	5,694	–	13,286
	3,233,618	10,708,775	549,470	14,491,863

The amounts have not included financial guarantee contracts:

- which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of one to two years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties;

Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable by providing above guarantees.

NOTES TO THE INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)**5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(e) Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt includes interest-bearing bank and other financial institution borrowings (including accrued interests payables), Outlets Scheme (including accrued interests payables), the Asset-backed Securities Scheme, senior class (including accrued interests payables) and lease liabilities less cash and cash equivalents and restricted cash. The gearing ratios as at the end of the reporting periods were as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Total borrowings (including accrued interests payables)	5,419,710	5,467,844
Asset-backed Securities Scheme, senior class (including accrued interests payables)	5,424,662	5,286,574
Outlets Scheme (including accrued interests payables)	667,284	–
Lease liabilities	9,234	12,770
	11,520,890	10,767,188
Less: Cash and cash equivalents	(997,040)	(719,349)
Restricted cash	(52,744)	(84,959)
Net debt	10,471,106	9,962,880
Total equity	4,693,160	4,790,053
Gearing ratio	223%	208%

The change of net gearing ratio was primarily due to the increase in net debt of the Group during the six months ended 30 June 2022.

NOTES TO THE INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)**5.2 FAIR VALUE ESTIMATION**

The table below analyses the Group's assets and liabilities carried at fair value as at 30 June 2022 and 31 December 2021, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 30 June 2022 (Unaudited)			
Non-financial assets			
Investment properties	–	13,737,827	13,737,827
Financial instruments			
Cross currency interest rate swap	77,151	–	77,151
As at 31 December 2021 (Audited)			
Non-financial assets			
Investment properties	–	13,670,827	13,670,827
Financial instruments			
Cross currency interest rate swap	8,016	–	8,016

There were no transfers among level 2 and 3 during the period.

The fair value of financial instruments traded in active markets is based on quoted market prices in active markets. The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. Specific valuation techniques mainly include discounted cash flow analysis and so on.

The Group obtains independent valuations for its investment properties from an independent professional valuer as a third party. The valuations were based on income capitalisation approach which mainly used unobservable inputs such as market rent, discount rate and based on residual method which mainly used unobservable inputs such as profit rate, and interest rate and so on.

NOTES TO THE INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)**5.3 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST**

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Financial liabilities				
Loans from a related party and other financial institution borrowings	2,500,000	2,595,140	2,542,223	2,629,251
Asset-backed Securities Scheme, senior class	5,288,812	5,286,574	5,384,406	5,351,818
Outlets Scheme	666,750	–	673,362	–

Management has assessed that the fair values of cash and cash equivalents, financial assets included in trade and other receivables, financial liabilities included in other payables and accruals (excluding Asset-backed Securities Scheme, senior class and Outlets Scheme) and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The policies and procedures for the fair value measurements of financial instruments are determined by the Group's finance department and are regularly reviewed by senior management.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the interest-bearing bank and other financial institution borrowings and Asset-backed Securities Scheme, senior class and Outlets Scheme have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 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, 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 OPERATING SEGMENT INFORMATION (CONTINUED)

	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 8)	(46)	(29,292)	(2,707)	–	(32,045)
Income tax expenses (Note 10)	(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 8)	–	(35,635)	(2,685)	–	(38,320)
Income tax expenses (Note 10)	(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)

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 OPERATING SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Segment operating profit	201,154	303,422
Share of losses of investments accounted for using the equity method (Note 17)	(3,062)	(1,956)
Interest income (Note 7)	3,985	5,877
Foreign exchange (Note 7)	(20,811)	–
Finance costs (Note 9)	(240,768)	(236,599)
(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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
	Total segment assets	18,046,430
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 (Note 17)	291,103	287,665
Amounts due from related parties (Note 29(h))	70,110	71,116
Derivative financial assets (Note 18)	77,151	8,016
Total assets per interim condensed consolidated statement of financial position	19,534,578	19,036,672
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
Total liabilities per interim condensed consolidated statement of financial position	14,841,418	14,246,619

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 OPERATING SEGMENT INFORMATION (CONTINUED)**(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	4,275	4,195
Total incremental costs of obtaining a contract	4,275	4,195
Advances from sales of properties	275,651	202,048
Total contract liabilities	275,651	202,048

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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

