BEIJING CAPITAL GRAND LIMITED
首創鉅大有限公司

Incorporated in the Cayman Islands with limited liability
STOCK CODE : **1329**

2022
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Fan Shubin *(Chairman)*
Mr. Xu Jian *(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. Xu Jian *(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. Xu Jian
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

CORPORATE INFORMATION

REGISTERED OFFICE

Cricket Square Hutchins Drive P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRC HEADQUARTERS

West Area, 7th Floor, Jing An Centre
No. 8 North 3rd Ring East Road, Chaoyang District
Beijing, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 4602-05
One Exchange Square
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 WEBSITE

www.bcgrand.com
www.capitaloutlets.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square Hutchins Drive P.O. Box 2681
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

MAJOR EVENTS OF THE YEAR

MAJOR EVENTS OF THE YEAR 2022 OF CAPITAL OUTLETS

January

During the first three days of 2022, Capital Outlets registered sales of nearly RMB300 million, marking a record high among year-opening sales. Through operational upgrades, Capital Outlets generally improved its customer quality and sales which increased by 30% with a nearly 20% growth of customer traffic.

January

From 14 to 16 January, the celebration activities for the 3rd anniversary of Jinan Outlets went viral again in Jinan, recording a 50% growth of customer traffic and a 62% sales growth as compared to the corresponding celebration period last year. Many brands became the best-sellers accordingly. In particular, Nike was the best-selling brand in both Shandong and Henan regions, whereas brands such as ANTA, Fila and CK were the best-sellers in Shandong region.

MAJOR EVENTS OF THE YEAR

February

2022 was the second year to respond to the "Staying Local for the Spring Festival (就地過年)" called by the government. During the Spring Festival, Capital Outlets elaborately held a series of fascinating folklore events for customers of its outlets projects, including dragon and lion dance and walking on stilts, in fourteen cities throughout China.

March

Exclusive private traffic pools were created by Capital Outlets for its projects covering fourteen cities. Totally 500 WeChat groups were established and more than 100 thousand fans were attracted, with direct sales of nearly RMB10 millions contributed from nearly 50 thousand of post-event customers on-site, delivering a remarkable result.

MAJOR EVENTS OF THE YEAR

April

In collaboration with China Life Investment, Capital Grand successfully issued a product known as Asset Support Scheme with a size of RMB1.35 billion, which was the first investment real-estate mortgage loan cum assets-backed plan (CMBS) in the inter-insurance market.

May

Capital Outlets launched an event named "Live streaming for all, join our Super Brand Sales (超品帶貨全民直播)". Mr. Yuan Zelu, the executive vice president of Capital Grand, and general managers of various projects in China hosted the live streaming sales of products, showcasing their talents throughout the extended live streaming. Leveraging the breakthrough in online channels, offline sales results were boosted, achieving a 20% surge in both total customer traffic and month-on-month sales.

MAJOR EVENTS OF THE YEAR

June

During the 10th anniversary of the brand of Capital Outlets, Capital Outlets organized super joint celebration activities for its projects covering fourteen cities throughout China. Various brands offered exclusive discounts to support the joint celebration accordingly.

July

"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) was held in Guangzhou. Proven by its outstanding performance throughout 2021, Capital Grand has received 18 major awards.

MAJOR EVENTS OF THE YEAR

September

Capital Outlets was listed among the "Recommended Demonstration Enterprises for International Consumption – 'Quality China, Quality service' (國際消費"品質中國•優質服務"示範企業推介)" by China International Fair for Trade in Services in 2022. It signified that Capital Outlets will become a key participant and contributor in the development of Beijing into an international consumption center city.

October

During National Day Holiday, against the backdrop of promoting staying local for the holiday throughout China, Capital Outlets carefully planned activities in fourteen cities integrating immersive experience, related atmosphere created and a cozy and green open shopping environment, which delivered a good result with a total sales exceeding RMB0.5 billion.

MAJOR EVENTS OF THE YEAR

November

On the Guandian Commercial Annual Meeting 2022, Capital Grand was listed among the "100 Top Performance Commercial Real Estate Enterprises of 2022 (2022年度商業地產企業表現百強榜)" and ranked the top in the outlets industry.

December

The fifteenth Outlet of Capital Grand, Xiamen Outlet, officially opened for business. As at the date hereof, the 15 self-owned outlets projects of Capital Grand were all officially opened. The Company has shifted its business focus completely from scale expansion to lean operation.

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 annual results of the Group for the year ended 31 December 2022.

In 2022, impacted by multiple factors such as the volatile international situation, outbreak of the pandemic and extreme weather, the Chinese economy was exposed to the triple pressure of shrinking demand, reduction of supply and the expectation of weaker growth. The Chinese government has risen to the challenges and calmly coped with the adversities by efficiently coordinating pandemic prevention and control with economic and social development, at the same time optimizing and adjusting pandemic containment measures in line with the ongoing situation. New achievements were made in high-quality development, as the overall economic performance hit a record high. The total GDP surpassed RMB120 trillion, up 3.0% year-on-year at constant prices. Based on the average annual exchange rate, the total GDP of China was equivalent to approximately US$18.0 trillion, ranking second globally.

During the period, the consumer market suffered a heavy setback from the sporadic outbreaks of the COVID-19 pandemic and the implementation of pandemic containment measures, especially the clustered and contact consumption industries as the customer traffic in shopping malls sharply declined. According to the data published by Winneryun Data Monitoring Platform (匯客雲數據平台監測), the daily average customer traffic of each shopping mall throughout China in 2022 recovered to 62% and 45% of that for the same period in 2021 and 2019, respectively. The recovery rate remained at a low level. In response to the complicated and severe market environment, local governments introduced various policies to stabilize the economy and sustained the recovery momentum of consumer market through initiatives such as enhancing consumption capacity, improving consumption conditions and innovating consumption scenarios. In 2022, the total retail sales of consumer goods in China for the whole year amounted to RMB43.97 trillion, representing a mild decline of 0.2% as compared to the corresponding period last year. As the second largest consumer market in the world, China remained in its distinctive super-huge economies of scale.

During the period, as affected by the pandemic, a number of the Group's outlet projects have experienced various degrees of store closures, and the traditional sales cycle was frequently disrupted. In particular, the Outlets in Beijing, Kunshan, Zhengzhou, Nanchang and Qingdao were closed for more than 40 days, which seriously affected the project's visitor traffic and sales performance of the Outlets. The Group actively addressed the adverse impact of the pandemic, while adopting diverse measures and devoting proactive efforts in innovation on the pre-requisite of ensuring the safety of pandemic prevention. Leveraging its own IP themed marketing campaigns, including the "Come Together to Capital Outlets and Celebrate each Festival (來首創奧萊過節)" series, the Group effectively drove a rebound in customer traffic. It also completed the renewal and upgrade of the membership system to motivate repeat purchases from customers and garner word-of-mouth referrals. As at the end of 2022, total membership reached 3.70 million, representing a significant increase of 24% over the same period last year, which reinforced and expanded the bases for outlets sales. Furthermore, the Group made full use of private traffic to carry out marketing campaigns, such as the "BOSS Live-streaming (BOSS直播)", striving to maintain market exposure and popularity and drive online sales of partnering brands. Meanwhile, it paid close attention to product and discount management, tapped the potential of in-store customers, increased the rate of consecutive orders and carry-over, and, in particular, seized the opportunity after the stabilization and release of the epidemic control to strengthen the unified marketing. As a result, a phased recovery of sales results was achieved. For the year of 2022, there were 39.07 million store visits, representing a decrease of 20% as compared to the same period last year. Nevertheless, thanks to the unremitting efforts of all employees, a turnover of RMB8.198 billion was achieved in Outlets operation, which was down by 18% over the corresponding period last year. Thus, a smaller drop in turnover than that of stores visits was registered, which helped to safeguard the operational stability of the outlets business.

During the period, the Group continued to carry out rich thematic marketing activities in respect of its proprietary business so as to expand the number of high-end members. It also continued to optimize the functions of the online sales platform for its proprietary business, and actively expanded online channels such as corporate WeChat, bulk wholesale and mini program of shopping mall, thereby stabilizing the overall scale of its proprietary business and improving the efficiency of inventory turnover. During the period, in order to realize benefit sharing and cost sharing

CHAIRMAN'S STATEMENT

with brand tenants, the Group innovated marketing methods and approaches and promoted cross-industry cooperation. 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. It granted a total rent reduction of approximately RMB35 million.

During the period, faced with multiple challenges such as the continuous impact and disturbance of the pandemic, the increasing pressure of economic downturn and the lack of confidence in brand expansion, the Group rose to the challenge and made the grand debut of the Xiamen Outlets Project. As at the date hereof, with all of its 15 self-owned outlets projects opened for business, the Group continued to maintain its leading edge in the outlets industry.

During the period under review, the Group achieved an operating revenue of RMB1,124 million, representing an increase of 16% over the same period of last year, and recorded a net loss attributable to the parent of RMB393 million. The Board has resolved not to declare an annual dividend for the year ended 31 December 2022.

In the Central Economic Work Conference held at the end of 2022, it was expressed that the resumption and expansion of consumption should be prioritized in order to enhance consumption capacity, improve consumption conditions and innovate consumption scenarios. According to the Strategic Plan for Expanding Domestic Demand under the 14th Five -Year Plan promulgated by the Chinese government, the primary focused mandate is also promoting the general consumption and accelerating the consumption upgrade with improved quality. Coupled with increasingly more policies launched favoring the industry as well as the material adjustment of the pandemic prevention and control policies, our confidence is considerably boosted towards the business development in 2023.

Leveraging the unique attribute of "popular brand, discount and experience", the Outlets provides consumers with brilliant experience of "grand brand, low price". By linking both the domestic and international markets, the Outlets can actively integrate them into the formation of the industrial landscape by China under the dual circulation economy at home and abroad. As the leading enterprise in the outlets industry, the Group will strive to seize the favorable opportunities stemming from expanding domestic demand and promoting consumption, and devote itself to the formation of the aforementioned industrial landscape by China under the dual circulation economy at home and abroad, which will turn policy dividend into growth momentum and achieve robust development of the Company.

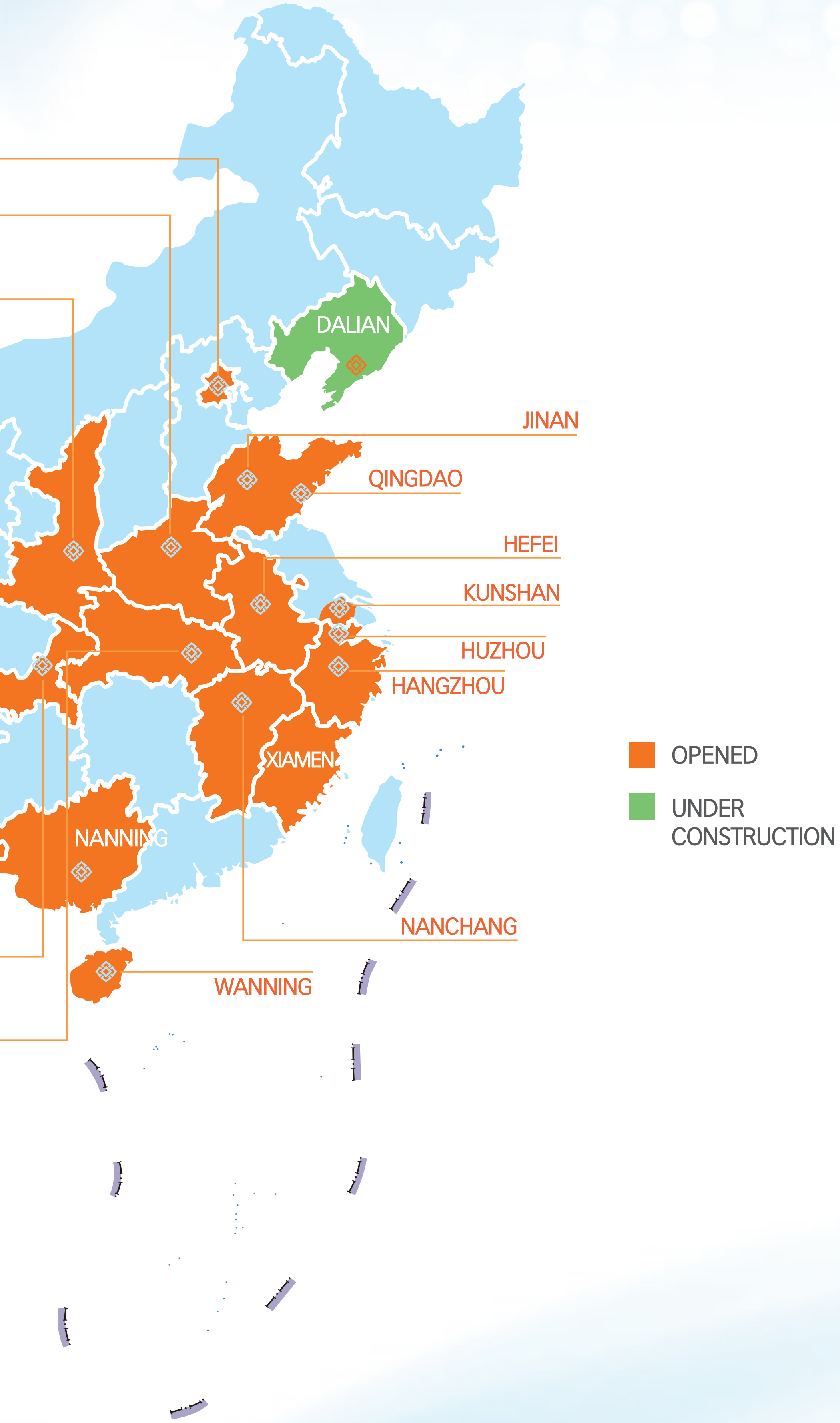
In 2023, the Group will closely follow the adjustment of national policies, drive our development with high quality through upgrading the mindset and consolidate our foundation for long-term corporate development by focusing on merchandizing capability, operation capability, digitalization capability and innovation development capability. The Group will also continue to strengthen the operation of private traffic and refine the operations of members. Adhering to the "store-oriented policy", we will make further research on the local consumer markets, integrate the business operation and regional consumption as well as the modern ways of living and the industry, and make use of the ultimate consumer demand for products, prices, services and experience. The Group will continue to innovate, enrich and upgrade the consumption scenarios of "customers, goods and venues", and provide consumers with the featured shopping experience of "grand brand, low price, good service" of Capital Outlets. We will create a convenient and efficient business environment for the brand-related tenants in a view to stimulate their development potential, thereby achieving win-win situation with talents. Meanwhile, the Group will adopt diversified strategies to further implement the light asset projects, and realize the output of business management capabilities and brand resources, thus further consolidating the Group's leading position in the outlets industry.

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. The Group will enhance its corporate culture of "haggling over every cent" as a retail enterprise and put its "profit-centered" business philosophy and "customer-centered" service philosophy in place. With our concerted efforts in progressive development for excellence, we will place greater emphasis on management upgrade, promoting talent development, further enhancing the profitability of projects and increasing our competitiveness in the industry, while relentlessly striving to become the "most valuable outlets operator in China which provides excellent experience for consumers".

Mr. Fan Shubin
Chairman
21 March 2023

STRATEGIC MAP OF CAPITAL GRAND

STRATEGIC MAP OF CAPITAL GRAND



MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT PROPERTIES

Project	Approximate Site Area (m²) (Note 1)	Total Gross Floor Area (m²) (Note 2)	Property Type (m²)	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%

Project	Approximate Site Area (m^2) (Note 1)	Total Gross Floor Area (m^2) (Note 2)	Property Type (m^2)	Time of Launching	Attributable Interests
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	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%

DEVELOPMENT PROPERTIES

Project	Approximate Site Area (m^2)	Unsold Gross Floor Area (m^2)	Unsold Ground Floor Area (m^2)	Property Type	Attributable Interests
Xi'an First City (Xi'an Economic Technology Development Zone)	355,900	302,224	197,253	Residential/ Commercial/Office buildings/Parking space	100%
Nanchang Capital Outlets (Xinjian District, Nanchang)	30,150 (Note 5)	24,386	24,386	Commercial	40%
Jinan Capital Outlets (Tangye New Area, Jinan)	114,930 (Note 6)	1,891	1,891	Commercial	100%
Chongqing Capital Outlets (Banan District, Chongqing)	74,350 (Note 7)	5,453	5,453	Commercial	100%
Nanning Capital Outlets (Xingning District, Nanning)	101,970 (Note 8)	7,572	7,572	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 Fangshan Capital Outlets is 90,800 m^2, of which the gross floor areas of Phase I and Phase II are 108,700 m^2 and 87,800 m^2, respectively;

Note 4: The total site area of Huzhou Capital Outlets is 214,300 m^2, of which the site areas of Phase I and Phase II are 109,900 m^2 and 104,400 m^2, respectively;

Note 5: The site area of Nanchang Capital Outlets Plot B is 30,200 m^2, of which 29,700 m^2 of the gross floor area is investment property and 31,300 m^2 is development property;

Note 6: The site area of Jinan Capital Outlets is 114,900 m^2, of which 121,500 m^2 of the gross floor area is investment property and 63,000 m^2 is development property;

Note 7: The site area of Chongqing Capital Outlets is 74,300 m^2, of which 110,600 m^2 of the gross floor area is investment property and 17,100 m^2 is development property;

Note 8: The site area of Nanning Capital Outlets is 102,000 m^2, of which 145,600 m^2 of the gross floor area is investment property and 15,300 m^2 is development property.

INDUSTRY OVERVIEW

In 2022, the international geopolitical situation was turbulent with increased downside risk of the world economy. The domestic economy was impacted by multiple factors such as the sporadic and frequent outbreak of COVID-19 pandemic and extreme weather under the triple pressure of shrinking demand, reduction of supply and the expectation of weaker growth. The Chinese government has risen to the challenges by tightening macroeconomic control and effectively dealing with the impact of unexpected factors, resulting in stable economic and social development in general.

According to preliminary calculation, China's GDP reached a new level again in 2022, reaching RMB121 trillion, up 3% over the same period last year at constant prices; per capita GDP reached RMB85,698, up 3% in real terms over the same period last year, and US$12,741 at the average annual exchange rate, remaining above US$12,000 for two consecutive years. The continuous increase in total economic volume and per capita standard reflects that the fundamentals of strong resilience, high potential and wide scope for long-term improvement of China's economy remain unchanged. However, it should also be noted that the current international environment is still complicated and changeable, the world economic growth is slowing down, the global trade situation is not optimistic, and the world economy may face stagflation. At the same time, with the domestic epidemic prevention and control entered into a new stage, the foundation for recovery of the domestic economy is still fragile. There are still many difficulties in the production and operation of enterprises, domestic consumption and technological innovation still need to be improved, and painstaking efforts are still needed to boost the overall upturn of the economy.

In this year, the domestic consumer market was obviously disturbed by the epidemic in the short term, especially the clustered and contact consumption was restricted, which had a great impact on the whole consumer market; at the same time, residents' consumption intention was declining, conservative and inconvenient consumption were becoming obvious problems. The total retail sales of consumer goods for the year were nearly RMB44 trillion, down 0.2% from the same period last year.

In the last month of the year, as the epidemic prevention and control entered a new phase, the domestic retail industry recovered rapidly and the hustle and bustle of the city returned, seeing hope for further recovery in the consumer market in the cold winter: Firstly, domestic residents have huge consumption potential as more than 1.4 billion people themselves have huge consumption demand, while the overall trend of upgrading the consumption structure has not changed; Secondly, with the speedy restoration of the normal production and living order, the restriction of consumption scenarios will be greatly reduced, creating conditions for the restoration of service consumption and offline consumption; Thirdly, the increase of income is conducive to boosting consumption. In 2023, China's economy is expected to improve as a whole, and the improvement in employment and the increase in residents' income will effectively drive up residents' consumption ability and willingness to spend.

In this year, medium and long-term measures have been introduced to promote consumption constantly. The State held a national teleconference on stabilizing the economy to deploy a package of measures to stabilize the economy. Local governments introduced economy stabilization policies in line with local realities, expanded domestic demand through initiatives such as enhancing consumption capacity, improving consumption conditions and innovating consumption scenarios, and stimulated residents' consumption enthusiasm by activating nighttime consumption, promoting cultural tourism consumption, developing the first store economy, innovating consumption format and issuing consumption vouchers to promote the resumption of consumption. The Outline of the Strategic Plan for Expanding Domestic Demand (2022-2035)(擴大內需戰略規劃綱要(2022-2035年)), which was released at the end of 2022, makes a series of arrangements for expanding domestic demand and deepening structural supply-side reform, which is also conducive to expanding domestic markets, boosting consumption, expanding employment, raising income, improving income distribution patterns, and providing convenient consumption scenarios. With the implementation of consumption promotion policies and the continuous improvement of residents' consumption ability, the domestic consumption market and consumption scale are expected to steadily recover and increase.

BUSINESS REVIEW

ACTIVELY RESPOND TO THE EPIDEMIC, EXPLORE THE OPERATIONAL POTENTIAL AND TIDE OVER DIFFICULTIES TOGETHER WITH TENANTS

– In terms of both scope and duration, the impact of COVID-19 pandemic in 2022 was far greater than that of last year. A number of the Group's Outlets have experienced various degrees of store closures. In particular, the Outlets in Beijing, Kunshan, Zhengzhou, Nanchang and Qingdao were closed for more than 40 days, which seriously affected the visitor flow and sales of the Outlets, and the traditional sales cycle was frequently disrupted;

– For the year of 2022, there were 39.07 million store visits, representing a decrease of approximately 20% as compared to the same period last year. The Outlets of the Group proactively adopted measures to soften the adverse impact of the epidemic and, whilst implementing safety measures for the COVID-19 pandemic, strengthened marketing innovation, paid close attention to product and discount management, tapped the potential of in-store customers, increased the rate of consecutive orders and associated purchase, and, in particular, seized the opportunity arising from the stabilization of the pandemic and the reopening after pandemic, and strengthen the unified marketing. As a result, we achieved a phased recovery of sales results to a certain extent. The Group achieved sales of RMB8,198 million for the year, representing a decrease of approximately 18% as compared with the same period last year;

– During the period, the Group worked together with the tenants and stepped up efforts to assist operations, and boosted the cooperation and confidence of the tenants with a total rent reduction of approximately RMB35 million.