7 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 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Revenue		
Rental revenue from investment properties	427,833	450,099
Sale of goods	121,024	146,574
Sale of properties	1,982	86,238
	550,839	682,911
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	1,662	3,594
	63,887	137,447
Other income		
Short-term lease income	–	14,369
Interest income	3,985	5,877
Others	1,132	1,826
	5,117	22,072

NOTES TO THE INTERIM FINANCIAL INFORMATION

8 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 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of properties sold	(12,997)	42,330
– Amounts 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
Business taxes and other surcharges	41,565	39,896
Depreciation and amortisation	32,045	38,320
Advertising and marketing	25,951	35,861
Office and traveling expenses	10,528	7,969
Consultancy fee	3,939	8,198
Depreciation charge of right-of-use assets	3,545	3,545
Service fee for keepwell deed (Note 29(b))	–	4,060
Others	7,028	10,181
	435,515	533,131

- (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).

NOTES TO THE INTERIM FINANCIAL INFORMATION

9 FINANCE COSTS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (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

For the six months ended 30 June 2022, the capitalisation rate was 5.89% (six months ended 30 June 2021: 5.78%). The finance costs are capitalised into investment properties and properties under development.

10 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 RMB'000 (Unaudited)	2021 RMB'000 (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
Total tax charges for the period	57,736	90,193

NOTES TO THE INTERIM FINANCIAL INFORMATION

11 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).

12 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 RMB'000 (Unaudited)	2021 RMB'000 (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	(43,871)	(7,519)
	Shares	Shares
Weighted average number of ordinary shares	961,538,462	961,538,462
– Basic losses per share (RMB cents)	(4.56)	(0.78)
– Diluted losses per share (RMB cents)	(4.56)	(0.78)

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.

13 PROPERTY, PLANT AND EQUIPMENT

	Furniture fixtures and equipment			
	Buildings RMB'000	RMB'000	Others RMB'000	Total RMB'000
For the six months ended 30 June 2022 (Unaudited)				
At 1 January 2022	148,309	18,005	16,767	183,081
Additions	–	2,835	7,578	10,413
Depreciation	(2,275)	(5,309)	(144)	(7,728)
At 30 June 2022	146,034	15,531	24,201	185,766
For the six months ended 30 June 2021 (Unaudited)				
At 1 January 2021	131,352	19,569	1,304	152,225
Additions	–	15,354	51	15,405
Disposals	–	–	(17)	(17)
Depreciation	(2,004)	(5,774)	(219)	(7,997)
At 30 June 2021	129,348	29,149	1,119	159,616

NOTES TO THE INTERIM FINANCIAL INFORMATION

14 LONG-TERM PREPAID EXPENSES

	Prepaid decoration expenses <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2022 (Unaudited)			
At 1 January 2022	50,437	39,509	89,946
Additions	4,818	7,959	12,777
Amortisation	(14,607)	(8,120)	(22,727)
At 30 June 2022	40,648	39,348	79,996
Six months ended 30 June 2021 (Unaudited)			
At 1 January 2021	86,397	28,631	115,028
Additions	3,756	11,351	15,107
Amortisation	(21,985)	(7,497)	(29,482)
At 30 June 2021	68,168	32,485	100,653

15 INVESTMENT PROPERTIES

(A) INVESTMENT PROPERTIES UNDER CONSTRUCTION

	Cost <i>RMB'000</i>
Six months ended 30 June 2022 (Unaudited)	
At 1 January 2022	825,008
Additions	31,206
At 30 June 2022	856,214
Six months ended 30 June 2021 (Unaudited)	
At 1 January 2021	1,940,385
Additions	401,535
At 30 June 2021	2,341,920

NOTES TO THE INTERIM FINANCIAL INFORMATION

15 INVESTMENT PROPERTIES (CONTINUED)**(B) INVESTMENT PROPERTIES IN OPERATION**

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
At 1 January	13,670,827	11,716,904
Additions	24,694	–
Other adjustments (i)	(38,558)	(1,716)
Net gains from fair value adjustment	80,864	123,716
At 30 June	13,737,827	11,838,904

- (i) For the six months ended 30 June 2022, an adjustment of RMB 38,558,000 was made to the investment properties upon final agreement of the actual overall construction costs with the relevant contractors (six months ended 30 June 2021: RMB1,716,000).

(C) AMOUNTS RECOGNISED IN PROFIT OR LOSS FOR INVESTMENT PROPERTIES

Profit or loss recognised in the interim condensed consolidated statement of profit or loss arose from fair value changes, rental income and operating expenses, etc.