ENRICH OWN IP UNIFIED MARKETING ACTIVITIES, ENHANCE PRIVATE TRAFFIC OPERATION AND IMPROVE MARKETING EFFECTIVENESS

– Continuing to enrich its own IP unified marketing activities, relying on a series of IP activities such as "Come Together to Capital Outlets and Celebrate each Festival (來首創奧萊過節)", "Members' Super Discount Day (會員超惠日)", "BOSS Live-streaming (BOSS直播)", "Come Together to Capital Outlets for the Mid-Autumn Festival (來首創奧萊過中秋好物節)", "Super Joint Celebration (超級聯慶)", "Shopping with Alacrity in 7-day National Day at Outlets (國慶7天萊爽購)" and "Double 11 Super Sold-Out with Fearless Price Comparison (雙十一超級售罄無懼比價)" to effectively increase the visitor flow;

– Making full use of private traffic to carry out the marketing campaign of "E-commerce and Livestreaming of Quality Goods in Twelve Capital Outlets (首創十二城　超品帶貨　全民直播)" to drive private traffic for purchases and drive online sales of partner brands; carrying out livestreaming promotion for various types of card coupons and pre-stocked sales to lock in customers in advance, promote the conversion of marketing campaigns and achieve the sales breakthrough;

– Innovating marketing methods and approaches, significantly reducing ineffective investment and fully mobilizing the enthusiasm and participation of tenants to realize the benefit sharing and cost sharing with brand tenants.

RENEW MEMBERSHIP SYSTEM, STRENGTHEN MEMBER BENEFITS AND REALIZE CLOSED-LOOP MARKETING

– During the period, the Group completed the renewal and upgrade of the membership system, established new member benefits, new member marketing and new member services, further improved its digitalization and precision marketing capabilities, built a full-scene customer service platform, and continued to optimize the member experience, enhance member stickiness and improve member value;

- As of the end of 2022, the Group's total membership recorded a significant increase of 24% over the same period last year, which not only strengthened the base of the operation of the Outlets, but also created superior conditions for private traffic operation.

CONTINUE TO INCREASE THE INDUSTRY INFLUENCE WITH STRONG PERFORMANCE

- During the period, the Group was ranked on the list of China's Top 100 Retailers, the list of "Quality China – Model Enterprises (品質中國•示範企業)", the list of Top 100 Commercial Properties and the "2022 Case Studies on Enhancing Services in Beijing and Facilitating Quality Services of International Consumption (二零二二年度提升北京服務、助力國際消費優質服務案例集)";

- At the "9th China Outlets Industry Development Forum (第九屆中國奧特萊斯產業發展論壇)", the Group was honored with 18 major awards, including the "Urban Growth Driver of 20 Years Among China Outlets Award (中國奧萊20年•城市驅動力大獎)", further strengthening its influence in the industry.

WITH ONLINE AND OFFLINE EFFORTS, PROPRIETARY BUSINESS ENHANCED THE QUALITY AND EFFICIENCY

- In view of the epidemic control and the restriction of offline customers' access to stores, we continued to optimize the functions of the online sales platform for proprietary business, and actively expanded online channels such as corporate WeChat account, bulk wholesale and mini program of shopping mall, realizing online sales of approximately RMB30 million, stabilizing the overall scale of our proprietary business and improving the efficiency of inventory turnover;

- We continued to carry out rich thematic marketing activities to expand the number of high-end members, and increased sales conversion through precise marketing and refined services, with the conversion ratio increased by 0.6 percentage points during the period as compared with the same period last year.

THE GRAND OPENING OF XIAMEN OUTLET, WITH CONTINUED OPTIMISM ON THE DEVELOPMENT OPPORTUNITY OF DOMESTIC OUTLET INDUSTRY

- Faced with multiple challenges such as the continuous impact and disturbance of the epidemic, the increasing pressure of economic downturn and the lack of confidence in brand expansion, the Group rose to the challenge, and the headquarters and other departments strove to overcome the difficulties and made the grand opening of the Xiamen Outlet. As of the end of 2022, 15 Outlets operated by the Group opened for business. The Group continues to be optimistic on the development opportunities of the domestic outlet industry and will further contribute to the expansion of domestic demand and consumption upgrade.

WITH THE CAPITAL FROM THE INSURANCE COMPANY, WE OPEN UP NEW BUSINESS CHANNELS FOR INSURANCE CAPITAL TO SERVE CHINA'S REAL ECONOMY

– During the period, in the face of the severe financing environment, the Group successfully established "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, and opened a new business channel for insurance capital to serve China's real economy and promote the internal circulation of consumption, but also demonstrated the high recognition of the operational capability, asset value and brand value of the Group's Outlets from the insurance company.

SUCCESSFULLY COMPLETED THE PROJECTS UNDER ENTRUSTED MANAGEMENT AND CONTRIBUTED TO BETTER INVESTMENT RETURN FOR THE OWNER

– During the period, Wanning Outlet, a project under the Group's entrusted management, was listed for sale at a better price, contributing to a better investment return for the owner (Capital City Development). Through the Group's sound operation, the property value of Wanning Outlet was significantly improved, creating conditions for the owner to achieve better value realization through the completion of the project.

FINANCIAL REVIEW

1. REVENUE AND OPERATING RESULTS

In 2022, the revenue of the Group was approximately RMB1,124,138,000 representing a decrease of 16% as compared to RMB1,341,049,000 of the same period in 2021. The decrease in revenue was mainly attributable to the decrease in the rental income of the investment properties as affected by the outbreak of COVID-19 pandemic in 2022 and the corresponding decrease of revenue from sales of goods and revenue from sales of properties.

In 2022, the Group's gross profit margin was approximately 42%, representing a decrease of 6% from 48% for the same period in 2021. The decrease in gross profit margin was mainly attributable to the decrease in revenue.

In 2022, the Group's operating profit was approximately RMB231,754,000, representing a decrease of 50% as compared to RMB462,771,000 for the corresponding period in 2021. Such decrease was mainly attributable to (i) the decrease of approximately 16% in the Group's total income from rental of investment properties, sale of properties and sale of goods as compared to the corresponding period of the previous year; and (ii) the decrease of approximately 55% in the aggregate from the other net income as compared to the corresponding period of last year.

In 2022, the Group incurred a loss for the year of approximately RMB393,269,000, representing an increase of 76% over the loss for the period of RMB223,947,000 for the same period in 2021. The increase in loss for the period was mainly due to the decrease in operating profit.

2. LIQUIDITY AND FINANCIAL RESOURCES

The Group has sufficient funds to meet its operating requirements. As at 31 December 2022, the Group had total cash and cash equivalents and restricted cash of approximately RMB1,210,365,000 (31 December 2021: approximately RMB804,308,000), of which, approximately RMB1,109,365,000 (31 December 2021: approximately RMB803,107,000), approximately RMB69,000 (31 December 2021: approximately RMB1,029,000), approximately RMB32,000 (31 December 2021: approximately RMB172,000) are presented in RMB, Hong Kong dollars ("**HK$**") and United States dollars ("**US$**") respectively. Substantially all of the Group's cash and cash equivalents and restricted cash are deposited with creditworthy banks with no recent history of default.

The Group's current ratio as at 31 December 2022 was 1.11 (31 December 2021: 1.26).

As at 31 December 2022, the principal amount of interest-bearing debts of the Group amounted to approximately RMB11,909,442,000 (31 December 2021: approximately RMB10,748,710,000), of which approximately 89% was non-current portion (31 December 2021: 96.3%). The main purpose of the interest-bearing debt was to meet the funding requirements for property development and construction, operation and business development.

As at 31 December 2022, the Group had a net gearing ratio of 244% (31 December 2021: 208%), which was calculated as net debt divided by total equity. Net debt includes total bank and other borrowings, guaranteed notes (including current and non-current portions) and the Asset-backed securities scheme, senior class (including current and non-current portions) and lease liabilities less cash and cash equivalents and restricted cash. The change in the net gearing ratio was primarily due to the increase in the Group's net debt for the year ended 31 December 2022.

3. CHANGES IN PRINCIPAL SUBSIDIARIES AND MAJOR NON-CONTROLLING INTERESTS

The Group had no changes in major subsidiaries and major non-controlling interests during the year.

4. BORROWINGS, GUARANTEED NOTES AND ASSET-BACKED SECURITIES SCHEME

As at 31 December 2022, the Group's borrowings from banks, related parties and other financial institutions amounted to approximately RMB5,939,442,000 (31 December 2021: approximately RMB5,462,136,000). Of the total amount, bank borrowings of RMB1,370,963,000 (31 December 2021: RMB1,539,146,000) were secured by land use rights and buildings and guaranteed by BCL or the Group. Bank borrowings and related party borrowings of approximately RMB Nil (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 RMB1,368,479,000 (31 December 2021: approximately RMB1,258,050,000) were guaranteed by Capital Group. Borrowings from other financial institutions of approximately RMB2,200,000,000 (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 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 Zhuhai Hengqin Hengsheng Huachuang Business Management Co., Ltd. (珠海橫琴恒盛華創商業管理有限公司) ("**Hengsheng Huachuang**"), a wholly-owned subsidiary of the Group. The Subordinated Class ABS will not be listed. Details are set out in the announcement of the Group 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 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, all of which were subscribed by qualified third party investors and are 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 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 Group 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) 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 BCG Outlets Properties Co., Ltd. (an indirect wholly-owned subsidiary of the Company) and Kunming Beijing Capital Outlets Commercial Operation Management Co., Ltd. (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 31 December 2022, the Group had 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 Group dated 27 April 2022.

5. FOREIGN EXCHANGE EXPOSURE

Major subsidiaries of the Group operate in the PRC and most of the transactions are denominated in RMB. As at 31 December 2022, the Group had US$-denominated bank borrowings amounting to US$197,700,000 (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 31 December 2022, the financial guarantees amounted to approximately RMB700,763,000 (31 December 2021: RMB603,605,000).

7. CAPITAL COMMITMENTS

As at 31 December 2022, the Group had capital commitments relating to the development properties under construction of approximately RMB403,438,000 (31 December 2021: RMB423,204,000), and had capital commitments relating to the investment properties under construction of approximately RMB nil (31 December 2021: RMB51,977,000).

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

As at 31 December 2022, the Group did not make any significant investment or material acquisition and disposal and has no future plans for significant investments or acquisitions of capital assets.

9. PLEDGE OF ASSETS

As at 31 December 2022, the total amount of the Group's pledge of investment properties and land use rights arising from borrowings were RMB3,586,865,000 (31 December 2021: RMB2,873,260,000).

10. CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities.

11. SUBSEQUENT EVENTS

As at 31 December 2022, the Group did not have any subsequent events.

COST OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group employed 722 employees, of which 355 were male and 367 were female (as of 31 December 2021, the Group employed 1,181 employees, of which 614 were male and 567 were female). For the year ended 31 December 2022, employee benefit expenses (excluding remunerations of Directors and the chief executive officer) of the Group amounted to approximately RMB186,663,400. The remuneration policy and package of the Group's employees are structured in accordance with market conditions, individual employee performance, qualifications and experience and statutory requirements where appropriate. The Group also provides other staff benefits such as pension scheme, medical insurance scheme, unemployment insurance scheme and housing provident fund to motivate and reward employees at all levels to achieve the Group's business performance targets. In addition, the Group provides trainings, including professional skill training, and development programmes on an ongoing basis.

FUTURE DEVELOPMENT AND OUTLOOK

Consumption is the "stabilizer" and "ballast" of the national economy, and boosting consumption and expanding domestic demand are also the important base for the State to further enhance the economic growth. The outlet industry is an important domestic retail consumption industry with the characteristics of strong resilience, high potential, vitality and counter-cyclical, and is expected to enjoy a faster recovery and growth.

The Group will closely follow the adjustment of national policies, seize the opportunity and innovate continuously. Based on the nature of business, we will grasp the customer needs for product, price, service and experience, focus on highlighting the shopping experience of "grand brand, low price, good service", enrich the consumption scenarios, build its competitive advantage, and continue to promote a series of IP marketing activities to maximize the shopping atmosphere. We will further study the consumer market, explore the potential needs of consumers, and continuously enrich the supply side. We will explore the integration of empowering business such as pet economy, outdoor socializing, trendy home furnishing and lifestyle with tea and coffee into the operation of outlets to provide valuable services to consumers. We will continue to strengthen the operation of private traffic and refine operations for members. Furthermore, we will complete the transformation from online shopping mall to member shopping mall, open up private community traffic, construct online retail channels, increase the members' benefits, expand the number of effective members, and continuously increase the loyalty, activity and repurchase rate of our members.

The Group will further deepen its transformation and upgrade from a real estate enterprise to a retail enterprise, strengthen its "profit-centered" business philosophy and "customer-centered" service philosophy, build an efficient and agile market-oriented commercial management team, and consolidate our base for long-term corporate development by focusing on merchandizing capability, operation capability, digitalization capability and innovation and development capability. Our merchandizing capability will focus on international brand investment and community business investment, establish a more extensive and in-depth brand database, improve the analysis and judgment ability of investment investigation, and build an "iron army of merchandizing" with extremely strong capability. Operational capability will focus on value creation and environmental enhancement, improve fine-tuned and coordinated operational capability, and create a convenient and efficient business environment for tenants by always focusing on our "customer-centered" philosophy. Digitalization capability will focus on top-level system design, strengthen data governance, and gradually realize the enhancement of digitalization for consumers, products and outlets. Innovation and development capabilities will focus on scenarios, membership and marketing innovation, with emphasis on the application of new technologies and methods in the retail industry, the launch of new IP of Capital Outlets, and the exploration of a new business format of Internet celebrity live-streaming.

The Group will steadily promote the strategic deployment of light assets, adopt diversified approaches such as management export, overall leasing and equity cooperation to implement light asset projects, realize the export of commercial management capabilities and brand resources, and further consolidate the Group's leading position in outlet industry while realizing diversified revenue growth.

Mr. Xu Jian
Chief Executive Officer
Beijing, 21 March 2023

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Fan Shubin (范書斌), aged 54, a senior accountant, was appointed as an executive Director, the chairman of the Board and the chairman of the nomination committee of the Company in October 2021. He served as the head of the Accounting Department of China Nonferrous Metals Industry Technology Development Company Limited from August 1992 to February 1995. He also served as the manager of the Financial Department of China Rare Earth Development Company from March 1995 to April 2002. Mr. Fan joined Beijing Capital Group Co., Ltd. ("Capital Group") in May 2002 and served as the deputy general manager and the general manager of the Financial Management Department of Beijing Capital Eco-environment Protection Group Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600008, formerly known as Beijing Capital Co., Ltd.), the deputy general manager of the Planning and Financial Department and the general manager of the Financial Management Department of Capital Group. He served as a supervisor of Beijing Capital Land Co., Ltd. ("BCL", formerly known as Beijing Capital Land Ltd.) from December 2011 to October 2016. He served as deputy general manager, chief financial officer and general accountant (chief financial officer) of BCL from October 2016 to October 2021. He served as an executive director of BCL from April 2018 to October 2021. Mr. Fan was appointed as director and general manager of Beijing Capital City Development Group Co., Ltd. (the "Capital City Development") in October 2021 and at the same time he was appointed as a director and general manager of BCL. He obtained a Bachelor's degree in Accounting of Industrial Enterprises from North China University of Technology in July 1991 and an MBA degree from Guanghua School of Management, Peking University in July 2000.

Mr. Xu Jian (徐建), aged 40, was appointed as an executive Director, the chief executive officer and the chairman of the strategic investment committee of the Company in October 2022. He joined Capital Group in July 2013, and he served as the senior manager of the capital operation department of Capital Group from July 2013 to June 2015. He served as the general manager of ChengDu QianFeng Electronics Co., Ltd (currently known as BAIC Blue Park New Energy Technology Co., Ltd.), which shares are listed on the Shanghai Stock Exchange (Stock Code: 600733.SH), from July 2015 to January 2018. Mr. Xu served as the assistant to general manager of the financial management department of Capital Group from February 2018 to November 2018. He served as the deputy general manager of the asset management department of Capital Group from December 2018 to July 2021. Mr. Xu was appointed as president and executive director of Beijing Media Corporation Limited ("Beijing Media"), which shares are listed on the Stock Exchange (stock code: 1000.HK), from August 2021 to September 2022. Mr. Xu served as a director of Beijing Economic Development & Investment Corp. (北京經濟發展投資有限公司) from March 2022 to December 2022. Mr. Xu served as a director of Beijing Youth Travel Service Co., Ltd. (北京青年旅行社股份有限公司) from November 2021 to February 2023. He served as deputy general manager of Capital City Development and BCL since September 2022. Prior to joining Capital Group, Mr. Xu served as an engineer in the computer information department of Amway (China) Commodity Co., Ltd. and a senior manager in the underwriting and sponsoring branch in Beijing of Xiangcai Securities Co., Ltd. from July 2005 to July 2013. Mr. Xu holds a concurrent post as a non-independent director of First Capital Securities Co., Ltd., which shares are listed on the Shenzhen Stock Exchange (Stock Code: 002797.SZ), since June 2021. Mr. Xu was appointed as a non-executive Director of Beijing Media from September 2022. Mr. Xu obtained a bachelor's degree in computer science and technology from Zhejiang University in July 2005 and a master's degree in business administration from Peking University in July 2011.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Wang Hao (王昊), aged 40, was appointed as a non-executive Director and a member of the strategic investment committee of the Company in May 2018. Mr. Wang served as an employee of CITIC Securities Co., Ltd. from June 2007 to August 2010. Mr. Wang served as an assistant to the chairman of the Capital Management Centre of BCL from August 2010 to January 2014, an assistant to the chairman of BCL from January 2014 to October 2015, the deputy general manager of the Synergy Development Department of the Capital Group from October 2015 to February 2017, the deputy general manager of the Real Estate Department of the Capital Group from February 2017 to January 2023, and has served as the deputy general manager of the Industrial Development Department of the Capital Group since January 2023. Mr. Wang obtained a bachelor's degree in Electrical Engineering from University of Bristol in the United Kingdom in June 2006, and a master's degree in Business Administration jointly offered by Tsinghua University and the Chinese University of Hong Kong in November 2020.

Ms. Qin Yi (秦怡), aged 44, was appointed as a non-executive Director and a member of the remuneration committee of the Company in December 2018. Ms. Qin served in the financial department of Beijing Saike Pharmaceutical Co., Ltd. from 2000 to 2001. Ms. Qin joined BCL in July 2004 and served as a professional supervisor of the Business Development Department, a senior manager of the Strategic Development Centre, as well as the assistant general manager, deputy general manager and general manager of the Capital Management Centre successively. Ms. Qin was appointed as the secretary of the board of directors of BCL in March 2016. She was appointed as the secretary of the board of directors of Capital City Development in November 2021, and served as the general manager (director) of the capital operation department (the office of the board of directors) of Capital City Development since January 2022. Ms. Qin obtained a bachelor's degree in Economics from China Institute of Finance and Banking in 2000 and a master's degree in Economics from the School of Economics of Peking University in 2004.

Mr. Zhou Yue (周岳), aged 45, was appointed as a non-executive Director, a member of the nomination committee and a member of the strategic investment committee of the Company in October 2020. He was the general manager of the investment and finance business center of Sino-Ocean Group. Mr. Zhou joined the Sino-Ocean Group since April 2015 and served as the person-in-charge for strategic investment and deputy general manager of the CEO Management Centre and the executive deputy general manager of Sino-Ocean Capital. He previously held positions at Mapletree Investments of Temasek Holdings, Singapore, HSBC Holdings and Bank of China Investment. Mr. Zhou graduated from Xi'an University of Architecture and Technology in 2000 and obtained a bachelor's degree in Civil Engineering, and also graduated from Tsinghua University in 2007 and received a master's degree in Business Administration.

Mr. Randolph Zhao, aged 38, was appointed as a non-executive Director, a member of the remuneration committee and the strategic investment committee of the Company in July 2022. He joined KKR in 2018 as a member of the Asia Real Estate Team. Prior to joining KKR, Mr. Zhao was with Hony Capital based in Beijing, responsible for real estate investments in Greater China on behalf of Hony's RMB real estate funds. Prior to that, he was with AEW Capital Management based in Hong Kong and was responsible for real estate acquisitions in Asia-Pacific, with a primary focus on Greater China. Mr. Zhao started his career in Asia real estate investing with PGIM Real Estate in Beijing. Mr. Zhao holds a M.P.S in Real Estate from Cornell University and a B.S. in Business from the University of Minnesota.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. NGAI Wai Fung (魏偉峰), aged 61, was appointed as an independent non-executive Director, the chairman of the audit committee and a member of the remuneration committee and nomination committee of the Company in December 2013.

Dr. Ngai is a director and the group chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited, a specialty company secretarial, corporate governance and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. Dr. Ngai has over 30 years of professional practice and senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and regulatory compliance, corporate governance and company secretarial work for listed issuers including major red chips companies. Dr. Ngai led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities.