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net gains from fair value adjustment	80,864	123,716
Rental income from leases	427,833	450,099
Direct operating expenses from investment properties that generated rental income	(2,240)	(4,773)
Direct operating expenses from investment properties that did not generate rental income	(53)	(92)

The Group's finance department is in charge of assets' valuation and employs the independent professional valuer to evaluate the fair value of investment properties. The finance department verifies all valuation results, responsible for the relative accounting treatments and prepares disclosure information of fair values according to the verified valuation results.

The investment properties are leased to tenants under operating leases with rentals payable on a monthly basis. There are no variable lease payments that depends on an index or rate.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

NOTES TO THE INTERIM FINANCIAL INFORMATION

15 INVESTMENT PROPERTIES (CONTINUED)

(C) AMOUNTS RECOGNISED IN PROFIT OR LOSS FOR INVESTMENT PROPERTIES (CONTINUED)

Information about fair value measurements using significant unobservable inputs:

Investment Properties	Fair value as at 30 June 2022 (Unaudited) RMB'000	Valuation techniques	Unobservable inputs		
			Title	Range	Relationship of unobservable inputs to fair value
Central region	7,333,388	Income capitalisation approach	Discount rate	4% to 7%	The higher discount rate, the lower fair value
			Market rental price	RMB27 to RMB158 per square meter per month	The higher market rental price, the higher fair value
North region	4,523,244	Income capitalisation approach	Discount rate	4% to 7%	The higher discount rate, the lower fair value
			Market rental price	RMB51 to RMB287 per square meter per month	The higher market rental price, the higher fair value
South region	1,881,195	Residual Method	Development costs to completion	Approximately RMB5,346/sq.m	The higher the cost, the lower fair value
		Income capitalisation approach	Discount rate	5.5% to 6.5%	The higher discount rate, the lower fair value
			Market rental price	RMB44 to RMB122 per square meter per month	The higher market rental price, the higher fair value

Investment Properties	Fair value as at 31 December 2021 (Audited) RMB'000	Valuation techniques	Unobservable inputs		
			Title	Range	Relationship of unobservable inputs to fair value
Central region	7,321,388	Income capitalisation approach	Discount rate	4% to 7%	The higher discount rate, the lower fair value
			Market rental price	RMB28 to RMB162 per square meter per month	The higher market rental price, the higher fair value
North region	4,468,244	Income capitalisation approach	Discount rate	4% to 7%	The higher discount rate, the lower fair value
			Market rental price	RMB48 to RMB287 per square meter per month	The higher market rental price, the higher fair value
South region	1,881,195	Residual Method	Development costs to completion	Approximately RMB5,346/sq.m	The higher the cost, the lower fair value
		Income capitalisation approach	Discount rate	5.5% to 6.5%	The higher discount rate, the lower fair value
			Market rental price	RMB45 to RMB124 per square meter per month	The higher market rental price, the higher fair value
		Residual Method	Development costs to completion	Approximately RMB4,942/sq.m	The higher the cost, the lower fair value

NOTES TO THE INTERIM FINANCIAL INFORMATION

16 INTANGIBLE ASSETS AND LEASE PREPAYMENT

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
At 1 January	34,468	26,674
Additions	1,631	7,682
Amortisation	(1,590)	(1,111)
At 30 June	34,509	33,245

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**17.1 INVESTMENTS IN JOINT VENTURES**

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
At 1 January	263,579	249,590
Capital injection	6,500	10,000
Share of losses	(5,124)	(2,918)
At 30 June	264,955	256,672

17.2 INVESTMENTS IN AN ASSOCIATE

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
At 1 January	24,086	23,529
Share of profits	2,062	962
At 30 June	26,148	24,491

NOTES TO THE INTERIM FINANCIAL INFORMATION

18 DERIVATIVE FINANCIAL ASSETS

The Group has the following derivative financial instruments:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash flow hedges		
Cross currency interest rate swaps (i)	77,151	8,016

- (i) On 3 August 2021, Trade Horizon Global Limited ("Trade Horizon"), a wholly-owned subsidiary, entered into a cross currency interest rate swaps ("CCIRS") to hedge the US\$/RMB exchange risk and the interest rate risk arising from the US\$-denominated floating rate Notes issued on 29 July 2021. According to the contract of the CCIRS, the Group receives US\$ floating rate interest and pays RMB fixed rate interest and receives US\$ notional amount and pays RMB equivalent of the notional amount at the strike rate (strike rate varies if the spot rate on the maturity date is above higher cap strike or below the lower cap strike). The CCIRS meets the criteria to apply hedging accounting in accordance with the Group's economic purpose of the hedging activities.