Dr. Ngai is currently a member of the General Committee, the Chairman of Membership Services Committee and a member of ESG Committee of the Chamber of Hong Kong Listed Companies, and is also a member of Governance Committee of the Hong Kong Institute of Certified Public Accountants (HKICPA). He was the president of the Hong Kong Institute of Chartered Secretaries (currently known as the Hong Kong Chartered Governance Institute) (2014-2015), a non-official member of the Working Group on Professional Services under the Economic Development Commission of the Hong Kong Special Administrative Region (2013-2018), a member of the Qualification and Examination Board of HKICPA (2013-2018) and the first batch of Finance Expert Consultants of Ministry of Finance of the People's Republic of China (2016-2021). Dr. Ngai is a fellow of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Chartered Governance Institute, a fellow of the Hong Kong Chartered Governance Institute, a fellow of the Hong Kong Institute of Directors, a member of the Hong Kong Securities and Investment Institute and a member of the Chartered Institute of Arbitrators.

Dr. Ngai obtained a Doctoral Degree in Finance at Shanghai University of Finance and Economics, a Master's Degree in Corporate Finance from Hong Kong Polytechnic University, a Master's Degree in Business Administration from Andrews University of Michigan and a Bachelor's Degree in Law at University of Wolverhampton.

Dr. Ngai is currently the independent non-executive director of the following companies, namely Bosideng International Holdings Limited (SEHK, Stock Code: 03998), Powerlong Real Estate Holdings Limited (SEHK, Stock Code: 01238), and China Energy Engineering Corporation Limited (SEHK, Stock Code: 03996). Dr. Ngai is also the independent director of SPI Energy Co., Ltd. (Nasdaq: SPI). Dr. Ngai was the independent non-executive director of Yangtze Optical Fibre and Cable Joint Stock Limited Company from September 2014 to January 2020, Health and Happiness (H&H) International Holdings Limited from July 2010 to May 2020, SITC International Holdings Company Limited from September 2010 to October 2020, BBMG Corporation from November 2015 to May 2021, China Communications Construction Company Limited from November 2017 to February 2022, BaWang International (Group) Holding Limited from December 2008 to May 2022 and TravelSky Technology Limited from January 2016 to September 2022. He was the independent director of LDK Solar Co., Limited from July 2011 to April 2020.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Ms. Zhao Yuhong (趙宇紅), aged 54, was appointed as an independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company in December 2013. Ms. Zhao has worked as an associate professor of Faculty of Law, The Chinese University of Hong Kong ("CUHK") since August 2008. Ms. Zhao was the assistant dean (UG student affairs) and associate dean (undergraduate studies) of Faculty of Law at CUHK from September 2008 to August 2010 and from September 2010 to July 2013, respectively. Ms. Zhao was a lecturer and subsequently assistant professor of School of Law at City University of Hong Kong from January 1996 to June 2002 and from July 2002 to August 2006, respectively. From September 2006 to July 2008, Ms. Zhao served as an assistant professor of School of Law at CUHK. Ms. Zhao obtained a Bachelor of Arts degree in English Language and Literature and Bachelor of Laws degree from Peking University in July 1991. Ms. Zhao obtained her Master of Studies in Law degree with Magna Cum Laude from Vermont Law School, the USA in February 1993 and her PhD degree in Law from City University of Hong Kong in November 2000.

Mr. He Xiaofeng (何小鋒), aged 67, was appointed as an independent non-executive Director and a member of each of the audit committee and the strategic investment committee of the Company in December 2013, and was appointed as a member of the remuneration committee and the nomination committee of the Company in December 2016. Mr. He obtained a bachelor's degree and a master's degree in Economics in 1982 and 1984 from Peking University, respectively. He is currently a professor of the Department of Finance, School of Economics of Peking University (北京大學經濟學院金融學系) since August 2000, and has been a doctoral supervisor since August 2001 and a director of the Research Center of Financial and Industrial Development of Peking University (北京大學金融與產業發展研究中心) from August 2005 to January 2020. He has taught in the School of Economics of Peking University (北京大學經濟學院) since 1984. Mr. He has also has served as a council member of China Enterprises Investment Association (中國企業投資協會) and the deputy director of Financial Enterprises Investment Committee (金融企業投資委員會) since 2006, the vice chairman of Beijing Private Equity Association (北京股權投資基金協會) since 2008, a director of Beijing FOF Capital Co., Ltd. (Stock Code: 833962.NEEQ) since 2015, an independent non-executive director of Hanergy Thin Film Power Group Limited (SEHK Stock Code: 566) from September 2017 to June 2019, and an independent director of Beijing Life Insurance Co., Ltd. (北京人壽保險有限公司) since March 2018.

SENIOR MANAGEMENT

Mr. Fang Yonggao (方永高), aged 59, was appointed as party committee secretary of the Company in January 2022. He was appointed as the assistant president of BCL in June 2016. Mr. Fang served as the general manager of Beijing Company of BCL from May 2016 to January 2022, the general manager of Chongqing Company of BCL from May 2008 to May 2016, the deputy general manager of Beijing Capital Land (Chengdu) Management Co., Ltd. (首創置業（成都）管理有限公司) from January 2008 to April 2008, the executive general manager of Chengdu Capital Xinzi Real Estate Development Ltd. from May 2006 to December 2007, the general manager of the Sydney Coast Project of BCL from April 2001 to April 2006, and the professional supervisor for land construction price of the contract department of Beijing Sunshine Real Estate Comprehensive Development Company (北京陽光房地產綜合開發公司) from July 1997 to March 2001. Prior to joining BCL, Mr. Fang served as the land construction/budget supervisor and contract budget manager of Beijing Shougang Construction Group Co., Ltd. (北京首鋼建設集團有限公司) from July 1988 to July 1997. Mr. Fang obtained a postgraduate qualification in property from Renmin University of China in July 2006, and a bachelor's degree in civil engineering from Hefei University of Technology in June 1988.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Gao Baofeng (高寶豐), aged 48, was appointed as the secretary to the Disciplinary Committee and vice president of the Company in September 2020. He served in the PLA Air Force from July 1995 to December 2007 and acted as a teacher, assistant lecturer, deputy instructor, party branch secretary, and officer of the political office. From December 2007 to October 2013, he served successively as the deputy chief clerk and chief clerk of the disciplinary inspection and supervision division of the Beijing Municipal SASAC (北京市國資委); from October 2013 to October 2014, he served as the senior manager of the disciplinary inspection and supervision office of Beijing Enterprises Group Co., Ltd. (北京控股集團有限公司); from October 2014 to December 2015, he successively served as the deputy general manager (as a temporary post) of the first branch of Beijing Gas Group Co., Ltd.(北京市燃氣集團有限責任公司) and the discipline inspection supervisor (deputy division-level) of the Disciplinary Committee. He served as the director of the Discipline Inspection and Supervision Office of Beijing Capital Co., Ltd. (stock code: 600008) and the secretary of the third party branch of the headquarters from December 2015 to May 2019. He joined BCL in August 2020 as the deputy director of the Party Committee Office. Mr. Gao obtained a diploma in cryptography and information security from the Air Force Telecommunications Engineering Institute in July 1995, and an undergraduate diploma in economics and management from the Air Force Political Institute in July 1999.

Mr. Yuan Zelu (袁澤路), aged 55, is a senior business operator and senior marketing specialist, and was appointed as the executive vice president of the Company in January 2022. He served as an assistant manager of Beijing Wangfujing Department Store (北京王府井百貨大樓) from September 1987 to April 1992, the head and department manager of the operation department of Beijing Jianguomen Scitech Plaza (北京建國門賽特購物中心) from April 1992 to May 2003, and the deputy general manager of Oriental Kenzo (Beijing) Company Limited (東方銀座商業(北京)有限公司) from June 2003 to March 2007. Later, Mr. Yuan worked as the general manager of the Beijing Project and Tianjin Project of Capital Commercial Jia Mao Shopping Mall (凱德商用嘉茂購物中心) from April 2007 to September 2009. He was the deputy director of the commercial property business department of Beijing Glory Group (北京國瑞集團) and the general manager of Beijing Glory Commercial Management Co., Ltd. (北京國瑞商業管理有限公司) from October 2009 to July 2010. He also served as the business executive director of the property asset management department of China Ping An Trust (中國平安信託) and the general manager of Beijing City Mall (北京都匯天地購物中心) from July 2010 to May 2012. He joined the business department for commercial property development of BCL in June 2012 as the senior professional manager for project development. He severed as the general manager of the Beijing Capital Outlets of the Company since December 2012, concurrently served as the general manager of the Nanchang Capital Outlets from January 2019 to November 2020 and the general manager of the Kunming Capital Outlets from December 2020 to February 2022. Mr. Yuan obtained a diploma in Commercial Economics (Corporate) Management (商業經濟(企業)管理專業大專文憑) from the School of Continuing Education, Beijing Normal University in March 2000, a bachelor's degree in Business Administration from Beijing Municipal Party Committee School (北京市委黨校) in July 2006, and an MBA degree from the International Business University of Beijing in August 2012.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Lin Zhiyong (林智勇), aged 47, was appointed as the deputy general manager of the Company in October 2022. He joined BCL in 2007. Mr. Lin served as the senior professional manager of the Marketing Department of the BCL headquarters, the assistant general manager of the Brand Customer Center of the headquarters, and the assistant general manager of Innovation and Research Center from April 2007 to January 2012. He served as the deputy general manager and the general manager of the BCL Jiangsu office from January 2012 to July 2014. Mr. Lin served as the general manager of the Customer Development Center of the BCL headquarters, the general manager of the BCL Qingdao office, and the general manager and party branch secretary of BC Property Management Company from July 2014 to November 2022. Mr. Lin was appointed as the general manager of BCL Shouao Property Company (首創置業首奧物業公司) in July 2022. Mr. Lin obtained a diploma in Business English from Northeastern University in July 1996 and a bachelor's degree in Economics from the University of International Business and Economics in June 2002.

Mr. Zhang Zhuoran (張卓然), aged 45, who holds legal professional qualification and second-level legal adviser qualification, was appointed as the general counsel of the Company in August 2022. Mr. Zhang is also the department manager of the Legal Compliance Department of the Company. He served as the deputy director of the office of Beijing Building Science and Technology Research Institute of CSCEC (北京中建建築科學技術研究院) from July 1999 to June 2002, the department manager of the Legal Audit Department of BEIH-Property Co., Ltd. (京能置業股份有限公司) from June 2002 to October 2010, and the deputy general manager of the investment development center of the Hopson Development Group (合生創展集團) headquarters from October 2010 to November 2015. He was appointed as the department manager of the risk management centre of the company since November 2015. Mr. Zhang obtained a bachelor's degree in International Economic Law from the School of Law of Heilongjiang University.

Mr. Wang Liwen (王立文), aged 46, was appointed as the chief accountant of the Company in September 2022. He was the chief accountant of the BCL Northern China Company from February 2022 to September 2022. He successively served as the chief financial officer and deputy general manager of the BCL Tianjin Company from September 2012 to February 2022, the chief financial officer of the commercial property department of BCL from September 2011 to August 2012, the general manager of the financial management centre of Outlets (China) Limited (奧特萊斯(中國)有限公司) from February 2010 to September 2011, and the senior professional manager of the financial management centre of the BCL headquarters from April 2009 to February 2010. Also, he served as the department manager of the financial department of Jiangsu Capital Real Estate Development Co., Ltd. (江蘇首創置業有限公司) from April 2008 to April 2009, the financial accountant and deputy department manager of Beijing Maple Real Estate Company Limited (北京楓樹置業有限公司) from April 2004 to April 2008, the accountant of the finance department of Beijing Rongbang Real Estate Development Company Ltd. (北京榮邦房地產開發有限責任公司) from August 2001 to April 2004, and an employee of the modern management department of Beijing Double-Crane Modern Pharmaceutical Technology Company Limited (北京雙鶴現代醫藥技術有限責任公司) from August 2000 to August 2001. Mr. Wang obtained a bachelor's degree in Taxation from the Central University of Finance and Economics.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

SECRETARY OF THE BOARD OF DIRECTORS

Ms. Wang Xia (汪霞), aged 47, a Financial Risk Manager (FRM), was appointed as the secretary of the Board in October 2018. She served as the manager of the president's office of Dalian Hanfeng Group Company (大連漢楓集團公司) and the general manager of its Dalian company from January 2000 to April 2002, as well as a member of the preparatory office, the executive secretary of the general manager's office, the manager of the strategic planning department, and the manager of the process planning and customer relationship management department of ING Capital Life Insurance Co. Ltd. (首創安泰人壽保險有限公司) from May 2002 to November 2006. Ms. Wang was the communication and special project manager of the strategy and business development department of Pfizer Investment Limited (輝瑞投資有限公司) from December 2009 to March 2010. She joined BCL in July 2010 and served as the professional manager, senior manager for corporate governance and senior manager of the Capital Management Centre. She joined the Company in May 2015 as the general manager of the Capital Management Centre. She has concurrently served as the general manager (director) of the Strategic Cooperation Centre (the office of the board of directors) of the Company since December 2022. Ms. Wang obtained a bachelor's degree and a master's degree in Engineering from Shaanxi University of Science and Technology (formerly known as "Northwest Institute of Light Industry") in July 1997 and April 2000 respectively, and earned her master's degree in Business Administration from Tsinghua University (Tsinghua-MIT Global MBA Program) in July 2009.

COMPANY SECRETARY

Ms. Peng Sisi (彭思思), aged 36, was appointed as the company secretary of the Company on 25 June 2021. She worked in the company secretarial department of BCL from May 2015 to September 2020 and was the company secretary of the Company from August 2019 to September 2020. She is a member of The Chartered Governance Institute in the United Kingdom and the Hong Kong Chartered Governance Institute. She obtained a master's degree in Science in Information Technology in Education from the University of Hong Kong in 2011, and a master's degree in Corporate Governance from the Open University of Hong Kong in 2017.

REPORT OF DIRECTORS

The board of directors (the "Board" or the "Directors") of Beijing Capital Grand Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") hereby presents its report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Group is 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 PRC, the details of which have been disclosed in the circular of the Company dated 14 November 2018. The activities of its principal subsidiaries are set out in Note 20 to the Consolidated Financial Statements of this report.

BUSINESS REVIEW

Pursuant to the requirements of the Schedule 5 to the Hong Kong Companies Ordinance, an indication of likely future development in the Company's business, a fair review of the business of the Group, a discussion and analysis of the Group's performance during the year including analysis using financial key performance indicators, particulars of important events affecting the Group that have occurred since the end of the year and the Group's compliance with relevant laws and regulations that have a significant impact on the Group are disclosed throughout this report, particularly in the sections headed "Five-Year Financial Summary", "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report". A discussion of the Company's environmental policies and performance and an account of the Company's relationship with its key stakeholders will be disclosed in detail in the 2022 Environmental, Social and Corporate Governance Report to be published by the Company, which will be available for shareholders' inspection at the websites of the Company (www.bcgrand.com) and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk). A description of the key risks and uncertainties faced by the Company is set out below:

KEY RISK FACTORS

The key risks and uncertainties faced by the Group are as follows. As it is a non-exhaustive list, there may be other risks and uncertainties other than those disclosed below. Besides, this report does not constitute any recommendation or advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgment or consult professionals before making any investment in the securities of the Company.

During the development process, the Company has taken into full consideration the changes in the market and political environment, and complied with the regulatory requirements of the Stock Exchange, while aligning with the relevant environmental, social and corporate governance ("ESG") factors. The Company also recognized the existing strategic risks, operation risks, financial risks, legal risks and market risks, etc., of which:

(1) Strategic risks are mainly attributable to domestic and overseas macro-economies, the overall trend of the industrial structure and the commensurate level of the scientific and sustainable standards of strategy establishment of the Company;

(2) Market risks are mainly attributable to changes to internal and external environment, such as domestic policies on real estate and commercial market, outbreak of COVID-19, market supply and demand, market competition and business partnership, as well as the risk of unexpected potential losses in value in the stock market due to changes of stock prices, interest rates and exchange rates;

(3) Operation risks are mainly attributable to the supervision and control procedures of each business segment involved in the daily operation and management process of the Company;

(4) Financial risks are mainly attributable to the supervision and control procedures of the financial system of the Company as a whole, including fund raising, investment management and revenue accounting;

(5) Legal risks are mainly attributable to the ongoing changes to domestic and overseas policies and regulations, and the internal contract management ability of the Company and the occurrence of relevant legal disputes.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2022, prepared in accordance with the Chinese Accounting Standards for Business Enterprises, are set out in the Consolidated Statement of Profit or Loss on page 69 of this report.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2022.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for each of the last five financial years is set out in the Five-Year Financial Summary on page 164 of this report. The summary does not form a part of the audited financial statements. The results published may not be comparable to the balance sheet.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the review period are set out in Note 15 to the Consolidated Financial Statements on page 125 of this report.

INVESTMENT PROPERTY

Details of movements in the investment property of the Group during the review period are set out in Note 18 to the Consolidated Financial Statements on pages 127 to 130 of this report.

ISSUED SHARES

During the year, the Company did not issue any shares. Details of movements in the Company's share capital are set out in Note 31 to the Consolidated Financial Statements on page 152 of this report.

ISSUE OF THE CONVERTIBLE BOND SECURITIES

During the year, the Company did not issue or grant any convertible bond securities. Details of the convertible bond securities of the Company during the review period are set out in Note 32 and Note 33 to the Consolidated Financial Statements on pages 153 to 155 of this report.

DEBT SECURITIES

During the year, the Company did not issue any debt securities.

PRE-EMPTIVE RIGHTS

There are no provisions on pre-emptive rights under the Company's Articles of Association (the "Articles") or the Companies Law which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 38 to the Consolidated Financial Statements on page 163 of this report as well as in the Consolidated Statement of Changes in Equity on page 73 of this report.

As at 31 December 2022, the distributable reserves of the Company amounted to approximately RMB3.978 billion.

REPORT OF DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, sales to the Group's largest customer and five largest customers accounted for approximately 3.79% and 7.85%, respectively, of the total sales of the Group for the review period. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 5.71% and 18.26%, respectively, of the Group's total purchases for the year. None of the Directors, their close associates or any shareholders who owned more than 5% of the Company's share capital had any interest in the five largest customers or five largest suppliers at any time during the year.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2022 are set out in Note 26 to the Consolidated Financial Statements on pages 142 to 144 of this report.

DIRECTORS

The Directors during the year and up to the date of this report are:

EXECUTIVE DIRECTORS:
Mr. Fan Shubin *(Chairman)*
Mr. Xu Jian *(Chief Executive Officer)* (Appointed on 25 October 2022)
Mr. Feng Yujian *(Chief Executive Officer)* (Resigned on 25 October 2022)

NON-EXECUTIVE DIRECTORS:
Mr. Wang Hao
Ms. Qin Yi
Mr. Zhou Yue
Mr. Zhao Randolph (Appointed on 8 July 2022)
Mr. Yang, Paul Chunyao (Resigned on 8 July 2022)

INDEPENDENT NON-EXECUTIVE DIRECTORS:
Dr. Ngai Wai Fung
Ms. Zhao Yuhong
Mr. He Xiaofeng

In accordance with Article 83(3) of the Articles, any Director appointed by the Board to fill a temporary vacancy shall have a term of office until the first general meeting of the Company after the appointment, and will be re-elected at the meeting. Mr. Xu Jian and Mr. Zhao Randolph were appointed as an executive Director and as a non-executive Director in October 2022 and July 2022 respectively, and shall be re-elected at the forthcoming annual general meeting in accordance with the Articles.

In accordance with Articles 84(1) and (2) of the Articles, at each annual general meeting, one third of the Directors for the time being (or, if such number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation, provided that every Director shall be subject to retirement at least once every three years at the annual general meeting. The Directors to retire by rotation include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng have been appointed as independent non-executive Directors for more than nine years since December 2013, and taking into consideration of the relevant requirements of the Listing Rules and as proposed by the Board, the three independent non-executive Directors, upon negotiation, have all indicated their willingness to retire and not to offer themselves for re-election at the forthcoming annual general meeting.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the changes in information of Directors subsequent to the date of the 2021 Annual Report is set out below:

In 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).

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out on pages 26 to 32 of this report.

DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

During the year, no Director entered into a service agreement with the Company which was not terminable by the Company within one year without payment of compensation (other than statutory compensation).

The Directors' remuneration policy and package shall be determined by the Board with the recommendation of the remuneration committee of the Company with reference to the market rate, individual qualifications as well as contribution and commitments to the Company. The details of Directors' remuneration are set out in Note 10 to the Consolidated Financial Statements on pages 119 to 122 of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" on pages 44 to 46 of this report, none of the Directors or their connected entities had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or its subsidiaries was a party during the year.

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

As at 31 December 2022, to the knowledge of the Directors, none of the Directors and chief executives of the Company and their associates had interests and short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and 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 of the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following Directors are also directors and/or officers of Capital City Development and/or BCL (the controlling shareholders of the Company).

Name of Director	Position held in Capital City Development and/or BCL
Mr. Fan Shubin	director
Ms. Qin Yi	secretary of the board

BCL is a leading large integrated real estate developer in the PRC, focusing primarily on developing the four core business streams of residential property development, integrated outlets, urban core integrated complex and primary land development, complemented by innovative business areas such as high-tech industry properties, cultural and creative industries and rental housing. Capital City Development is an offeror of BCL privatization, and BCL completed privatization and withdrawal of listing of the H shares on 30 September 2021. As at the date of this report, Capital City Development owns all shares of BCL and is a controlling shareholder of the Company.

On 10 October 2018, the Company entered into the second amended non-competition deed (the "Second Amended Non-Competition Deed") with BCL to delineate the respective businesses of the Company and BCL according to (i) usage of the land and properties to be developed and (ii) the business models, the details of which are set out in the circular of the Company dated 14 November 2018, and the Second Amended Non-Competition Deed has come into effect on 30 November 2018.

BCL has confirmed that during the year, it has complied with the non-competition undertaking under the Second Amended Non-Competition Deed. Therefore, none of the Directors or their respective associates had interests in such business that competes or may compete with the business of the Group.

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

As at 31 December 2022, to the knowledge of 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 shall be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Capacity	Number of shares	Approximate percentage of the issued share capital (%)	Total number of ordinary shares convertible from Class A Convertible Preference Shares, Class B Convertible Preference Shares and Perpetual Convertible Bond Securities (at the initial conversion price of HK$2.10 per share)	Total interests	Percentage of total interests to total issued shares
BECL Investment Holding Limited ("BECL")	Beneficial owner	701,353,846	72.94%	1,072,928,106 *(Note 5)*	1,774,281,952	184.53%
BCL	Interests of controlled corporation *(Note 1)*	701,353,846	72.94%	1,072,928,106 *(Note 5)*	1,774,281,952	184.53%
Beijing Capital City Development Group Co., Ltd. ("Capital City Development")	Interests of controlled corporation *(Note 1)*	701,353,846	72.94%	1,072,928,106 *(Note 5)*	1,774,281,952	184.53%
BCG Chinastar International Limited	Beneficial owner	19,800,000	2.06%	–	19,800,000	2.06%
Capital Group	Interests of controlled corporation *(Note 2)*	721,153,846	75%	1,072,928,106 *(Note 5)*	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 *(Note 3)*	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Faith Ocean International Limited	Interests of controlled corporation *(Note 3)*	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Shine Wind Development Limited	Interests of controlled corporation *(Note 3)*	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Sino-Ocean Group Holding Limited	Interests of controlled corporation *(Note 3)*	95,192,308	9.9%	313,140,124	408,332,432	42.47%

REPORT OF DIRECTORS

Name of shareholder	Capacity	Number of shares	Approximate percentage of the issued share capital (%)	Total number of ordinary shares convertible from Class A Convertible Preference Shares, Class B Convertible Preference Shares and Perpetual Convertible Bond Securities (at the initial conversion price of HK$2.10 per share)	Total interests	Percentage of total interests to total issued shares
KKR CG Judo Outlets	Beneficial owner	95,192,308	9.9%	200,045,787	295,238,095	30.70%
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%

Notes:

1. Total interests in 1,774,281,952 shares were deemed to be corporation interest under the SFO.

2. Total interests in 1,794,081,952 shares were deemed to be corporation interest under the SFO.

3. Total interests in 408,332,432 shares were deemed to be corporation interest under the SFO.

4. Total interests in 295,238,095 shares were deemed to be corporation interest under the SFO.

5. On 19 December 2016, the Company issued a total of 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 of the date of this report, as recorded in the register of interests 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 shall 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 "Share Option Scheme") on 14 March 2012 (the "Adoption Date") which would remain in force for a period of 10 years from the Adoption Date and has expired on 14 March 2022.

The purpose of the Share Option Scheme is to enable our Company to grant options to full-time or part-time employees, Directors (including executive, non-executive or independent non-executive Directors) and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of our Company and/or any of our subsidiaries (the "Eligible Participants") as incentives or rewards for their contribution to the growth of our Group and to provide our Company with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants.

Under the Share Option 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 Share Option Scheme shall not exceed 10% of the issued share capital of the Company on the date of adopting the Share Option 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 Share Option 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. Based on the above and that the Company has not granted any share options since adoption of the Share Option Scheme, the number of options available for grant under the Share Option Scheme as of 1 January 2022 and 31 December 2022 is 20,000,000.

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 sheet 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.

During the year ended 31 December 2022, no share option was granted, exercised, expired, cancelled or lapsed, and there was no outstanding share option under the Share Option Scheme and therefore, no shares are expected to be issued in relation to the share options, and the proportion of such shares divided by the weighted average number of shares in issue during 2022 would be nil. Accordingly, there are no share options subject to any vesting period under the Share Option Scheme.

MANAGEMENT CONTRACTS

During the year, no contracts were entered into or subsisted that concerned the management and administration of the whole or any substantial part of the business of the Company.

EQUITY-LINKED AGREEMENTS

Other than the Class A Convertible Preference Share Subscription Agreement entered into on 15 August 2014, the Class B Convertible Preference Share Subscription Agreement entered into on 8 June 2016 and the Subscription Agreement entered into on 25 November 2016 by the Company, and the share option scheme of the Company, during the year ended 31 December 2022, no equity-linked agreements were entered into by the Company or subsisted that would or may result in the Company issuing shares or require the Company to enter into any agreements that would or may result in the Company issuing shares.

CONVERTIBLE PREFERENCE SHARES

On 15 August 2014, the Group entered into an acquisition agreement with a subsidiary of BCL to acquire all of its 100% equity interests in Xi'an Capital Xin Kai Real Estate Ltd.. In order to finance the payment of the consideration, the Company issued 738,130,482 Class A Convertible Preference Shares to a wholly-owned subsidiary of BCL, the details of which are set out in the announcements dated 15 August 2014 and 22 January 2015, the circular dated 26 November 2014 and Note 32 to the Consolidated Financial Statements on page 153 of this report.

On 8 June 2016, the Group entered into an acquisition agreement with BCL and its subsidiary to acquire all of its equity interests in Beijing Chuangxin Jianye Real Estate Investment Ltd. and Zhejiang Outlets Property Real Estate Co., Ltd.. In order to finance part of the payment of the consideration, the Company issued 905,951,470 Class B Convertible Preference Shares to a wholly-owned subsidiary of BCL, the details of which are set out in the announcements dated 8 June 2016 and 14 December 2016, the circular dated 30 June 2016 and Note 32 to the Consolidated Financial Statements on page 154 of this report.

PERPETUAL CONVERTIBLE BOND SECURITIES

On 25 November 2016, in order to raise capital and introduce two reputable investors to the Group, the Company entered into a subscription agreement with each of Smart Win Group Limited ("Smart Win") and KKR CG Judo Outlets ("KKR"), and issued 313,140,124 perpetual convertible bond securities to Smart Win and 200,045,787 perpetual convertible bond securities to KKR, respectively, the details of which are set out in the announcements dated 25 November 2016 and 28 December 2016, the circular dated 2 December 2016 and Note 33 to the Consolidated Financial Statements on page 155 of this report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Except for the Share Option Scheme adopted by the Company, at the end of the year and at no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries as a party to any arrangements to enable the Directors or chief executives of the Company or their spouses or children under 18 years of age to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the connected transactions and continuing connected transactions are set out in Note 37 to the Consolidated Financial Statements of this report.

RECEIPT OF PROPERTY MANAGEMENT SERVICES

On 1 June 2020, the Company and Beijing Capital Property Management Limited ("BC Property Management") entered into the Property Management Framework Agreement for a term of three years, pursuant to which, BC Property Management will provide property management services to the Company and its subsidiaries. As BC Property Management is a subsidiary of BCL, the controlling shareholder of the Company, and BC Property Management is therefore a connected person of the Company within the meaning of the Listing Rules, the entering into of the Property Management Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. Details are set out in the announcement of the Company dated 1 June 2020. In June 2022, BC Property Management was no longer a connected person of the Company as its shareholding changed. The cap for 2022 was agreed to be RMB43,500,000, and the actual total amount incurred was RMB18,875,000, which did not exceed the annual cap.

ESTABLISHMENT OF THE ASSET-BACKED SECURITIES SCHEME

The Company has arranged for the establishment of the Zhonglian BCG – Capital Outlets Phase II Asset-backed Securities Scheme (the "Scheme") with an issue size of not more than RMB3,268,000,000 (the "Issuance"). On 28 May 2021, a wholly-owned subsidiary of the Company entered into a project cooperation agreement for a term of three years with Capital Securities Company Limited ("Capital Securities", as the manager of the Scheme), pursuant to which it will provide services as an underwriter and manager of the Scheme and receive an one-off underwriting fee of RMB2,340,000 and an annual management fee of the Scheme of RMB1,470,600 from the Company. On 28 May 2021, a wholly-owned subsidiary of the Company entered into a fund contract for a term of three years with Shouzheng Desheng Capital Management Co., Ltd. ("Shouzheng Desheng", as the fund manager of the Scheme), pursuant to which it will provide services as the fund manager of the Scheme and receive an annual fund management fee of RMB2,777,800 from the Company. Since Capital Securities and Shouzheng Desheng are subsidiaries of Capital Group, the indirect controlling shareholder of the Company, and Capital Securities and Shouzheng Desheng are therefore both connected persons of the Company within the meaning of the Listing Rules, the entering into of the project cooperation agreement and fund contract and the transactions contemplated thereunder constitute connected transactions and continuing connected transactions of the Company. Details are set out in the announcement of the Company dated 28 May 2021. The cap for 2022 was agreed to be RMB4,248,400, and the total actual amount incurred was RMB4,248,400 which did not exceed the annual cap.

PROVISION OF GUARANTEE

(1) On 30 June 2021, Xi'an Shouchuang Xinkai Development Co., Ltd ("Xi'an Xinkai", a wholly-owned subsidiary of the Company) entered into an entrustment guarantee agreement for a term of three years with Capital Group in relation to the guarantee provided by Capital Group, on behalf of Xi'an Xinkai, in favour of China Life Investment Management Company Limited ("China Life Investment") as stipulated under the cooperation agreement, and Xi'an Xinkai shall pay a guarantee fee to Capital Group calculated based on 0.7% per annum of the total principal amount of the guarantee liability assumed by Capital Group as stipulated under the cooperation agreement. As Capital Group is the indirect controlling shareholder of the Company, and therefore Capital Group is a connected person of the Company within the meaning of the Listing Rules, the entering into of the entrustment guarantee agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. Details are set out in the announcement of the Company dated 30 June 2021. The cap for 2022 was agreed to be RMB10,500,000, and the total actual amount incurred was RMB10,500,000, which did not exceed the annual cap.

(2) On 29 July 2021, Trade Horizon Global Limited ("Trade Horizon", a wholly-owned subsidiary of the Company) entered into an entrustment guarantee agreement for a term of three years with Capital Group in relation to the guarantee provided by Capital Group in favour of Ping An Bank Co., Ltd. ("Ping An Bank") by way of a letter of guarantee issued by Bank of Hangzhou for Capital Group in favour of Ping An Bank, and Trade Horizon shall pay a guarantee fee to Capital Group calculated based on 0.7% per annum of the total principal amount of the guarantee liability assumed by Capital Group as stipulated under the guarantee agreement. As Capital Group is the indirect controlling shareholder of the Company, and therefore Capital Group is a connected person of the Company within the meaning of the Listing Rules, the entering into of the entrustment guarantee agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. Details are set out in the announcement of the Company dated 29 July 2021. The cap for 2022 was agreed to be RMB9,100,000, and the total actual amount incurred was RMB9,005,000, which did not exceed the annual cap.

(3) On 27 April 2022, Zhuhai Hengqin Hengsheng Huachuang Commercial Management Co., Ltd. ("Hengsheng Huachuang", a wholly-owned subsidiary of the Company), the Company and Capital Group entered into an entrustment guarantee agreement in relation to the joint liability guarantee provided by Capital Group in connection with the "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 favour of China Life Investment as stipulated under the credit enhancement agreement and Hengsheng Huachuang shall pay a guarantee fee to Capital Group calculated based on 0.7% per annum of the total principal amount of the guarantee liability assumed by Capital Group under the entrustment guarantee agreement. As Capital Group is the indirect controlling shareholder of the Company, and therefore Capital Group is a connected person of the Company within the meaning of the Listing Rules, the entering into of the entrustment guarantee agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. Details are set out in the announcement of the Company dated 27 April 2022. The cap for 2022 was agreed to be RMB6,447,000 and the total actual amount incurred was RMB3,199,000, which did not exceed the annual cap.

(4) On 28 September 2022, Shanghai Juque Investment Management Co., Ltd ("Shanghai Juque", an indirect wholly-owned subsidiary of the Company) and Capital Group entered into an entrustment guarantee agreement in relation to the guarantee provided by Capital Group on behalf of Shanghai Juque in favour of China Life Investment as stipulated under the cooperation agreement and Shanghai Juque shall pay a guarantee fee to Capital Group calculated based on 0.7% per annum of the total principal amount of the guarantee liability assumed by the Capital Group. As Capital Group is the indirect controlling shareholder of the Company, and therefore Capital Group is a connected person of the Company within the meaning of the Listing Rules, the entering into of the entrustment guarantee agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. Details are set out in the announcement of the Company dated 28 September 2022. The cap for 2022 was agreed to be RMB1,822,000 and the total actual amount incurred was RMB1,293,000, which did not exceed the annual cap.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions conducted during the year and confirmed that such transactions (a) were entered into in the ordinary and usual course of business of the Group; (b) were on normal commercial terms or better terms; and that (c) the agreements governing the transactions were entered into in a fair and reasonable manner and in the interests of the shareholders of the Company as a whole, and such transactions have been carried out in accordance with the agreements governing the transactions.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditors of the Company to conduct an audit of the above continuing connected transactions. The auditors have issued a letter containing their conclusions in respect of the continuing connected transactions of the Group disclosed above and their findings that there is no non-compliance with the Rule 14A.56 of the Listing Rules. The Board hereby adds that the auditors of the Company confirm that the continuing connected transactions (i) were approved by the Board; (ii) were conducted pursuant to the relevant agreements for such transactions; and (iii) did not exceed the caps.

The Company confirmed that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the transactions set out above.

RELATED PARTY TRANSACTIONS

As at 31 December 2022, the Group has carried out several related party transactions, please refer to Note 37 to the Consolidated Financial Statements of this report, save as the connected transactions and continuing connected transactions disclosed above, other transactions are not deemed as the connected transactions or continuing connected transactions under Chapter 14A or are exempted from the requirements of reporting, announcement and shareholders' approval under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the year and up to the date of this report.

CORPORATE GOVERNANCE

Details of the Company's corporate governance are set out in the Corporate Governance Report on pages 48 to 63 of this report.

INDEPENDENT AUDITOR

The financial statements for the year were audited by PricewaterhouseCoopers, who will retire at the forthcoming annual general meeting. The Company will propose a resolution at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as the Company's auditors for the coming year.

There has been no change in the auditors of the Company during the past three years.

It is the auditors' responsibility to form an independent opinion, based on their audit, on these financial statements and to report their opinion solely to the Company and for no other purpose. They do not assume responsibility towards or accept legal liability to any other person for the contents of the Independent Auditor's Report. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 64 to 68.

PERMITTED INDEMNITY PROVISION

The Articles provide that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, provided that such indemnity shall not be extended to any matters in respect of any fraud or dishonesty. During the year, the Company arranged appropriate directors liability insurance for its Directors and senior management to cover their responsibilities arising from the legal actions against the Directors and senior management in relation to corporate activities.

On behalf of the Board

Fan Shubin
Chairman

Beijing, 21 March 2023

CORPORATE GOVERNANCE REPORT

The corporate vision of the Group is to become the most valuable outlets comprehensive operator in China, which aligns with the Company's strategies and corporate culture. By applying the values of "mission, landscape, breakthrough, and transcendence" to our actual operation, we adhere to our strategic goals, work together to overcome difficulties and pursue excellence with a view to achieving the strategic goals of the Company.

The board of directors of the Company (the "Board") and the management are also 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. The Company has established a sound compliance culture to ensure compliance with Listing Rules and regulatory requirements. At the same time, the Board also actively improves transparency and accountability to all shareholders.

CORPORATE GOVERNANCE FUNCTIONS

The Company adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules as its policies and practices on corporate governance.

The Board is responsible for performing the corporate governance duties, including developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the trainings and continuous professional development of the Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements and reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report. In addition, the Board has also designated four committees under the Board to assist in the performance of corporate governance duties.

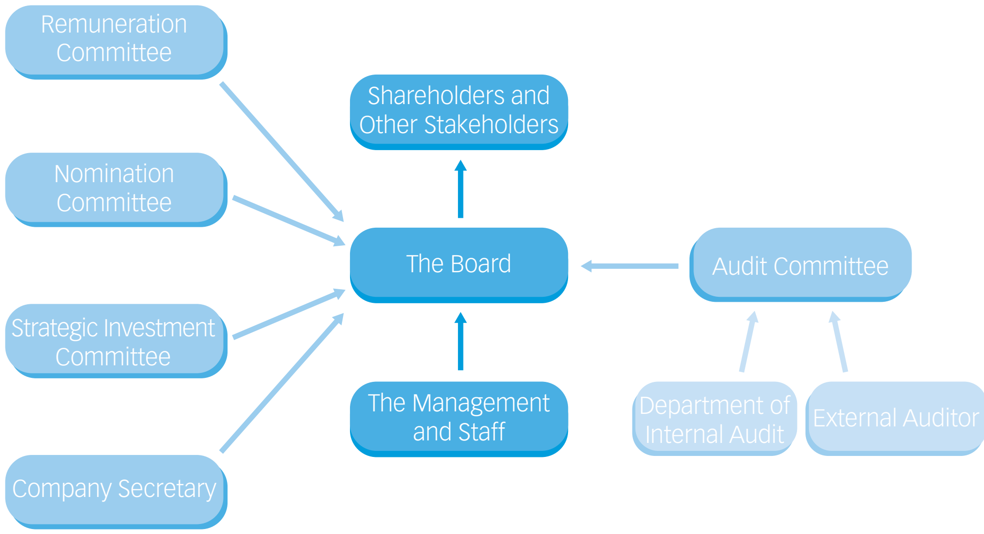
For the year ended 31 December 2022, the Company complied with the requirements under the code provisions set out in the CG Code and the continuing obligations requirements of a listed issuer pursuant to the Listing Rules, except for the following deviations:

(a) Under the Code Provision F.2.2 under Part 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 provisions.

CORPORATE GOVERNANCE STRUCTURE

The corporate governance structure of the Company is as follows:



BOARD OF DIRECTORS

The Board shoulders the responsibilities of improving the financial performance of the Company and making decisions in the best interest of the Company. The Board is also responsible for formulating the development strategies as well as medium and long-term development plans, establishing and maintaining the Group's operation policies and objectives, monitoring the performance of the management, reviewing the delegated functions and assignments regularly, ensuring that the Company implements a prudent and effective control framework to assess and manage risks, ensuring that the financial statements truly and fairly reflect the financial position of the Group as well as performing its corporate governance duties.

The Board has delegated the day-to-day management, administration and operations of the Group and the implementation and execution of the Board's policies and strategies to the executive Directors and senior management of the Company.

The Company has purchased suitable and adequate insurance coverage for all Directors against the litigation liabilities that may arise due to the performance of their duties. The Company reviews the insurance purchased annually to ensure the provision of reasonable and sufficient protection.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

During the year ended 31 December 2022 and up to the date of this report, the Board consisted of nine Directors, comprising two executive Directors, namely Mr. Fan Shubin (Chairman) and Mr. Xu Jian (Chief Executive Officer), four non-executive Directors, namely Mr. Wang Hao, Ms. Qin Yi, Mr. Zhou Yue and Mr. Zhao Randolph, and three independent non-executive Directors, namely Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng. There is no financial, business, family or other material/relevant relationship among members of the Board. The Directors' biographical details are set out under the section headed "Biographical Details of the Directors and Senior Management" on pages 26 to 29 of this report. The latest list of Directors setting out their roles and responsibilities is available for inspection at the websites of the Company (www.bcgrand.com) and the Stock Exchange (www.hkexnews.hk).

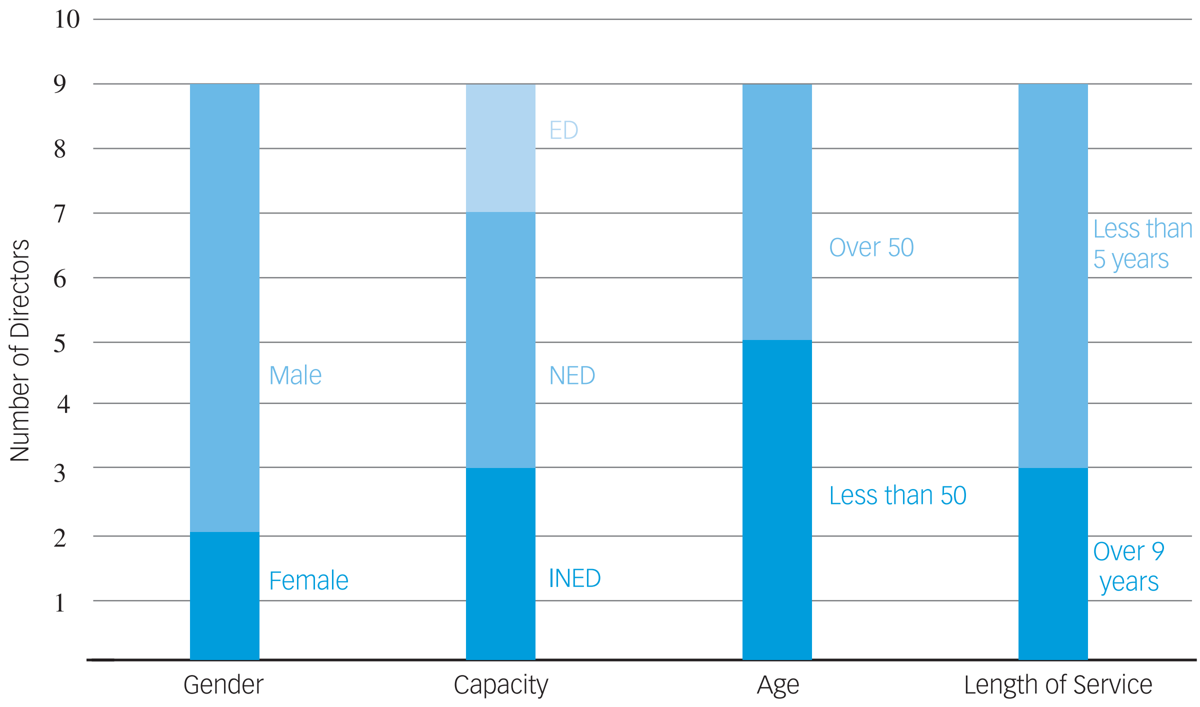
The Company endeavours to ensure that the Board can obtain independent views and opinions. As such, the Company reviews the structure and the composition of the Board, and continuously evaluates the performance of the independent non-executive Directors regarding independence on an annual basis. Apart from the effective independent opinions provided by the independent non-executive Directors, two of the non-executive Directors are external Directors (from Sino-Ocean Group and KKR Group, respectively), who also provide opinions for the Board and the management with their expertise and capabilities. Their presence help to enhance the Board's balance of skills, experience and diversity of perspectives. The Company is of the view that the current mechanism can effectively ensure independent views and input are available to the Board.