(ii) FAIR VALUE MEASUREMENT

Information about the methods and assumptions used in determining the fair value of derivatives are set out below:

Financial Instruments	Valuation techniques	Significant inputs
Cross currency interest rate swaps	Black-Scholes formula	Observable exchange rates, interest rates and volatility levels
	Discounted cash flow	Observable exchange rates and interest rates of respective currency

NOTES TO THE INTERIM FINANCIAL INFORMATION

18 DERIVATIVE FINANCIAL ASSETS (CONTINUED)**(iii) HEDGING RESERVES**

	Cash flow hedge reserve <i>RMB'000</i>	Costs of hedging reserves <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2021 (Audited)	18,591	(9,954)	8,637
Other comprehensive income/(loss)			
Cash flow hedges			
Net fair value gains	100,312	–	100,312
Reclassification to profit or loss	(49,804)	–	(49,804)
Total cash flow hedges	50,508	–	50,508
Costs of hedging			
Net fair value losses	–	(39,050)	(39,050)
Amortisation to profit or loss	–	8,887	8,887
Total costs of hedging	–	(30,163)	(30,163)
At 30 June 2022 (Unaudited)	69,099	(40,117)	28,982
At 31 December 2020 (Audited)	(43,493)	35,260	(8,233)
Other comprehensive income/(loss)			
Cash flow hedges			
Net fair value losses	(20,499)	–	(20,499)
Reclassification to profit or loss	58,020	–	58,020
Total cash flow hedges	37,521	–	37,521
Costs of hedging			
Net fair value gains	–	(31,139)	(31,139)
Amortisation to profit or loss	–	725	725
Total costs of hedging	–	(30,414)	(30,414)
At 30 June 2021 (Unaudited)	(5,972)	4,846	(1,126)

NOTES TO THE INTERIM FINANCIAL INFORMATION

18 DERIVATIVE FINANCIAL ASSETS (CONTINUED)

(iv) The effects of applying hedge accounting on the Group's financial position and performance are as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cross currency interest rate swaps		
Carrying amount assets	77,151	8,016
Notional amount	1,326,526	1,258,050
Maturity date	17 July 2024	17 July 2024
Hedge ratio	1:1	1:1
Changes in fair value of the hedging instrument used for measuring effectiveness	100,312	5,642
Changes in fair value of the hedged item used for measuring effectiveness	(100,312)	(5,642)
Strike rate	RMB6.4616:US\$1	RMB6.4616:US\$1
Higher cap	RMB7: US\$1	RMB7: US\$1
Lower cap	Not applicable	Not applicable
US\$ floating interest rate receive leg	3 months US\$-LIBOR+1.80% per annum based on US\$ notional	3 months US\$-LIBOR+1.80% per annum based on US\$ notional
RMB fixed interest rate pay leg	3.88% per annum based on RMB notional	3.88% per annum based on RMB notional

NOTES TO THE INTERIM FINANCIAL INFORMATION

19 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 (Note 5.1(c))	(546)	(572)
	60,723	64,585
Prepayments to related parties (Note 29(h))	2,529	13,516
Prepayments of merchandise inventories	69,422	79,549
Other prepayments	6,103	24,806
Input value-added tax to be deducted and prepaid other taxes	370,821	354,859
Other deposits	7,639	10,264
Other receivables due from related parties (Note 29(h))	3,226	3,226
Amounts due from related parties (Note 29(h))	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 (Note 29(h)).

NOTES TO THE INTERIM FINANCIAL INFORMATION

20 INVENTORIES

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Properties under development	1,468,135	1,302,889
Completed properties held for sale	794,977	797,678
Merchandise inventories	311,428	353,813
Less: impairment for inventories	(19,623)	(19,623)
	2,554,917	2,434,757

21 BORROWINGS

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Non-current		
Bank borrowings	2,470,877	2,471,351
Other financial institution borrowings	2,500,000	2,500,000
Loans from a related party (Note 29(f))	–	95,140
	4,970,877	5,066,491
Current		
Current portion of long-term bank borrowings	324,074	325,845
Short-term bank borrowings	24,800	69,800
Loans from a related party (Note 29(f))	95,140	–
	444,014	395,645
	5,414,891	5,462,136

As at 30 June 2022, bank borrowings totalling RMB232,667,000 (31 December 2021: Nil) were secured by the Group's investment properties with carrying amount of RMB806,445,000 (31 December 2021: Nil) and were guaranteed by the Company.