BOARD DIVERSITY

The Board has adopted a board diversity policy (the "Diversity Policy"), which sets out the approach of the Company in achieving diversity on the Board. The Nomination Committee and the Board review the Diversity Policy, as appropriate, to ensure its effectiveness. According to the Diversity Policy, the Company recognizes and embraces the benefits of having a diverse Board, and also sees increasing diversity at Board level as an essential element in maintaining its competitive advantage and supporting its sustainable development. In determining an optimum composition of the Board, the Company will consider all aspects of diversity, and take into account the Company's own business model and specific needs from time to time. The selection of candidates is based on a range of measurable objectives, including but not limited to gender, age, skills and industry experience and expertise, cultural and educational background, as well as professional experience. The ultimate decision will be based on the merit and contribution that the candidates will bring to the Board. The Board targets to maintain at least the current level of female representation, and would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices. Based on its business model and specific needs, the Company is of the view that the gender diversity in respect of the current composition of the Board is satisfactory.

The current composition and structure of members of the Board are implemented based on the Diversity Policy formulated by the Company. The diversity mix of the Board as at the date of this report is summarized in the following chart:

Diversity Mix



Remarks:
INED – Independent non-executive Director
NED – Non-executive Director
ED – Executive Director

The Group also adhered to the diversity concept, including but not limited to the gender perspective, in recruitment of employees. For the year ended 31 December 2022, the Group had 722 employees (including senior management), of which approximately 50.8% were female. The Company is of the view that, taking into account of the Company's business model and specific needs, the gender diversity in respect of the current composition of the workforce is satisfactory.

OPERATION OF THE BOARD

During the year, the Board held six meetings. At these Board meetings, the Directors discussed and exchanged their views on key issues and general operation of the Group, reviewed the financial and business performance of the Group and reviewed the performance of corporate governance functions. The Board also reviewed the risk management and internal control system, remuneration policy and environmental, social and governance report of the Group. Other than the aforesaid meetings, the senior management of the Group will also provide monthly updates in relation to the business activities, operation and development of the Group and monthly funding plan to the Directors. During the year, the Directors have deliberated carefully and approved certain matters of the Company by reviewing the written resolutions with supporting documents, supplemented by additional verbal and/or written information provided by the Company Secretary or other executives of the Company as needed. Whenever necessary, additional meetings are also held by the Board.

CORPORATE GOVERNANCE REPORT

During the year, the Chairmen held one meeting with the independent non-executive Directors without the presence of other Directors.

DIRECTORS'/COMMITTEE MEMBERS' ATTENDANCE AT MEETINGS

	The Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategic Investment Committee	General Meeting
Executive Directors						
Mr. Fan Shubin	5/6	–	–	1/1	–	0/1
Mr. Xu Jian (Appointed on 25 October 2022)	2/2	–	–	–	–	–
Mr. Feng Yujian (Resigned on 25 October 2022)	4/4	–	–	–	2/2	0/1
Non-executive Directors						
Mr. Wang Hao	5/6	–	–	–	1/2	0/1
Ms. Qin Yi	5/6	–	1/1	–	–	0/1
Mr. Zhou Yue	6/6	–	–	1/1	2/2	0/1
Mr. Zhao Randolph (Appointed on 8 July 2022)	4/4	–	–	–	1/1	–
Mr. Yang, Paul Chunyao (Resigned on 8 July 2022)	2/2	–	1/1	–	1/1	0/1
Independent Non-executive Directors						
Dr. Ngai Wai Fung	6/6	2/2	1/1	1/1	–	1/1
Ms. Zhao Yuhong	6/6	2/2	1/1	1/1	–	0/1
Mr. He Xiaofeng	6/6	2/2	1/1	1/1	2/2	0/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Fan Shubin is the chairman of the Board and Mr. Xu Jian is the chief executive officer of the Company. The chairman of the Board is mainly responsible for taking the lead in the Board to ensure its effective operation, providing adequate, complete and reliable information for all Directors in a timely manner, establishing good corporate governance practices and procedures, and ensuring that proper approaches are adopted to maintain effective communication with shareholders. The chief executive officer, on the other hand, is mainly responsible for the day-to-day operations and overall management of the Group, implementing the business policies and objectives determined and adopted by the Board, and reporting to the Board on the Group's overall operations.

NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors and independent non-executive Directors has signed a three-year service contract with the Company which shall start on the date of appointment, subject to the provision on retirement by rotation of Directors under the Articles.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three independent non-executive Directors, representing one third of the Board members, of which at least one possesses the appropriate professional qualifications or accounting or relevant financial management expertise. The Company has received annual confirmations of their independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and considers all of them as independent.

During the year, the independent non-executive Directors contributed to the Company on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance of Board meetings and Board committees meetings, and proposed their independent opinions on several matters in relation to strategy, policy, the Company's performance and risk monitoring.

As each of the independent non-executive Directors, namely Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng, was appointed as an independent non-executive Director in December 2013, all of the independent non-executive Directors have served more than nine years on the Board as of the date of this report. Pursuant to Code Provisions B.2.3 and B.2.4 of the CG Code, additional requirements are applicable where all the independent non-executive Directors have served more than nine years on the Board, such as enhanced disclosure on the independence of such Directors and the appointment of a new independent non-executive Director. As the three independent non-executive Directors have all indicated their willingness to retire and not to offer themselves for re-election at the forthcoming annual general meeting and the Board has proposed for appointment of three new independent non-executive Directors at the forthcoming annual general meeting, the Company considered that the Code Provisions B.2.3 and B.2.4 of the CG Code will be complied with. For details, please refer to the Company's circular to its shareholders accompanying the notice of the forthcoming annual general meeting.

DIRECTORS' TRAINING

The Company will provide each newly appointed Director with a comprehensive profile about the Group to ensure that he/she has a proper understanding of the Group's business and operation, and is fully aware of his/her responsibilities under the Listing Rules, laws and other regulatory requirements as well as the Group's business and governance policies. The Company issues monthly reports on the Group's business operations and information disclosure to the Directors. Meanwhile, it collates and sends information to the Directors on the updates of the Listing Rules and regulations to help ensure that the Directors are kept informed of the latest changes in the legal and regulatory environment and their duties. The Board will also review and monitor the trainings and continuous professional development of the Directors and senior management from time to time.

CORPORATE GOVERNANCE REPORT

During the year, the Directors participated in sufficient continuing professional development by attending seminars and training courses, accessing online learning resources, etc. Below sets out a summary based on the information provided by the Directors to the Company:

	Scope		
	Laws and regulations	Corporate governance	The Group's business/ Directors' responsibilities
Executive Directors			
Mr. Fan Shubin	✓	✓	✓
Mr. Xu Jian	✓	✓	✓
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	✓	✓	✓

COMPANY SECRETARY

The company secretary assists the chairman of the Board in preparing the agenda of the Board meetings and ensures compliance with all applicable rules and regulations of the procedures of such meetings. The company secretary shall file for and maintain the detailed minutes of each Board meeting, and make such minutes available to all Directors for inspection.

According to Rule 3.29 of the Listing Rules, the company secretary of the Company received no less than 15 hours of relevant professional training for the year ended 31 December 2022.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Following specific enquiries by the Company, all Directors have confirmed that they fully complied with the requirements under the Model Code for the year ended 31 December 2022.

BOARD COMMITTEES

Under the Board are four committees, including the Company's audit committee ("AC"), remuneration committee ("RC"), nomination committee ("NC") and strategic investment committee ("SIC"). Each of the Board committees has its respective written terms of reference approved by the Board, which cover its duties, authority and functions. Such terms of reference comply with the requirements of the Listing Rules and have taken into account the specific business needs of the Company. The Board committees have sufficient resources to perform their duties, report to the Board on the results of their meetings, raise key issues and findings, and provide recommendations to assist the Board in decision-making.

AC

The AC was established on 14 March 2012 with written terms of reference determined in compliance with the CG Code. Since 21 December 2013, the AC has been comprised of three members, including Dr. Ngai Wai Fung (as chairman), Ms. Zhao Yuhong and Mr. He Xiaofeng, all of whom are independent non-executive Directors. Dr. Ngai Wai Fung is a fellow of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants, with appropriate professional qualifications required under Rule 3.10(2) of the Listing Rules.

The primary duties of the AC are to make recommendations to the Board on the appointment and removal of external auditors, review financial statements and express material advice in respect of financial reporting matters, as well as review the financial control, internal control, risk management systems and environmental, social and governance matters of the Company. The terms of reference of the AC are available for inspection at the websites of the Company (www.bcgrand.com) and the Stock Exchange (www.hkexnews.hk).

For the year ended 31 December 2022, the AC held two meetings with an attendance rate of 100%. Details of each committee member's attendance at the AC meetings are set out in "Directors'/Committee Members' Attendance at Meetings" above. In addition, the AC members had two meetings with the external auditor during the year without the presence of the management.

The work of the AC for the twelve months ended 31 December 2022 is summarized below:

– reviewed the interim and annual results of the Group, and ensured integrity, transparency and consistency of the financial disclosure

– met with the external auditors to discuss the accounting and audit issues of the Group, and reviewed their findings, recommendations and representations

– reviewed the Group's financial control, internal control and risk management systems

- reviewed the independence of the external auditor, recommended the Board to re-appoint PricewaterhouseCoopers as an external auditor of the Company and reviewed its terms of appointment

- reviewed environmental, social and governance-related risks, and confirmed that environmental, social and governance risk management and internal control systems were in place and effective during the year

- reviewed the connected transactions and continuing connected transactions during the year

RC

The RC was established on 14 March 2012 with written terms of reference determined in compliance with the CG Code. As at the date of this report, the committee consists of five members, including three independent non-executive Directors Ms. Zhao Yuhong (as chairman), Dr. Ngai Wai Fung and Mr. He Xiaofeng, and two non-executive Directors Ms. Qin Yi and Mr. Zhao Randolph.

The primary duties of the RC are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review remuneration proposals of the management with reference to the corporate objectives and missions of the Board; and ensure that none of the Directors or any of their associates determine their own remuneration. The terms of reference of the RC are available for inspection at the websites of the Company (www.bcgrand.com) and the Stock Exchange (www.hkexnews.hk).

DIRECTORS' REMUNERATION POLICY

To conduct a regular review with reference to companies with comparable business or scale and recommend Directors' remuneration adjustments to the Board, if appropriate.

Further details of Directors' remuneration are set out in Note 10 to the Consolidated Financial Statements of this report.

SENIOR MANAGEMENT'S REMUNERATION POLICY

In order to ensure the employees are remunerated equitably and competitively, the Board has authorized the chairman of the Board to determine the remuneration and bonus of the employees in accordance with the achievement of their individual performance goals, the key business objectives at corporate level and the latest market terms.

Further details of senior management's remuneration are set out in Note 11 to the Consolidated Financial Statements of this report.

For the year ended 31 December 2022, the RC held one meeting with an attendance rate of 100%. Details of each committee member's attendance at the RC meetings are set out in "Directors'/Committee Members' Attendance at Meetings" above.

The work of the RC for the year ended 31 December 2022 is summarized below:

– proposed to the Board on the 2021 bonus of the Directors and senior management

– proposed to the Board on the 2022 remuneration schemes for the Directors and senior management

– proposed the annual bonus distribution scheme of the Company

– proposed to the Board on the remuneration schemes for the new Directors, and considered the terms of Directors' service contracts

NC

The NC was established on 14 March 2012 with written terms of reference determined in compliance with the CG Code. As at the date of this report, the committee consists of five members, including one executive Director Mr. Fan Shubin (as chairman), one non-executive Director Mr. Zhou Yue, and three independent non-executive Directors Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng.

The primary duties of the NC are to review the structure of the Board, make recommendations to the Board regarding candidates to fill vacancies on the Board, monitor the succession planning of Directors and assess the independence of independent non-executive Directors. The terms of reference of the NC are available for inspection at the websites of the Company (www.bcgrand.com) and the Stock Exchange (www.hkexnews.hk).

NOMINATION POLICY

The Company has adopted the nomination policy (the "Nomination Policy"). The Board will also review and monitor the implementation of the Nomination Policy from time to time so as to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practices. The selection of Director candidates will be based on merit and contribution such candidate can bring to complement other Directors and improve the overall capability, experience and perspective of the Board, taking into account the corporate strategy of the Group and the benefits of various aspects of diversity, including gender, age, culture, educational background, professional experience and other factors that the NC may consider relevant from time to time towards achieving a diversified Board. The NC is authorised by the Board to assist the Board to identify suitable candidates and make recommendations regarding the candidates for consideration by the Board and shareholders of the Company. Shareholders of the Company may also nominate a person to stand for election as Director at a general meeting in accordance with the Articles and the applicable laws and regulations. Such nomination procedures are published on the Company's website.

For the year ended 31 December 2022, the NC held one meeting with an attendance rate of 100%. Details of each committee member's attendance at the NC meetings are set out in "Directors'/Committee Members' Attendance at Meetings" above.

The work of the NC for the year ended 31 December 2022 is summarized below:

- reviewed the structure, size and composition of the Board
- reviewed the independence of independent non-executive Directors
- evaluated the Directors' time commitment and contribution for performing their duties
- made recommendations to the Board on the retirement and re-election of Directors at the annual general meeting in 2021
- recommended Director and board committee candidates to the Board, and recommended Directors' functions

SIC

The SIC, established on 21 December 2013 with obligations under the written terms of reference, has the primary duty of advising on the long-term development strategies and major investment decisions of the Company. As at the date of this report, the committee consists of five members, including one executive Director Mr. Xu Jian (as chairman), three non-executive Directors Mr. Wang Hao, Mr. Zhou Yue and Mr. Zhao Randolph, and one independent non-executive Director Mr. He Xiaofeng.

For the year ended 31 December 2022, the SIC held two meetings with an attendance rate of 90%. Details of each committee member's attendance at the SIC meetings are set out in "Directors'/Committee Members' Attendance at Meetings" above.

The work of the SIC for the year ended 31 December 2022 is summarized below:

- reviewed the summary of investment projects and operation work in 2021
- reviewed investment plans and operation plans in 2022
- reviewed the budget for 2022

ACCOUNTABILITY

The Board is accountable to shareholders, while the management is accountable to the Board. The Board endeavors to ensure that the announcements of annual and interim results and the annual and interim reports of the Group present a balanced and understandable assessment of the Group's position and prospects. The Board remains open and transparent in handling the Company's affairs, whilst protecting the commercial interests of the Company. Financial and other information is delivered to shareholders through announcements at the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bcgrand.com).

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management and internal control are important parts in the operation and management of the Group. The Board and the management of the Company attach great importance to the organization and implementation of each process of risk management and internal control, and have established a comprehensive risk management system in the Company based on risk identification, measures, internal assessment and continuous improvement, thereby forming a three-tier internal control mechanism that consists of the Board (the AC), the Legal Compliance Department and the management (each business department):

The Board is fully responsible for assessing and determining the nature and extent of the risks, including but not limited to risks relating to environmental, social and governance matters, to which the Group is willing to assume in achieving its strategic objectives, setting up the risk management and internal control mechanism for the Group and establishing the core values, strategic planning and working guidelines of the Company. The Board is responsible for the risk management and internal control systems, and reviews the effectiveness of such mechanisms on a regular basis. Meanwhile, the above is conveyed to each department of the Group through various channels, including platforms such as the enterprise information system, meetings, training and intranet. Risk control points are incorporated into business processes, and the AC would identify the risks arising from the operation of the internal control system and control measures on a semi-annual basis and review the effectiveness of risk management and control. It can provide reasonable, though not absolute, assurance against material misstatement or loss and manage rather than eliminate the risk of failures to achieve business objectives.

As authorised by the AC, the Legal Compliance Department is responsible for regularly reviewing and assisting the Board in preparing effective policies and norms on corporate risk management and internal control (including the preparation of the whistle-blowing policy and system as well as the anti-corrupting policy) based on changes in internal and external conditions and regulations, to enable the risk management and internal control to be implemented under a standardized system with proper processes and institutions. Meanwhile, the Legal Compliance Department would independently carry out the internal audit function on an ongoing basis and assess all material aspects including assessment on the workflow of and risks faced by the Group through legal audit, compliance control and internal supervision. The Legal Compliance Department is also directly responsible to the AC and reports on the effectiveness of risk management and internal control.

The management and each of the business departments would effectively oversee, review and approve their respective management and control process at the business level based on different functions and work division through various business systems, to enhance the efficiency of risk management and realize a closed-loop management model for risk control which is led by self-supervision at the business level.

CORPORATE GOVERNANCE REPORT

In 2022, the Group complied with the development plan for comprehensive risk management systems and legal compliance systems, and continued with its priority work in risk control and all-round risk screening and inspection. Based on the standardization of risk control system, workflow and accountability, the Administrative Measures for External Lawyers of Capital Grand, the Contract Review Management Manual of Capital Grand and the Business Procedures Manual of Capital Grand have been supplemented and updated to comprehensively improve the operational effectiveness and efficiency of the risk management and control system, and to further align the Company's risk control with its business management. Meanwhile, the Group developed a mature risk control model to realize the sound, proper and effective operation of the risk identification, risk evaluation and internal control (including environmental control, financial control, operation control and compliance control, etc.) systems, and continued with the normalization of prevention and control of the Epidemic, thus safeguarding the strategic development of the Company.

As of the date of this report, the Company has assessed the risk management and internal control and the assessment concluded unanimously that no significant or major weakness was found in the internal control of the Company. It also issued an internal control report with unqualified opinion to the AC. The Board confirmed that the risk management and internal control system of the Company was effective and adequate. In addition, the Company also confirmed the adequacy of resources, staff qualifications and experience, trainings and the relevant budget for the staff of the Company's accounting, internal audit and financial reporting, as well as those relating to the performance and reporting of environmental, social and governance matters.

WHISTLE-BLOWING POLICY

In line with the commitment to achieve and maintain high standards of openness, probity and accountability, the Company expects and encourages employees of the Group and those who deal with the Group (e.g. customers, suppliers and tenants) to report to the Company any suspected impropriety, misconduct or malpractice concerning the Group in a confidential manner. In this regard, the Company has adopted the whistle-blowing policy. The procedures aim to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection from unfair dismissal or victimisation. The Board delegated the authority to the AC, which is responsible for ensuring that proper arrangements are in place for fair and independent investigation of any matters raised and appropriate follow-up actions are taken.

ANTI-CORRUPTING POLICY

In its business dealings, the Group does not tolerate any form of bribery, whether direct or indirect, by, or of, its employees. The anti-corrupting policy in the "Provisions on Explicit Prohibitions", which outlines the Group's zero-tolerance stance against bribery and corruption, assists employees in recognising circumstance which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance where necessary. In respect of the violations of laws and regulations within the Group, the employees have rights to report any actual or suspected incident of bribery, corruption, theft, fraud or similar offences to the Group or the senior discipline inspection department without restriction for independent analyses and necessary follow up.

INSIDE INFORMATION POLICY

With a view to ensuring that inside information is identified, handled and disseminated in compliance with the SFO, and proper internal control procedures are in place to guard against mishandling of inside information which may constitute insider dealing or breach of any other statutory obligations, the Group has implemented the Administrative Measures for Inside Information and Information Disclosure, which detailed the responsibility of Directors and senior management for inside information disclosure as well as the reporting procedures and control measures thereof.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

With the assistance of the financial management department, the Board acknowledged their responsibility for preparing the financial statements of the Group for the year ended 31 December 2022, and confirmed that the financial statements contained herein gave a true and fair view of the results and state of affairs of the Group for the period under review. The Board considers that the financial statements have been prepared in conformity with the statutory requirements and applicable accounting standards.

AUDITORS' REMUNERATION

The financial statements for the year ended 31 December 2022 were audited by PricewaterhouseCoopers, whose term of office will expire upon the forthcoming annual general meeting. The AC has recommended to the Board on re-appointing PricewaterhouseCoopers as the auditors of the Company for the year 2023 at its forthcoming annual general meeting.

The independent auditor's remuneration in respect of its audit service and non-audit service for the year ended 31 December 2022 amounted to RMB2,200,000 and RMB nil respectively.

The non-audit service mainly includes the followings:

Nature of service	Fee payment
Assurance and consultation	RMB nil

SHAREHOLDERS' RIGHTS

The Company recognizes the importance of and takes high priority on communication with its shareholders. Certain key information on shareholders' rights is provided below:

1. PROCEDURES TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 58 of the Articles, the Board may whenever it thinks fit call extraordinary general meetings. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings (the "Requisitionists"). The Requisitionists shall make written requisition to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit, the Board fails to proceed to convene such meeting, the Requisitionists may do so in the same manner, and all reasonable expenses incurred by the Requisitionists as a result of the failure of the Board shall be reimbursed to the Requisitionists by the Company.

2. PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETING

There are no provision allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Act or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

As for matters relating to nomination of Director candidates, please refer to the procedures published on the website of the Company.

Shareholders may at any time send their enquiries and concerns to the Board and the company secretary of the Company in writing to the Company's principal place of business in Hong Kong.