As at 30 June 2022, bank borrowings totalling RMB696,010,000 (31 December 2021: RMB749,810,000) were secured by the Group's investment properties with carrying amount of RMB2,438,981,000 (31 December 2021: RMB2,453,088,000) and guaranteed by BCL (Note 29(c)).

As at 30 June 2022, bank borrowings totalling RMB539,748,000 (31 December 2021: RMB789,336,000) were secured by the land use rights with carrying amount of RMB328,504,000 (31 December 2021: RMB420,172,000) and guaranteed by BCL (Note 29(c)).

As at 30 June 2022, bank borrowings totalling RMB1,326,526,000 (31 December 2021: RMB1,258,050,000) were guaranteed by Capital Group (Note 29(c)).

NOTES TO THE INTERIM FINANCIAL INFORMATION

21 BORROWINGS (CONTINUED)

As at 30 June 2022, other financial institution borrowings totalling RMB1,000,000,000 (31 December 2021: RMB1,000,000,000) were guaranteed by BCL (Note 29(c)).

As at 30 June 2022, other financial institution borrowings totalling RMB1,500,000,000 (31 December 2021: RMB1,500,000,000) were guaranteed by Capital Group (Note 29(c)).

As at 30 June 2022, loans from a related party and short-term bank borrowings totalling RMB119,940,000 (31 December 2021: RMB164,940,000) were unsecured.

(A) The maturities of the Group's total borrowings at respective dates of the interim condensed consolidated statement of financial position are set out as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Total borrowings		
– Within 1 year	444,014	395,645
– Between 1 and 2 years	1,922,264	1,299,802
– Between 2 and 5 years	2,476,558	3,260,408
– Over 5 years	572,055	506,281
	5,414,891	5,462,136

(B) The carrying amounts of the Group's borrowings and loans are denominated in following currencies:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
US\$	1,326,526	1,258,050
RMB	4,088,365	4,204,086
Total	5,414,891	5,462,136

(C) The weighted average effective interest rates for the six months ended 30 June 2022 and 2021 are set out as follows:

	Six months ended 30 June 2022 (Unaudited)	2021 (Unaudited)
Bank and other financial institution borrowings	5.38%	5.59%

NOTES TO THE INTERIM FINANCIAL INFORMATION

21 BORROWINGS (CONTINUED)

(D) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 6 months	1,610,658	1,504,032
Between 6 and 12 months	1,304,233	1,362,964
Between 1 and 5 years	2,500,000	2,595,140
	5,414,891	5,462,136

Except for the borrowing listed in Note 5.3, the carrying amounts of other borrowings approximate their respective fair values, as the borrowings bore floating interest rates, the impact of discounting is not significant. The fair values are based on cash flows discounted using market rate and are within level 2 of the fair value hierarchy.

22 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 (Note 29(h))	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 (i) and Outlets Scheme	(5,955,562)	(5,286,574)
Current portion	519,049	377,186

NOTES TO THE INTERIM FINANCIAL INFORMATION

22 OTHER PAYABLES AND ACCRUALS (CONTINUED)

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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

22 OTHER PAYABLES AND ACCRUALS (CONTINUED)

- (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.

23 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 (Note 29(h)).

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

24 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	7,575	7,575
	173,459	173,459
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	7,575	7,575
	16,732	16,732

NOTES TO THE INTERIM FINANCIAL INFORMATION

25 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

26 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).

27 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

NOTES TO THE INTERIM FINANCIAL INFORMATION

28 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.

29 RELATED PARTY TRANSACTIONS

Apart from the transactions and balances disclosed elsewhere in this interim financial information, the Group had the following significant transactions with related parties during the reporting period:

(A) PROVISION OF SERVICES

	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Provision of services		
– Project management services for a subsidiary of BCL	1,200	1,200

NOTES TO THE INTERIM FINANCIAL INFORMATION

29 RELATED PARTY TRANSACTIONS (CONTINUED)**(B) PURCHASES OF SERVICES**

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Purchases of services		
– Management fee on Asset-backed Securities Scheme, senior class deed to fellow subsidiaries	2,118	–
– Service fee to BCL	855	832
– Service fee for keepwell deed to Capital Group	–	4,060
– Guarantee fee for Outlets Scheme (i)	835	–
– Guarantee fee for bank and other financial institution borrowing deed to Capital Group (ii)	9,567	–
– Property Management expense to a fellow subsidiary	18,875	13,874
	32,250	18,766

(i) Capital Group issued a guarantee to China Life Investment Management Company Limited for Outlets Scheme with a total principal amount of not more than RMB1,350,000,000. Under the Scheme, Hengsheng Huachuang, a wholly-owned subsidiary, is required to pay an amount of 0.7% of the outstanding principal per annum as guarantee fee. Hengsheng Huachuang recorded guarantee fee totalling RMB835,000 during the current period.