3. POLICY OF DIVIDEND PAYMENT

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders to allow shareholders to share the Company's profits.

The recommendation for the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders. In proposing any dividend payout, the Board shall also take into account, among other, the financial results, the general financial condition, the current and future operations, the level of debts to equity ratio, the liquidity position and capital requirement of the Group and any other factors that the Board deems appropriate. The Company's ability to pay dividends is also subject to the requirements of the Listing Rules and all relevant applicable laws, rules and regulations in the Cayman Islands and Hong Kong and the Articles of Association of the Company.

The Board will continually review the Dividend Policy.

INVESTOR RELATIONS

1. COMMUNICATION WITH SHAREHOLDERS

The Board is well aware of the importance of maintaining proper contact with shareholders and strives to enhance its communication with them. Shareholders can visit the website of the Company (www.bcgrand.com) for the latest information of the Group, including interim and annual reports, announcements, circulars and corporate governance related policies. Press releases are also posted on the website of the Company in a timely manner.

General meetings serve as a communication channel between the Board and shareholders. The Group regards such a meeting as an important activity of the Company during the year. All Directors and senior management would attend the meeting as much as they can. The chairman of the annual general meeting proposes separate resolutions for each of the independent matters. Members of the AC, the RC, the NC and the SIC, external auditors, independent financial advisers and external lawyers would also attend the general meeting to answer questions from shareholders as appropriate. During the year, the Company held one annual general meeting. Details of each Director's attendance at the general meetings are set out in "Directors'/Committee Members' Attendance at Meetings" above.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretarial department whose contact details are as follows:

The Company Secretarial Department, Beijing Capital Grand Limited
Suites 4602-05, One Exchange Square, Central, Hong Kong
Email: comsec@bcgrand.com

The Company's shareholders' communication policy is regularly reviewed to ensure its effectiveness. During the year, the Company has reviewed the shareholders' communication policy and confirmed that it has been effectively implemented.

2. THE CONSTITUTIONAL DOCUMENTS

The Company has published an announcement on the amendments of the Articles on 21 March 2023, and will consider the resolution of amendments of the Articles at the annual general meeting to be held on 9 May 2023. During the year, no changes were made to the memorandum and articles of association of the Company, which are available to shareholders for inspection at the websites of the Company and the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Beijing Capital Grand Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

WHAT WE HAVE AUDITED

The consolidated financial statements of Beijing Capital Grand Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 69 to 163, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to valuation of investment properties.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to Note 18 to the consolidated financial statements. The Group adopts the fair value model for subsequent measurement of investment properties. As at 31 December 2022, investment properties measured at fair value amounted to RMB14,725,509,000 and fair value gains on investment properties for the year then ended was RMB81,075,000. The fair value was determined based on the valuation performed by an independent professional valuer (the "valuer") as a third party engaged by the Group. The valuations of investment properties involved critical accounting estimates and judgements, which mainly included the determination of valuation techniques and the selection of inputs accordingly. The valuation techniques usually include income capitalisation approach and residual approach based on the construction status of each property. As at 31 December 2022, investment properties measured at fair value were the investment properties in operation and adopted income capitalisation approach, the key inputs included market rental prices and discount rates.	We performed the following procedures to address the key audit matter: • Obtained an understanding of the management's internal control and assessment process of valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity, subjectivity and susceptibility to management bias or fraud. • Assessed the competence, professional ability and objectivity of the Valuer. • Communicated with the management about the valuation techniques adopted for each investment property, obtained and read the valuation reports for all the investment properties measured at fair value delivered by the Valuer, and assessed the relevance and reasonableness of valuation techniques used by the Valuer in consideration of the actual construction or operation status. • Selected some of the investment properties measured at fair value by sampling and performed the following procedures:

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Considering the above mentioned critical accounting estimates and judgements, and the significant impact on the consolidated financial statements, we paid specific attention to this matter in our audit.	– assessed the reasonableness of key inputs used under income capitalisation approach, including market rental prices and discount rates, by comparing the market rental prices with comparative cases in active markets and the information of the rental prices in management's records, and by comparing the discount rates with the average discount rates in the industry. • Involved our internal valuation specialists to assist us in assessing the reasonableness of valuation techniques, market rental prices and discount rate used by the Valuers. Based on the above, we obtained supportive evidence for critical accounting estimates and judgements made by management on the valuation techniques and key inputs used in the valuations of investment properties.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is NG Tsun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

		Year ended 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Revenue	*6, 7*	**1,124,138**	1,341,049
Cost of sales	*8*	**(650,304)**	(702,095)
Gross profit		**473,834**	638,954
Other gains – net	*7*	**85,738**	191,543
Other income	*7*	**27,522**	39,933
Selling and marketing expenses	*8*	**(93,164)**	(137,994)
Administrative expenses	*8*	**(262,176)**	(269,665)
Operating profit		**231,754**	462,771
Finance costs	*9*	**(509,225)**	(502,962)
Share of losses of investments accounted for using the equity method	*21*	**(10,480)**	(5,954)
Loss before income tax		**(287,951)**	(46,145)
Income tax expenses	*12*	**(105,318)**	(177,802)
Loss for the year		**(393,269)**	(223,947)
Attributable to:			
– Owners of the Company		**(393,288)**	(224,346)
– Non-controlling interests		**19**	399
Loss per share attributable to ordinary equity holders of the Company during the year			
Basic loss per share (RMB)		**(0.15)**	(0.09)
Diluted loss per share (RMB)		**(0.15)**	(0.09)

The notes on pages 76 to 163 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	Year ended 31 December **2022** ***RMB'000***	 2021 *RMB'000*
Loss for the year		**(393,269)**	(223,947)
Other comprehensive income/(loss) for the year			
Items that may be reclassified to profit or loss			
Cash flow hedges	*27*	**67,026**	62,084
Cost of hedging	*27*	**(70,335)**	(45,214)
		(3,309)	16,870
Total comprehensive loss for the year		**(396,578)**	(207,077)
Attributable to:			
– Owners of the Company		**(396,597)**	(207,476)
– Non-controlling interests		**19**	399
		(396,578)	(207,077)

The notes on pages 76 to 163 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022

	Notes	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**182,827**	183,081
Right-of-use assets	16	**10,694**	13,943
Long-term prepaid expenses	17	**65,704**	89,946
Investment properties	18	**14,725,509**	14,495,835
Intangible assets and lease prepayment	19	**34,555**	34,468
Investments accounted for using the equity method	21	**299,185**	287,665
Deferred income tax assets	30	**–**	7,155
Derivative financial assets	27	**105,386**	8,016
Trade and other receivables and prepayments	24	**28,923**	35,644
Total non-current assets		**15,452,783**	15,155,753
Current assets			
Inventories	22	**2,690,328**	2,434,757
Incremental costs of obtaining a contract	6	**7,787**	4,195
Trade and other receivables and prepayments	24	**449,030**	637,659
Restricted cash	25	**72,705**	84,959
Cash and cash equivalents	25	**1,137,660**	719,349
Total current assets		**4,357,510**	3,880,919
Total assets		**19,810,293**	19,036,672
LIABILITIES			
Non-current liabilities			
Borrowings	26	**4,630,476**	5,066,491
Lease liabilities	16	**8,735**	5,618
Other payables and accruals	29	**5,959,018**	5,286,574
Deferred income tax liabilities	30	**903,898**	814,604
Total non-current liabilities		**11,502,127**	11,173,287

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022

	Notes	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
LIABILITIES			
Current liabilities			
Trade payables	*28*	**1,835,198**	2,010,926
Other payables and accruals	*29*	**363,653**	377,186
Contract liabilities	*6*	**319,165**	202,048
Borrowings	*26*	**1,314,301**	395,645
Lease liabilities	*16*	**2,861**	7,152
Current income tax liabilities		**79,513**	80,375
Total current liabilities		**3,914,691**	3,073,332
Total liabilities		**15,416,818**	14,246,619
Net current assets		**442,819**	807,587
Total assets less current liabilities		**15,895,602**	15,963,340
EQUITY			
Equity attributable to owners of the Company			
Share capital	*31*	**16,732**	16,732
Perpetual convertible bond securities	*33*	**945,755**	945,661
Reserves		**3,237,543**	3,240,852
Retained earnings		**139,094**	532,476
		4,339,124	4,735,721
Non-controlling interests		**54,351**	54,332
Total equity		**4,393,475**	4,790,053
Total equity and liabilities		**19,810,293**	19,036,672

The consolidated financial statements on pages 69 to 75 were approved by the Board of Directors on 21 March 2023 and were signed on its behalf.

Mr. Fan Shubin
Director

Mr. Xu Jian
Director

The notes on pages 76 to 163 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

		Attributable to owners of the Company									
		Issued capital									
	Notes	Ordinary shares RMB'000	Class A convertible preference shares RMB'000	Class B convertible preference shares RMB'000	Perpetual convertible bond securities RMB'000	Share premium account RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2021		**7,828**	**1,329**	**7,575**	**945,661**	**3,169,418**	**71,434**	**532,476**	**4,735,721**	**54,332**	**4,790,053**
(Loss)/profit for the year		–	–	–	–	–	–	(393,288)	(393,288)	19	(393,269)
Other comprehensive loss for the year	27	–	–	–	–	–	(3,309)	–	(3,309)	–	(3,309)
Total comprehensive (loss))/profit for the year		–	–	–	–	–	(3,309)	(393,288)	(396,597)	19	(396,578)
Transactions with owners											
Dividends payable to perpetual convertible bond securities holders	33	–	–	–	94	–	–	(94)	–	–	–
Total transactions with owners		–	–	–	94	–	–	(94)	–	–	–
At 31 December 2022		**7,828**	**1,329**	**7,575**	**945,755**	**3,169,418**	**68,125**	**139,094**	**4,339,124**	**54,351**	**4,393,475**
At 31 December 2020		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 year		–	–	–	–	–	–	(224,346)	(224,346)	399	(223,947)
Other comprehensive income for the year	27	–	–	–	–	–	16,870	–	16,870	–	16,870
Total comprehensive income/(loss) for the year		–	–	–	–	–	16,870	(224,346)	(207,476)	399	(207,077)
Transactions with owners											
Dividends payable to perpetual convertible bond securities holders	33	–	–	–	89	–	–	(89)	–	–	–
Total transactions with owners		–	–	–	89	–	–	(89)	–	–	–
At 31 December 2021		7,828	1,329	7,575	945,661	3,169,418	71,434	532,476	4,735,721	54,332	4,790,053

The notes on pages 76 to 163 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Loss before income tax		**(287,951)**	(46,145)
Adjustments for:			
Finance costs	*9*	**509,225**	502,962
Interests income		**(8,227)**	(13,614)
Depreciation and amortisation		**59,626**	73,484
Depreciation charge of right-of-use assets		**8,351**	7,149
Share of losses of investments accounted for using the equity method	*21*	**10,480**	5,954
Fair value gains on investment properties	*18*	**(81,075)**	(124,900)
Foreign exchange loss/(gains) – net	*7*	**11,800**	(17,279)
Loss on disposal of property, plant and equipment		**649**	37
Gain on disposal of right-of-use assets		**(707)**	–
(Increase)/decrease in inventories		**(165,078)**	4,157
(Increase)/decrease in incremental costs of obtaining a contract		**(3,592)**	3,154
Decrease in trade and other receivables and prepayments		**180,137**	49,678
Decrease/(increase) in restricted cash		**12,254**	(70,614)
Decrease in trade payables, other payables and accruals		**(255)**	(91,662)
Increase in contact liabilities		**117,117**	20,088
Cash generated from operations		**362,754**	302,449
Income tax paid		**(9,731)**	(184,281)
Net cash flows generated from operating activities		**353,023**	118,168
Cash flows from investing activities			
Interests income		**8,227**	13,514
Purchases of property, plant and equipment		**(17,110)**	(25,695)
Additions of investment properties		**(280,430)**	(584,023)
Additions of long-term prepaid expenses		**(18,292)**	(30,825)
Proceeds from sale of property, plant and equipment		**10**	–
Investment in a joint venture	*21*	**(22,000)**	(20,500)
Repayments from an associate and a joint venture	*37(d)(e)*	**1,336**	–
Amounts provided to an associate	*37(d)*	**(635)**	–
Amounts received from government relating to repurchase of land use rights		**–**	69,931
Purchases of intangible assets		**(3,156)**	(10,140)
Net cash flows used in investing activities		**(332,050)**	(587,738)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from financing activities			
Repayments of bank borrowings		**(491,210)**	(2,029,590)
Interests paid on bank and other financial institution borrowings		**(274,993)**	(258,908)
Guarantee fee deeds to related parties		**(29,811)**	(15,554)
New bank and other financial institutions borrowings		**952,164**	3,207,997
Interests paid on guaranteed notes		**–**	(57,655)
Repayments of guaranteed notes		**–**	(2,602,960)
Loan from Beijing Capital Land Co., Ltd. ("BCL")	*37(f)*	**–**	1,500,000
Repayments of the loan from BCL	*37(f)*	**(95,140)**	(1,500,000)
Interests paid to BCL	*37(f)*	**(8,391)**	(25,629)
Cash paid for hedging instrument		**(2,512)**	(217,098)
Issue of Asset-backed Securities Scheme, senior class	*29*	**–**	2,586,200
Interest expense and management fee on Asset-backed Securities Scheme, senior class		**(291,444)**	(230,761)
Issue of China Life Investment-BCG Outlets First Stage Asset Support Scheme ("Outlets Scheme")		**666,750**	–
Interest expense and management fee on the Outlets Scheme		**(21,859)**	–
Principal elements of lease payments		**(6,306)**	(7,592)
Net cash flows generated from financing activities		**397,248**	348,450
Net increase/(decrease) in cash and cash equivalents		**418,221**	(121,120)
Cash and cash equivalents at beginning of the year		**719,349**	840,441
Exchange gains on cash and cash equivalents		**90**	28
Cash and cash equivalents at end of the year		**1,137,660**	719,349

An analysis of net debt and the movements in net debt for each of the years presented is set out in Note 34.

The notes on pages 76 to 163 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE AND GROUP INFORMATION

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

The Company and its subsidiaries (collectively referred to as the "Group") are 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").

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

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

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

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

1 CORPORATE AND GROUP INFORMATION (CONTINUED)

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

In the opinion of the board of Directors (the "Directors"), the immediate holding company of the Company is BECL. BCL is an intermediate holding company of the Company. 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, the consolidated financial statements are presented in Renminbi ("RMB"). The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been approved and authorised for issue by the Directors on 21 March 2023.

2 BASIS OF PREPARATION

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

During the year ended 31 December 2022, the Group reported a loss for the year attributable to the owners of the Company of RMB393,288,000. As at 31 December 2022, the Group had a net current assets of RMB442,819,000. Included in the current liabilities were current bank borrowings totalling RMB1,314,301,000 repayable within one year from the year end. On the same date, the Group had cash and cash equivalents of RMB1,137,660,000. Management has prepared a cash flow projection, which covers a period of not less than twelve months from 31 December 2022. The directors of the Company have reviewed the Group's cash flow projection prepared by management and are of the opinion that the Group will have sufficient financial resources, including financing facilities available to the Group, to finance its operations and to meet its financial obligations as at and when they fall due within twelve months from 31 December 2022. Accordingly, the directors of the Company have prepared the consolidated financial statements on a going concern basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(i) New and amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for its annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to HKAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37
- Annual Improvements to HKFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to HKFRS 3
- Covid-19 Related Rent Concessions beyond 30 June 2021 – Amendment to HKFRS 16 (March 2021)
- Amendments to AG 5 Merger Accounting for Common Control Combinations.

The Group also elected to adopt the following amendments early:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12,
- Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2,
- Definition of Accounting Estimates – Amendments to HKAS 8,
- Classification of Liabilities as Current or Non-current – amendments to HKAS 1,
- Non-current Liabilities with Covenants – Amendments to HKAS 1,
- Lease Liability in a Sale and Leaseback – Amendments to HKFRS 16,
- Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – *Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* (HK Int 5 (Revised)) – Amendments to HK Int 5 (Revised), and
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to HKFRS 10 and HKAS 28.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(i) New and amended standards adopted by the Group (Continued)

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(ii) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3.2 SUBSIDIARIES

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 3.4).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 ASSOCIATES

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (ii) below), after initially being recognised at cost.

(i) Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Company only has joint ventures.

Interests in joint ventures are accounted for using the equity method (see (ii) below), after initially being recognised at cost in the consolidated statement of financial position.

(ii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 3.10.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 ASSOCIATES (CONTINUED)

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 BUSINESS COMBINATIONS (CONTINUED)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

3.5 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in the statement of profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the assets as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Buildings	20-40 years
Furniture, fixtures & equipment	3-8 yeas
Motor vehicles and others	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3.7 LONG-TERM PREPAID EXPENSE

Long-term prepaid expenses include expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure subtract accumulated amortisation.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 INVESTMENT PROPERTIES

Investment properties, including land use rights, buildings and investment properties under construction that are held for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in future, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their cost can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the year in which they are incurred.

After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment properties will be valued as at the date of the consolidated statement of financial position and its carrying amount will be adjusted accordingly. The difference between the fair value and the carrying amount will be charged to the current profit or loss account of the Group.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated statement of profit or loss.

Where fair value of investment properties under construction is not reliably measurable but is expected to be reliably obtained after the construction is completed (including those investment properties under construction acquired initially by the Group), the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.10 FINANCIAL ASSETS

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 FINANCIAL ASSETS (CONTINUED)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains/(losses) – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through Other Comprehensive Income("OCI"). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of profit or loss and recognised in 'Other gains – net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in 'Other gains – net' and impairment expenses are presented as separate line item in the statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 FINANCIAL ASSETS (CONTINUED)

(c) Measurement (Continued)

Debt instruments (Continued)

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and presented net in the consolidated statement of profit or loss within 'Other gains – net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised in the consolidated statement of profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'Other gains – net' in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

3.11 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 5.1(c) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 FINANCIAL LIABILITIES

(a) Initial recognition and measurement

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank and other financial institution borrowings and loans from related parties.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

(b) Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 FINANCIAL LIABILITIES (CONTINUED)

(c) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.13 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging, the Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 27. Movements in the hedging reserve in shareholders' equity are shown in Note 27.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Cash flow hedge that qualifies for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains/(losses).

Where option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Cash flow hedge that qualifies for hedge accounting (Continued)

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(b) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains/(losses)-net.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

(c) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses)-net.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 INVENTORIES

(a) Properties under development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost and net realisable value. Cost comprises land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period. Net realisable value is determined by reference to management estimates based on the estimated selling price in the ordinary course of business, less the estimated costs to completion, and estimated costs to be incurred in selling the property.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

(b) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value.

Cost is determined by an apportionment of total land and building costs attributable to the unsold properties. Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

(c) Merchandise inventories

Merchandise inventories are finished goods purchased from external for retail, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods is purchase costs agreed in purchasing contracts. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.15 CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 SHARE CAPITAL

Ordinary shares, class A and class B CPS are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.17 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.18 CURRENT AND DEFERRED INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries, joint ventures and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

3.19 EMPLOYEE BENEFITS

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 EMPLOYEE BENEFITS (CONTINUED)

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for these employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution scheme (including both the MPF Scheme and the Central Pension Scheme).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 PROVISIONS

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3.21 FINANCIAL GUARANTEE

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments, and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Revenue from sale of completed properties

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, a contract liability for the award points is recognised at the time of sale, the revenue is recognised at a point in time when the customer obtains the control of the property, that is, when the property is completed and reached check and accept status and is delivered or regarded as delivered to the customer.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 REVENUE RECOGNITION (CONTINUED)

(b) Rental income

The Group has two types of rental income in investment property operation business.

For lease agreements with no fixed rental amount, the Group recognises income monthly based on certain percentage of the total income of the cooperative lessee.

For lease agreement with fixed rental amount, the Group recognises income monthly on a straight-line basis over the lease period. On the condition that the Group provides rent free period for certain lessee, the Group recognises income by allocating the total rent roll throughout the whole rent period according to straight-line method.

(c) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(d) Retail income

The Group sells products to individual customers through its retail outlets. Sales of goods are recognised in the accounting period in which the retail outlet sells a product to the customer. Retail sales are usually settled in cash or by credit card.

3.23 DIVIDENDS

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3.24 LEASE

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 LEASE (CONTINUED)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, securities and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, eg term, country, currency and security.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 LEASE (CONTINUED)

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Directors in the Board of Directors that makes strategic decisions.

3.26 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, 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.

(A) FAIR VALUE OF INVESTMENT PROPERTIES

The Group adopts fair value model for subsequent measurement of investment properties and obtains independent valuations for its investment properties at least semi-annually from an independent professional valuer as a third party. The fair value is determined in accordance with the methods below:

- Current prices (open market quotations) in an active market for the same or similar investment properties;

- When such information above is not available, then recent trading prices in an active market of the same or similar investment property, and take the factors of situations, dates and locations of transactions, etc. into consideration is used;

- The Group adopts income capitalisation approach to determine fair value, based on estimated rental and present value of the related cash flows, with estimated profit rate. The key estimations are disclosed in Note 18.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(A) FAIR VALUE OF INVESTMENT PROPERTIES (CONTINUED)

The valuation of investment properties involves significant judgements and estimates, mainly including determination of valuation techniques and election of different inputs in the models.

The management assessed the reasonableness of key inputs which were used to determine the gross development value and under income capitalisation approach, including market rental prices, discount rates, etc., by comparing the market rental prices with comparative cases in active markets and management's records, and by comparing the discount rates with the average discount rates in the industry. The management assessed the reasonableness of other key inputs including interest rates, profit margin rates, etc.

(B) DEFERRED INCOME TAX ASSETS

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers its probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(C) IMPAIRMENT OF FINANCIAL ASSETS

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 5.

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 fund the Group's operations. The Group has 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 and Outlets Scheme), which arise directly from its operations.

The major 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, on the Group's financial performance. The Directors review and approve policies for managing each of these risks and they are summarised below.

(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 HK$, United States dollars("US$") and RMB. The Group is exposed to foreign exchange risk arising from future 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 borrowings amounting to US$197,700,000 (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.

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Assets		
HK$	**690**	1,029
US$	**32**	172
	722	1,201
Liabilities		
US$	**1,368,479**	1,258,050

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Foreign exchange risk(Continued)

As at 31 December 2022, if RMB had weakened/strengthened by 10% against HK$/US$ with all other variable held constant, loss before tax for the year of the Group would have been RMB72,000 higher/lower (2021: 10%, RMB120,000 higher/lower).

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

	2022 **RMB'000**	2021 RMB'000
Net foreign exchange (losses)/gain included in other gains-net	**(11,800)**	17,279
Total net foreign exchange (losses)/gains recognised in loss before income tax for the year	**(11,800)**	17,279

(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, 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 borrowings amounting to US$197,700,000 (31 December 2021: US$197,900,000) was managed by the use of structured cross currency interest rate swaps.

At 31 December 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 year would have been RMB13,744,000 (31 December 2021: RMB14,335,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) *Interest rate risk (Continued)*

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:

	2022 ***RMB'000***	**% of total loans**	2021 *RMB'000*	% of total loans
Variable rate borrowings	**2,744,777**	**46%**	2,866,996	52%
Fixed rate borrowings – repricing or maturity dates:				
Less than 1 year	**1,000,000**	**17%**	–	–
1 – 5 years	**2,200,000**	**37%**	2,595,140	48%
	5,944,777	**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.

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.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

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 incorporate forward looking information.

As at 31 December 2022, the loss allowance was determined as follows for trade receivables:

	Within 3 months
Expected loss rate	2.2%
Gross carrying amount – trade receivables	72,444
Loss allowance	1,626

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 year ended 31 December 2022 (2021: Nil).

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

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.

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 sine 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	8,384	159,044	167,428
Expected credit loss rate	100%	1.5%	6.4%
Loss allowance	(8,384)	(2,323)	(10,707)
Other receivables, net	–	156,721	156,721

Other 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 other receivables during the year ended 31 December 2022.

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 and 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 31 December 2022				
Trade payables	**1,835,198**	**–**	**–**	**1,835,198**
Other payables and accruals (including interest)	**622,613**	**6,198,922**	**–**	**6,821,535**
Borrowings (including interest)	**1,595,884**	**4,440,987**	**543,688**	**6,580,559**
Lease liabilities	**3,344**	**9,494**	**–**	**12,838**
	4,057,039	**10,649,403**	**543,688**	**15,250,130**
At 31 December 2021				
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	6,160,972
Lease liabilities	7,592	5,694	–	13,286
	3,233,018	10,708,775	549,470	14,491,263

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.

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), Asset-backed Securities Scheme, senior class(including accrued interests payables), Outlets Scheme(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:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Total borrowings(including accrued interests payables) *(Note 26)*	**5,944,777**	5,462,136
Outlets Scheme (including accrued interests payables) *(Note 29)*	**668,112**	–
Asset-backed securities scheme senior class (including accrued interests payables) *(Note 29)*	**5,292,270**	5,286,574
Lease liabilities *(Note 16)*	**11,596**	12,770
	11,916,755	10,761,480
Less: Cash and cash equivalents *(Note 25)*	**(1,137,660)**	(719,349)
Restricted cash *(Note 25)*	**(72,705)**	(84,959)
Net debt	**10,706,390**	9,957,172
Total equity	**4,393,475**	4,790,053
Gearing ratio	**244%**	208%

The change of net gearing ratio was primarily due to the increase in net debt of the Group during the year ended 31 December 2022.

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 31 December 2022 and 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 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As at 31 December 2022			
Non-financial assets			
Investment properties	**–**	**14,725,509**	**14,725,509**
Financial assets			
Cross currency interest rate swap	**105,386**	**–**	**105,386**
As at 31 December 2021			
Non-financial assets			
Investment properties	–	13,670,827	13,670,827
Financial assets			
Cross currency interest rate swap	8,016	–	8,016

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

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.

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	
	31 December 2022	31 December 2021	**31 December 2022**	31 December 2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial Liabilities				
Loans from a related party and other financial institution borrowings	**2,200,000**	2,595,140	**2,231,118**	2,629,251
Asset-backed Securities Scheme, senior class	**5,291,529**	5,286,574	**5,558,751**	5,351,818
Outlets Scheme	**667,489**	–	**699,862**	–

Management has assessed that the fair values of cash and cash equivalents, financial assets included in trade and other receivables, financial liabilities included in trade payables, 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.

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 considers 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 derive 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 activities 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 consolidated financial statements.

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 consolidated statement of financial position.

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

6 OPERATING SEGMENT INFORMATION (CONTINUED)

	Property development RMB'000	Investment property development and operation RMB'000	Sale of merchandise inventories RMB'000	Other segment RMB'000	Total RMB'000
Year ended 31 December 2022					
Total revenue	**46,737**	**868,372**	**210,566**	**–**	**1,125,675**
Inter-segment revenue	**–**	**(1,537)**	**–**	**–**	**(1,537)**
Revenue (from external customers) *(i)*	**46,737**	**866,835**	**210,566**	**–**	**1,124,138**
Segment operating profit/(loss)	**(29,160)**	**335,333**	**6,880**	**(77,726)**	**235,327**
Depreciation and amortisation *(Note 8)*	**(114)**	**(54,659)**	**(4,853)**	**–**	**(59,626)**
Income tax expenses *(Note 12)*	**4,006**	**(109,312)**	**–**	**(12)**	**(105,318)**
Year ended 31 December 2021					
Total revenue	148,161	916,152	278,800	–	1,343,113
Inter-segment revenue	–	(2,064)	–	–	(2,064)
Revenue (from external customers) *(i)*	148,161	914,088	278,800	–	1,341,049
Segment operating profit/(loss)	63,305	430,634	28,384	(73,166)	449,157
Depreciation and amortisation *(Note 8)*	(3)	(69,393)	(4,070)	–	(73,466)
Income tax expenses *(Note 12)*	(30,876)	(146,923)	–	(3)	(177,802)

(i) For the year ended 31 December 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 31 December 2022							
Total segment assets	**4,406,321**	**19,657,627**	**551,888**	**6,770,219**	**31,386,055**	**(13,264,439)**	**18,121,616**
Total segment liabilities	**(992,968)**	**(8,310,869)**	**(1,248,093)**	**(5,202,045)**	**(15,753,975)**	**13,264,439**	**(2,489,536)**
As at 31 December 2021							
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)

6 OPERATING SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Segment operating profit	**235,327**	449,157
Share of losses of investments accounted for using the equity method *(Note 21)*	**(10,480)**	(5,954)
Interest income *(Note 7)*	**8,227**	13,614
Foreign exchange *(Note 7)*	**(11,800)**	–
Finance costs *(Note 9)*	**(509,225)**	(502,962)
Loss before income tax	**(287,951)**	(46,145)

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Total segment assets	**18,121,616**	17,858,412
Cash and cash equivalents *(Note 25)*	**1,137,660**	719,349
Restricted cash *(Note 25)*	**72,705**	84,959
Deferred income tax assets *(Note 30)*	**–**	7,155
Investments accounted for using the equity method *(Note 21)*	**299,185**	287,665
Amounts due from related parties *(Note 37(h))*	**73,741**	71,116
Derivative financial assets *(Note 27)*	**105,386**	8,016
Total assets per consolidated statement of financial position	**19,810,293**	19,036,672
Total segment liabilities	**2,489,536**	2,565,080
Borrowings *(Note 26)*	**5,944,777**	5,462,136
Amounts due to non-controlling interests *(Note 29)*	**118,225**	118,225
Deferred income tax liabilities *(Note 30)*	**903,898**	814,604
Asset-backed Securities Scheme, senior class	**5,292,270**	5,286,574
Outlets Scheme	**668,112**	–
Total liabilities per consolidated statement of financial position	**15,416,818**	14,246,619

6 OPERATING SEGMENT INFORMATION (CONTINUED)

(C) Assets and liabilities related to contracts with customers:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Sales commission for properties	**7,787**	4,195
Total incremental costs of obtaining a contract	**7,787**	4,195
Advances from sales of properties	**319,165**	202,048
Total contract liabilities	**319,165**	202,048

The Company was incorporated in Cayman Islands, with most of its subsidiaries domiciled in Mainland China. Revenues from external customers of the Group are mainly derived in Mainland China for the years ended 31 December 2022 and 2021.

As at 31 December 2022, total non-current assets other than deferred income tax assets and derivative financial assets located in Mainland China is RMB15,347,397,000 (31 December 2021: RMB15,140,582,000). As at 31 December 2022 and 2021, none of these non-current assets are located in Hong Kong.

For the year ended 31 December 2022 and 2021, the Group does not have any single customer with revenue over 10% of the revenue from external customers.

For the year ended 31 December 2022, revenue of RMB6,021,000 (31 December 2021: RMB181,839,000) was included in the contract liabilities balance at the beginning of the year.

7 REVENUE, OTHER GAINS-NET AND OTHER INCOME

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Revenue		
Rental revenue of investment properties	**866,835**	914,088
Sale of goods	**210,566**	278,800
Sale of properties	**46,737**	148,161
	1,124,138	1,341,049
Other gains – net		
Fair value gains on investment properties	**81,075**	124,900
Government grants	**13,153**	51,772
Foreign exchange (losses)/gains – net	**(11,800)**	17,279
Net impairment losses on financial and contract assets	**(1,440)**	(5,697)
Others	**4,750**	3,289
	85,738	191,543
Other income		
Short-term lease income	**17,366**	23,361
Interest income	**8,227**	13,614
Others	**1,929**	2,958
	27,522	39,933

8 EXPENSES BY NATURE

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cost of properties sold	**31,130**	80,317
– Amounts incurred during the year	***46,199***	*80,317*
– Adjustment (i)	***(15,069)***	–
Direct operating expenses arising from property management and other property related services	**273,875**	245,633
Cost of goods sold	**194,229**	235,381
Employee benefit expenses	**194,178**	211,450
– Wages, salaries and staff welfare	***135,732***	*151,937*
– Pension scheme contributions	***20,519***	*20,780*
– Other allowance and benefits	***37,927***	*38,733*
Business taxes and other surcharges	**89,561**	90,709
Depreciation and amortisation	**59,626**	73,466
Advertising and marketing	**60,502**	90,211
Office and traveling expenses	**41,833**	45,184
Consultancy fees	**15,698**	19,557
Depreciation charge of right-of-use assets	**8,351**	7,149
Auditor's remuneration	**2,851**	3,135
– PricewaterhouseCoopers	***2,150***	*2,150*
– PricewaterhouseCoopers Zhongtian LLP	***200***	*199*
– Other auditors	***501***	*786*
Capital market and other non-audit services expenses	**–**	250
Impairment of inventories	**26,196**	–
Others	**7,614**	7,312
	1,005,644	1,109,754

(i) For the year ended 31 December 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 (2021: Nil).

9 FINANCE COSTS

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Interest expenses on bank and other financial institution borrowings	**307,750**	289,227
Interest expenses on Outlets Scheme	**23,221**	–
Interest expenses on Asset-backed Securities Scheme, senior class	**297,140**	232,016
Interest expenses on lease liabilities	**737**	771
Net fair value loss/(gains) on derivative financial instruments		
Reclassified from cash flow hedge reserve	**(19,388)**	46,018
Reclassified from costs of hedging reserves	**17,922**	8,170
Ineffectiveness of cash flow hedges	**2,903**	4,959
Interest expenses on guaranteed notes	**–**	48,749
	630,285	629,910
Less: interests capitalised	**(121,060)**	(126,948)
	509,225	502,962

For the year ended 31 December 2022, the capitalisation rate is 5.54% (year ended 31 December 2021: 5.40%). The finance costs are capitalised into investment properties and properties under development.

10 DIRECTORS' EMOLUMENTS

Directors' remuneration for the year is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Fees	**771**	807
Other emoluments:		
Salaries, allowances and benefits in kind	**937**	1,139
Pension scheme contributions	**66**	96
	1,003	1,235
	1,774	2,042

10 DIRECTORS' EMOLUMENTS (CONTINUED)

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Equity settled share option expense *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2022						
Executive director						
Mr. Feng Yujian *(i)*	–	803	–	–	56	859
Mr. Fan Shubin	–	–	–	–	–	–
Mr. Xu Jian *(ii)*	–	134	–	–	10	144
	–	937	–	–	66	1,003
2022						
Non-executive director						
Mr. Zhou Yue	–	–	–	–	–	–
Ms. Qin Yi	–	–	–	–	–	–
Mr. Wang Hao	–	–	–	–	–	–
Mr. Yang, Paul Chunyao *(iii)*	–	–	–	–	–	–
Mr. Zhao Randolph *(iv)*	–	–	–	–	–	–
	–	–	–	–	–	–
2022						
Independent non-executive director						
Dr. Ngai Wai Fung	257	–	–	–	–	257
Ms. Zhao Yuhong	257	–	–	–	–	257
Mr. He Xiaofeng	257	–	–	–	–	257
	771	–	–	–	–	771
Total	771	937	–	–	66	1,774

(i) Resigned on 15 October 2022

(ii) Appointed on 15 October 2022

(iii) Resigned on 8 July 2022

(iv) Appointed on 8 July 2022

10 DIRECTORS' EMOLUMENTS (CONTINUED)

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Equity settled share option expense *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2021						
Executive director						
Mr. Zhong Beichen *(i)*	–	–	–	–	–	–
Mr. Fan Shubin *(ii)*	–	–	–	–	–	–
Mr. Feng Yujian	–	1,139	–	–	96	1,235
	–	1,139	–	–	96	1,235
2021						
Non-executive director						
Mr. Zhou Yue	–	–	–	–	–	–
Ms. Qin Yi	–	–	–	–	–	–
Mr. Wang Hao	–	–	–	–	–	–
Mr. Yang, Paul Chunyao	–	–	–	–	–	–
	–	–	–	–	–	–
2021						
Independent non-executive director						
Dr. Ngai Wai Fung	269	–	–	–	–	269
Ms. Zhao Yuhong	269	–	–	–	–	269
Mr. He Xiaofeng	269	–	–	–	–	269
	807	–	–	–	–	807
Total	807	1,139	–	–	96	2,042

(i) Resigned on 29 October 2021

(ii) Appointed on 29 October 2021

10 DIRECTORS' EMOLUMENTS (CONTINUED)

No other emoluments have been paid to the independent non-executive directors during the year (2021: Nil).

No retirement or termination benefits have been paid to the Company's directors for the year (2021: Nil).

No consideration was provided to third parties for making available directors' services during the year (2021: Nil).

No loans, quasi-loans or other dealings were entered into by the Company in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2021: Nil).

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the year (2021: Nil).

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Aggregate emoluments paid to or receivable by directors in respect of their		
– Services as directors, whether of the Company or its subsidiaries undertaking	**771**	807
– Other services in connection with the management of the affairs of the Company or its subsidiaries undertaking	**1,003**	1,235
	1,774	2,042

11 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2021: one), details of whose remuneration are set out in Note 10 above. Details of the remuneration of the remaining four (2021: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,376**	3,464
Pension scheme contributions	**245**	361
	3,621	3,825

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2022	2021
lower than HK$1,500,000 (equivalent to RMB1,340,000)	**4**	4

12 INCOME TAX EXPENSES

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current income tax:		
– Mainland China enterprise income tax	**6,315**	37,399
– Mainland China land appreciation tax	**2,554**	21,665
Deferred income tax (Note 30)	**96,449**	118,738
Total tax charges for the year	**105,318**	177,802

No provision for Hong Kong profits tax has been made as the Group did not derive any assessable profit in Hong Kong during the year (2021: Nil).

Mainland China enterprise income tax has been provided at a rate of 25% (2021: 25%) on the taxable profits of the Group's Mainland China subsidiaries during the year.

The implementation and settlement of Mainland China land appreciation tax ("LAT") varies among various cities in Mainland China. 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.

12 INCOME TAX EXPENSES (CONTINUED)

A reconciliation of the tax expenses applicable to loss before income tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Loss before income tax	**(287,951)**	(46,145)
Tax calculated at applicable statutory tax rates on the taxable profits in the respective countries	**(62,370)**	(1,267)
Income not subject to tax	**(2,012)**	(15,544)
Expenses not deductible for tax	**4,317**	2,384
Tax losses for which no deferred income tax asset was recognised	**122,027**	119,387
Land appreciation tax	**2,554**	21,665
Income tax effect of land appreciation tax	**(639)**	(5,416)
Utilisation of previously recognised tax losses	**(223)**	(2,701)
Adjustment to deferred income taxation	**41,664**	59,294
Income tax expenses for the year	**105,318**	177,802

13 DIVIDENDS

No dividend has been paid or declared by the Company during the year (2021: Nil).

14 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Loss attributable to owners of the Company	**(393,288)**	(224,346)
Excluding: loss attributable to the holders of CPS and PCBS	**244,817**	139,628
Loss attributable to ordinary shareholders of the Company used in the basic and diluted loss per share calculation	**(148,471)**	(84,718)

	Shares	**Shares**
Weighted average number of ordinary shares	**961,538,462**	961,538,462

The potential ordinary shares were not included in the calculation of dilutive loss per share, which would be anti-dilutive, and the dilutive loss per share was the same as the basic loss per share.

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Furniture fixtures and equipment *RMB'000*	Motor vehicles and others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2022				
At 1 January 2022				
Cost	**156,316**	**77,464**	**22,337**	**256,117**
Accumulated depreciation	**(8,007)**	**(59,459)**	**(5,570)**	**(73,036)**
Net carrying amount	**148,309**	**18,005**	**16,767**	**183,081**
At 1 January 2022, net of accumulated depreciation	**148,309**	**18,005**	**16,767**	**183,081**
Additions	**–**	**144**	**16,966**	**17,110**
Transfer to investment property *(i)*	**(2,682)**	**–**	**–**	**(2,682)**
Disposals	**–**	**(20)**	**(639)**	**(659)**
Depreciation provided during the year	**(4,559)**	**(82)**	**(9,382)**	**(14,023)**
At 31 December 2022, net of accumulated depreciation	**141,068**	**18,047**	**23,712**	**182,827**
At 31 December 2022				
Cost	**153,634**	**77,588**	**38,664**	**269,886**
Accumulated depreciation	**(12,566)**	**(59,541)**	**(14,952)**	**(87,059)**
Net carrying amount	**141,068**	**18,047**	**23,712**	**182,827**
For the year ended 31 December 2021				
At 1 January 2021				
Cost	135,238	67,668	7,059	209,965
Accumulated depreciation	(3,886)	(48,099)	(5,755)	(57,740)
Net carrying amount	131,352	19,569	1,304	152,225
At 1 January 2021, net of accumulated depreciation	131,352	19,569	1,304	152,225
Additions	–	9,816	15,879	25,695
Transfer from investment properties *(i)*	21,078	–	–	21,078
Disposals	–	(8)	(29)	(37)
Depreciation provided during the year	(4,121)	(11,372)	(387)	(15,880)
At 31 December 2021, net of accumulated depreciation	148,309	18,005	16,767	183,081
At 31 December 2021				
Cost	156,316	77,464	22,337	256,117
Accumulated depreciation	(8,007)	(59,459)	(5,570)	(73,036)
Net carrying amount	148,309	18,005	16,767	183,081

(i) During the year, due to the change of the usage of certain properties, the Group has transferred certain buildings with a carrying value of RMB2,682,000 under property, plant and equipment to investment properties. This conversion has no impact on profit or loss and equity.

For the year ended 31 December 2021, certain investment properties with a carrying value of RMB21,078,000 was transferred to buildings under property, plant and equipment. There was no impact on profit or loss and equity.

16 LEASES

This note provides information for leases where the Group is a lessee.

(I) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Right-of-use assets		
Buildings	**10,694**	13,943
Lease liabilities		
Current	**2,861**	7,152
Non-current	**8,735**	5,618
	11,596	12,770

Additions to the right-of-use assets during the year were RMB4,395,000 (2021: Nil).

(II) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The consolidated statement of profit or loss shows the following amounts relating to leases:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
Properties	**8,351**	7,149
Interest expense (included in finance cost)	**737**	771

The total cash outflow for leases in 2022 was RMB6,306,000 (year ended 31 December 2021: RMB7,592,000).

(III) THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The Group leases certain offices. Rental contract is typically made for fixed periods of 3 to 5 years but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17 LONG-TERM PREPAID EXPENSES

	Prepaid decoration expenses *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2022			
At 1 January 2022	**50,437**	**39,509**	**89,946**
Additions	**6,289**	**12,003**	**18,292**
Amortisation	**(26,879)**	**(15,655)**	**(42,534)**
31 December 2022	**29,847**	**35,857**	**65,704**
For the year ended 31 December 2021			
At 1 January 2021	86,397	28,631	115,028
Additions	5,252	25,573	30,825
Amortisation	(41,212)	(14,695)	(55,907)
31 December 2021	50,437	39,509	89,946

18 INVESTMENT PROPERTIES

(A) INVESTMENT PROPERTIES UNDER CONSTRUCTION

	Cost *RMB'000*
At 1 January 2021	1,940,385
Additions	736,438
Transfer to investment properties in operation	(1,851,815)
At 31 December 2021	825,008
Additions	**130,258**
Transfer to investment properties in operation	**(955,266)**
At 31 December 2022	**–**

(B) INVESTMENT PROPERTIES IN OPERATION

	2022 *RMB'000*	2021 *RMB'000*
At 1 January	**13,670,827**	11,716,904
Additions	**54,217**	–
Transfer from investment properties under construction	**955,266**	1,851,815
Transfer to property, plant and equipment	**–**	(21,078)
Transfer from property, plant and equipment	**2,682**	–
Net gains from fair value adjustment	**81,075**	124,900
Other adjustments *(i)*	**(38,558)**	(1,714)
At 31 December	**14,725,509**	13,670,827

(i) During the year, an adjustment of RMB38,558,000 was made to the investment properties upon final agreement of the actual overall construction costs with the relevant contractors (2021: RMB1,714,000).