(ii) Capital Group issued a guarantee to China Life Investment Management Company Limited for the borrowing of RMB1,500,000,000, Xin Kai is required to pay an amount of 0.7% of the outstanding principal per annum as guarantee fee. Xin Kai recorded guarantee fee totalling RMB5,014,000 during the current period.

Capital Group issued a guarantee to Ping An Bank for the borrowing of US\$198,000,000, Trade Horizon is required to pay an amount of 0.7% of the outstanding principal per annum as guarantee fee. Trade Horizon recorded guarantee fee totalling RMB4,553,000 during the current period.

(C) GUARANTEE FROM RELATED PARTIES

As at 30 June 2022, BCL provided irrevocable guarantee for the bank and other financial institution borrowings of the Group amounted to RMB2,235,758,000 (31 December 2021: RMB2,539,146,000) (Note 21).

As at 30 June 2022, Capital Group provided irrevocable guarantee for other financial institution borrowings of the Group amounted to RMB2,826,526,000 (31 December 2021: RMB2,758,050,000) (Note 21).

NOTES TO THE INTERIM FINANCIAL INFORMATION

29 RELATED PARTY TRANSACTIONS (CONTINUED)**(D) FUNDS GRANTED TO AN ASSOCIATE**

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
At 1 January	68,999	68,999
Funds granted	180	–
Repayments	(1,236)	–
At 30 June	67,943	68,999

The funds granted to the associate are unsecured, interest-free and have no fixed repayment terms.

(E) FUNDS GRANTED TO A JOINT VENTURE

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
At 1 January	2,117	2,017
Interest income accrued	50	50
At 30 June	2,167	2,067

The funds are unsecured, bear interests at a fixed interest rate of 5% per annum, and have no fixed repayment terms.

(F) LOANS FROM BCL

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	100,209	96,347
Proceeds from loans	–	1,500,000
Repayments	–	(300,000)
Interest accrued	2,052	16,027
Interest paid	–	–
At 30 June	102,261	1,312,374

As at 30 June 2022, loans from BCL amounted to RMB95,140,000 (31 December 2021: RMB95,140,000), which is due on 20 April 2023. As at 30 June 2022, total of loans and interest receivables from BCL amounted to RMB102,261,000 (31 December 2021: RMB1,312,374,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION

29 RELATED PARTY TRANSACTIONS (CONTINUED)**(G) KEY MANAGEMENT COMPENSATION**

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Salaries, allowances and benefits in kinds	3,186	4,574
Pension scheme contributions	362	285
	3,548	4,859

(H) PERIOD-END BALANCES

	30 June	31 December
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Trade receivables		
– a fellow subsidiary	1,840	6,723
Other receivables		
– Fellow subsidiaries	1,040	1,040
– An associate of BCL	193	193
– A joint venture of BCL	1,993	1,993
	3,226	3,226
Prepayments to related parties		
– Capital Group	702	10,269
– Fellow subsidiaries	1,827	3,247
	2,529	13,516
Amounts due from related parties		
– An associate of the Group	67,943	68,999
– A joint venture of the Group	2,167	2,117
	70,110	71,116
Trade payables		
– A fellow subsidiary	9,438	8,599
Other payables and accruals		
– BCL	17,976	16,373
– Capital Group	835	–
– A fellow subsidiary	729	–
	19,540	16,373

NOTES TO THE INTERIM FINANCIAL INFORMATION

29 RELATED PARTY TRANSACTIONS (CONTINUED)**(I) LEASE FROM A FELLOW SUBSIDIARY**

	30 June 2022 RMB'000	31 December 2021 RMB'000
Right-of-use rights	10,398	13,943
Lease liabilities	9,234	12,770

Hengsheng Huaxing, a wholly-owned subsidiary, rent building for the purpose as administrative office from a fellow subsidiary. Right-of-use rights amounted to RMB10,398,000 (31 December 2021: RMB13,943,000) and lease liabilities amounted to RMB9,234,000 (31 December 2021: RMB12,770,000) are recognised respectively.