18 INVESTMENT PROPERTIES (CONTINUED)

(C) PROFIT OR LOSS OF INVESTMENT PROPERTIES RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Net gains from fair value adjustment	**81,075**	124,900
Rental income from leases	**866,835**	914,088
Direct operating expenses from investment properties that generated rental income	**(5,985)**	(11,554)
Direct operating expenses from investment properties that did not generate rental income	**(76)**	(261)

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

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 treatment 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 depend 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.

18 INVESTMENT PROPERTIES (CONTINUED)

(C) PROFIT OR LOSS OF INVESTMENT PROPERTIES RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

Information about fair value measurements using significant unobservable inputs:

			Unobservable inputs		
Investment Properties	Fair value as at 31 December 2022 *RMB'000*	Valuation techniques	Title	Range	Relationship of unobservable inputs to fair value
Central region	7,344,645	Income capitalisation approach	Discount rate	4% to 7%	The higher discount rate, the lower fair value
			Market rental price	RMB37 to RMB160 per square meter per month	The higher market rental price, the higher fair value
North region	4,555,087	Income capitalisation approach	Discount rate	4% to 7%	The higher discount rate, the lower fair value
			Market rental price	RMB51 to RMB286 per square meter per month	The higher market rental price, the higher fair value
South region	2,825,777	Income capitalisation approach	Discount rate	5.5% to 6.5%	The higher discount rate, the lower fair value
			Market rental price	RMB45 to RMB128 per square meter per month	The higher market rental price, the higher fair value

18 INVESTMENT PROPERTIES (CONTINUED)

(C) PROFIT OR LOSS OF INVESTMENT PROPERTIES RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

			Unobservable inputs		
Investment Properties	Fair value as at 31 December 2021 *RMB'000*	Valuation techniques	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	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

19 INTANGIBLE ASSETS AND LEASE PREPAYMENT

	Lease prepayment *RMB'000*	Software *RMB'000*	Total *RMB'000*
For the year ended 31 December 2022			
At 1 January 2022			
Cost	**7,950**	**40,873**	**48,823**
Accumulated amortisation	**(1,404)**	**(12,951)**	**(14,355)**
Net carrying amount	**6,546**	**27,922**	**34,468**
At 1 January 2022, net of accumulated amortisation	**6,546**	**27,922**	**34,468**
Additions	**–**	**3,156**	**3,156**
Amortisation provided during the year	**(159)**	**(2,910)**	**(3,069)**
At 31 December 2022, net of accumulated amortisation	**6,387**	**28,168**	**34,555**
At 31 December 2022			
Cost	**7,950**	**44,029**	**51,979**
Accumulated amortisation	**(1,563)**	**(15,861)**	**(17,424)**
Net carrying amount	**6,387**	**28,168**	**34,555**
For the year ended 31 December 2021			
At 1 January 2021			
Cost	7,950	30,733	38,683
Accumulated amortisation	(1,245)	(10,764)	(12,009)
Net carrying amount	6,705	19,969	26,674
At 1 January 2021, net of accumulated amortisation	6,705	19,969	26,674
Additions	–	10,140	10,140
Amortisation provided during the year	(159)	(2,187)	(2,346)
At 31 December 2021, net of accumulated amortisation	6,546	27,922	34,468
At 31 December 2021			
Cost	7,950	40,873	48,823
Accumulated amortisation	(1,404)	(12,951)	(14,355)
Net carrying amount	6,546	27,922	34,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 SUBSIDIARIES

Name	Place of incorporation/ registration and business	Issued ordinary share/registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Percentage of equity attributable to non-controlling interests %	Principal activities
Trade Horizon Global Limited ("Trade Horizon") (貿景環球有限公司)	British Virgin Islands limited liability company	US$1	100	–	N/A	Guaranteed notes offering
Beijing Chuangxin Jianye Real Estate investment Ltd. ("Chuangxin Jianye") (北京創新建業地產投資有限公司)*	People's Republic of China, limited liability company	RMB50,000,000	–	100	N/A	Investment holding
Shanghai Juque Investment Management Co., Ltd. (上海鉅礐投資管理有限公司)*	People's Republic of China, limited liability company	RMB835,000,000	–	100	N/A	Investment holding
Beijing Hengsheng Huaxing Investment Management Co., Ltd ("Hengsheng Huaxing") (北京恒盛華星投資管理有限公司)*	People's Republic of China, limited liability company	RMB20,000,000	–	100	N/A	Investment holding and retail
Jiangxi Capital Outlets Development Company Limited. ("Jiangxi Capital Outlets") (江西首創奧特萊斯置業有限公司)*	People's Republic of China, limited liability company	RMB459,000,000	–	100	N/A	Property investment
Hangzhou Capital Outlets Property Limited ("Hangzhou Capital Outlets") (杭州首創奧特萊斯置業有限公司)*	People's Republic of China, limited liability company	RMB335,000,000	–	100	N/A	Property investment
Wuhan Capital Juda Outlets Business Management Limited (武漢首創鉅大奧萊商業管理有限公司)*	People's Republic of China, limited liability company	RMB208,000,000	–	99	1	Property investment

20 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and business	Issued ordinary share/registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Percentage of equity attributable to non-controlling interests %	Principal activities
Jinan Shouju Real Estate Ltd. ("Jinan Capital Outlets") (濟南首鉅置業有限公司)*	People's Republic of China, limited liability company	RMB362,960,000	–	100	N/A	Property investment and development
Zhengzhou Juxin Outlets Industrial Co., Ltd. (鄭州鉅信奧萊實業有限公司)*	People's Republic of China, limited liability company	RMB200,000,000	–	100	N/A	Property investment
Xian Shouju Commercial Development and Management Co., Ltd. (西安首鉅商業開發管理有限公司)*	People's Republic of China, limited liability company	RMB335,000,000	–	100	N/A	Property investment
Hefei Chuangju Outlets Business Management Limited ("Hefei Capital Outlets") (合肥創鉅奧萊商業管理有限公司)*	People's Republic of China, limited liability company	RMB280,000,000	–	100	N/A	Property investment
Capital Outlets (Kunshan) Business Development Co., Ltd.. ("Kunshan Capital Outlets") (首創奧特萊斯(昆山)商業開發有限公司)*	People's Republic of China, limited liability company	RMB100,000,000	–	100	N/A	Property investment
Capital Dongxing (Kunshan) Business Development Co., Ltd. (首創東興(昆山)商業開發有限公司)*	People's Republic of China, limited liability company	RMB100,000,000	–	100	N/A	Property investment
Beijing Capital Outlets Property Investment Fang Shan Ltd. ("Fangshan Capital Outlets") (北京首創奧特萊斯房山置業有限公司)*	People's Republic of China, limited liability company	RMB867,134,905	–	100	N/A	Property investment
Zhejiang Outlets Property Real Estate Co., Ltd. ("Zhejiang Outlets") (浙江奧特萊斯置業有限公司)*	People's Republic of China, limited liability company	RMB261,598,013	–	100	N/A	Property investment

20 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and business	Issued ordinary share/registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Percentage of equity attributable to non-controlling interests %	Principal activities
Xi'an Capital Xin Kai Real Estate Ltd. ("Xin Kai") (西安首創新開置業有限公司)*	People's Republic of China, limited liability company	US$165,000,000	–	100	N/A	Property development
Kunming Capital Outlet Commercial Management Co., Ltd. ("Kunming Outlet") (昆明首創奧萊商業運營管理有限公司)*	People's Republic of China, limited liability company	RMB317,700,000	–	85	15	Property investment
Chongqing Shouju Outlet Real Estate Co., Ltd. ("Chorgqing Shouju Outlet") (重慶首鉅奧特萊斯置業有限公司)*	People's Republic of China, limited liability company	RMB200,000,000	–	100	N/A	Property investment
Qingdao Grand Commercial Management Co., Ltd. (青島鉅大奧萊商業管理有限公司)*	People's Republic of China, limited liability company	RMB210,000,000	–	100	M/A	Property investment and development
Nanning Grand Outlets Property Investment Co., Ltd. (南寧鉅大奧特萊斯置業有限公司)*	People's Republic of China, limited liability company	RMB350,000,000	–	100	N/A	Property investment and development
Xiamen Juda Outlets Business Operation Management Limited (廈門鉅大奧萊商業管理有限公司)*	People's Republic of China, limited liability company	RMB330,000,000	–	100	N/A	Property investment
Zhuhai Hengqin Hengsheng Huachuang Commercial Management Co., Ltd ("Hengsheng Huachuang") (珠海橫琴恒盛華創商業管理有限公司)*	People's Republic of China, limited liability company	RMB10,000,000	–	100	N/A	Investment holding and asset management
GSUM-Beijing Capital Grand Outlets No.1 phase I Private Equity Fund (中聯前源－首創鉅大奧特萊斯一號第一期私募股權投資基金) ("Phase I Private Equity Fund")*	People's Republic of China	RMB3,578,445,000	–	100	N/A	Asset Management and investment

20 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and business	Issued ordinary share/registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Percentage of equity attributable to non-controlling interests %	Principal activities
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) (" Phase II Asset-backed Securities Scheme")*	People's Republic of China	RMB879,000,000	–	100	N/A	Asset Management and investment
GSUM-Beijing Capital Grand Outlets No.1 phase II Private Equity Fund (中聯首正德盛－首創鉅大奧特萊斯二期私募股權投資基金) ("Phase II Private Equity Fund")*	People's Republic of China	RMB3,266,300,000	–	100	N/A	Asset Management and investment
Zhonglian Yichuang — Beijing Capital Grand Outlets No.1 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) ("Phase II Asset-backed Securities Scheme")*	People's Republic of China	RMB668,000,000	–	100	N/A	Asset Management and investment

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for Phase I Private Equity Fund, Phase I Asset-backed Securities Scheme, Statutory financial statements of the remaining subsidiaries are not audited by PricewaterhouseCoopers.

* The English names represent the best effort by management of the Group in translating the Chinese names of these companies as they do not have legal names in English.

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

21.1 INVESTMENTS IN JOINT VENTURES

	2022 **RMB'000**	2021 RMB'000
At 1 January	**263,579**	249,590
Capital injection	**22,000**	20,500
Share of losses	**(11,773)**	(6,511)
At 31 December	**273,806**	263,579

(a) Following are the details of the joint ventures held by the Group as at 31 December 2022, which are unlisted:

Name	Place of incorporation/ registration and business	registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
(1) Shanghai Zanchuang Sports Venues Management Co., Ltd (上海贊創體育場館管理有限公司) ("Shanghai Zanchuang")*	Shanghai/Mainland China	RMB10,000,000	–	40%	Sports venues management in Mainland China
(2) Ningbo Shouju Yiming Investment Limited Liability Partnership (寧波首鉅翌明投資合夥企業(有限合夥)) ("Shouju Yiming") *(i)**	Ningbo/Mainland China	RMB3,000,000,000	–	50%	Investment management in Mainland China

(i) Pursuant to the partnership agreement entered into between the Group and other three investors, the Group is required to contribute RMB10 million as a general partner and RMB740 million as a limited partner, representing 25% of the total investment commitment of RMB3 billion. The Group and other investors jointly control Shouju Yiming, therefore it is recognised as a joint venture.

* The English names represent the best effort by management of the Group in translating the Chinese names of these companies as they do not have any legal name in English.

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

21.1 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(b) Summarised financial information for the joint venture that is material to the Group, which is accounted for using the equity method:

	Shouju Yiming	
	31 December 2022	31 December 2021
	RMB'000	*RMB'000*
Current assets		
Cash	**8,821**	14,462
Other current assets (excluding cash)	**3,821**	16,172
Total current assets	**12,642**	30,634
Non-current assets	**902,892**	905,660
Current liabilities		
Financial liabilities (excluding trade payables)	**8,224**	4,819
Other current liabilities (including trade payables)	**56,394**	26,603
Total current liabilities	**64,618**	31,422
Non-current liabilities		
Financial liabilities	**303,300**	376,800
Other liabilities	**–**	911
Total non-current liabilities	**303,300**	377,711
Net assets	**547,616**	527,161

The information above reflects the amounts presented in the financial statements of the joint venture, adjusted for differences in accounting policies between the Group and the joint venture.

(c) Reconciliation of summarised financial information of the joint venture that is material to the Group.

Reconciliation of the summarised financial information presented to the carrying amount of its interests in the joint venture that is material to the Group.

	Shouju Yiming	
	31 December 2022	31 December 2021
	RMB'000	*RMB'000*
Opening net assets	**527,161**	498,114
Capital injection	**44,000**	41,000
Loss for the year	**(23,545)**	(11,953)
Closing net assets	**547,616**	527,161
Carrying value	**273,806**	263,579

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

21.2 INVESTMENTS IN AN ASSOCIATE

	2022 ***RMB'000***	2021 *RMB'000*
At 1 January	**24,086**	23,529
Share of profit	**1,293**	557
At 31 December	**25,379**	24,086

(a) Following are the details of the associate held by the Group as at 31 December 2022, which is unlisted:

Name	Place of incorporation/ registration and business	Registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Nanchang Huachuang Xinghong Real Estate Co., Ltd. (南昌華創興洪置業有限公司)* ("Nanchang Huachuang")	Nanchang/Mainland China	RMB50,000,000	–	40%	Real estate investment and investment properties operation in Mainland China

* The English name represents the best effort by management of the Group in translating the Chinese name of Nanchang Huachuang as it do not have any legal name in English.

(b) Summarised financial information for the associate which is accounted for using the equity method:

	Nanchang Huachuang **31 December 2022** ***RMB'000***	 31 December 2021 *RMB'000*
Current assets		
Cash	**1,729**	6,913
Other current assets (excluding cash)	**249,823**	249,032
Total current assets	**251,552**	255,945
Non-current assets	**102,020**	94,073
Current liabilities		
Financial liabilities (excluding trade payables)	**233,669**	233,835
Other current liabilities (including trade payables)	**42,930**	44,977
Total current liabilities	**276,599**	278,812
Non-current liabilities		
Other liabilities	**13,524**	10,991
Total non-current liabilities	**13,524**	10,991
Net assets	**63,449**	60,215

The information above reflects the amounts presented in the financial statements of the associate, adjusted for differences in accounting policies between the Group and the associate.

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

21.2 INVESTMENTS IN AN ASSOCIATE (CONTINUED)

(c) Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interests in the associate.

	Nanchang Huachuang As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Opening net assets	**60,215**	58,823
Profit for the year	**3,234**	1,392
Closing net assets	**63,449**	60,215
Carrying value	**25,379**	24,086

22 INVENTORIES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Properties under development	**1,632,779**	1,302,889
Completed properties held for sale *(i)*	**780,463**	797,678
Merchandise inventories	**322,905**	353,813
Less: impairment for inventories *(ii)*	**(45,819)**	(19,623)
	2,690,328	2,434,757

(i) Inventories recognised as an expense during the year ended 31 December 2022 amounted to RMB46,199,000 (year ended 31 December 2021: RMB80,317,000), which was included in the cost of property sold.

(ii) The Group accrued impairment for inventories amounted to RMB26,196,000 during the year (2021: Nil), which were recognised as an expense and included in the "cost of sales" in the consolidated statement of profit or loss.

23 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Assets as per consolidated statement of financial position		
Financial assets at amortised cost		
Trade and other receivables and prepayments (excluding prepayments and prepaid taxes)	**227,537**	200,573
Restricted cash *(Note 25)*	**72,705**	84,959
Cash and cash equivalents *(Note 25)*	**1,137,660**	719,349
Derivative financial assets *(Note 27)*	**105,386**	8,016
	1,543,288	1,012,897

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost		
Borrowings *(Note 26)*	**5,944,777**	5,462,136
Trade payables *(Note 29)*	**1,835,198**	2,010,926
Amounts and interest due to related parties *(Note 30)*	**124,240**	134,598
Financial liabilities included in other payables and accruals (excluding other tax payable, employee benefit payable, etc.)	**6,153,196**	5,434,442
Lease liabilities *(Note 16)*	**11,596**	12,770
	14,069,007	13,054,872

24 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**72,444**	65,157
Less: provision for impairment of trade receivables *(Note 5.1(c))*	**(1,626)**	(572)
	70,818	64,585
Prepayments to related parties *(Note 37(h))*	**16,161**	13,516
Prepayments of merchandise inventories	**79,458**	79,549
Other prepayments	**23,003**	24,806
Input value added tax to be deducted and prepaid other taxes	**131,794**	354,859
Other deposits	**7,472**	10,264
Amounts due from related parties *(Note 37(h))*	**73,741**	74,342
Other receivables	**86,213**	61,703
Less: provision for impairment of other receivables *(Note 5.1(c))*	**(10,707)**	(10,321)
	477,953	673,303
less: non-current portion		
– Input value added tax to be deducted	**(28,923)**	(35,644)
Current portion	**449,030**	637,659

Note 5.1(c) sets out information about the impairment of trade and other receivables and the Group's expose to credit risk.

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**72,444**	65,157

As at 31 December 2022, there are trade receivables amounted to 846,000 (31 December 2021: RMB6,723,000) due from related parties.

25 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cash and bank balances	**1,210,365**	804,308
Less:		
Restricted cash	**(72,705)**	(84,959)
Cash and cash equivalents	**1,137,660**	719,349

At 31 December 2022, the cash and bank balances of the Group denominated in HK$ were equivalent to RMB690,000 (31 December 2021: equivalent to RMB1,029,000) and those denominated in US$ were equivalent to RMB32,000(31 December 2021: RMB172,000).

Cash at banks earns interest at floating rates based on daily bank deposit rates.

26 BORROWINGS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Non-current		
Bank borrowings	**2,430,476**	2,471,351
Other financial institution borrowings	**2,200,000**	2,500,000
Loans from a related party	**–**	95,140
	4,630,476	5,066,491
Current		
Current portion of long-term bank borrowings	**1,314,301**	325,845
Short-term bank borrowings	**–**	69,800
	1,314,301	395,645
	5,944,777	5,462,136

As at 31 December 2022, bank borrowings totalling RMB227,667,000 (31 December 2021: Nil) were secured by the Group's investment properties with carrying amount of RMB806,574,000 (31 December 2021: Nil) and were guaranteed by the Company.

26 BORROWINGS (CONTINUED)

As at 31 December 2022, bank borrowings amounting to RMB603,800,000 (31 December 2021: RMB749,810,000) were secured by investment properties with carrying amount of RMB2,451,788,000 (31 December 2021: RMB2,453,088,000) and guaranteed by BCL.

As at 31 December 2022, bank borrowings amounting to RMB539,496,000 (31 December 2021: RMB789,336,000) were secured by the land use with carrying amount of RMB328,504,000 (31 December 2021: RMB420,172,000) and guaranteed by BCL.

As at 31 December 2022, other financial institution borrowings amounting to RMB1,000,000,000 (31 December 2021: RMB1,000,000,000) were guaranteed by BCL.

As at 31 December 2022, other financial institution borrowings amounting to RMB1,368,479,000 (31 December 2021: RMB1,258,050,000) were guaranteed by Capital Group and the Company.

As at 31 December 2022, other financial institution borrowings amounting to RMB2,200,000,000 (31 December 2021: RMB1,500,000,000) were guaranteed by Capital Group.

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Total borrowings		
– Within 1 year	**1,314,301**	395,645
– Between 1 and 2 years	**2,962,462**	1,299,802
– Between 2 and 5 years	**1,171,885**	3,260,408
– Over 5 years	**496,129**	506,281
	5,944,777	5,462,136

26 BORROWINGS (CONTINUED)

(B) The weighted average effective interest rates for the year ended 31 December 2022 and 2021 are set out as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Bank and other financial institution borrowings	**5.18%**	5.59%

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 6 months	**67,997**	1,504,032
Between 6 and 12 months	**3,676,780**	1,362,964
Between 1 and 5 years	**2,200,000**	2,595,140
	5,944,777	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.

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
US$	**1,368,479**	1,258,050
RMB	**4,576,298**	4,204,086
	5,944,777	5,462,136

27 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has the following derivative financial instruments:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Non-current assets		
Cash flow hedges		
Cross currency interest rate swaps	**105,386**	8,016

(I) On 3 August 2021, Trade Horizon, a Company's 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 borrowing 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

27 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(III) HEDGING RESERVES

	Cash flow hedge reserve *RMB'000*	Costs of hedging reserves *RMB'000*	Total *RMB'000*
At 31 December 2020	(43,493)	35,260	(8,233)
Other comprehensive income			
Cash flow hedges			
Net fair value gains	5,642	–	5,642
Reclassification to profit or loss	56,442	–	56,442
Total cash flow hedges	62,084	–	62,084
Costs of hedging			
Net fair value losses	–	(53,384)	(53,384)
Amortisation to profit or loss	–	8,170	8,170
Total costs of hedging	–	(45,214)	(45,214)
At 31 December 2021	18,591	(9,954)	8,637
At 31 December 2021	**18,591**	**(9,954)**	**8,637**
Other comprehensive income/(loss)			
Cash flow hedges			
Net fair value gains	**186,018**	**–**	**186,018**
Reclassification to profit or loss	**(118,992)**	**–**	**(118,992)**
Total cash flow hedges	**67,026**	**–**	**67,026**
Costs of hedging			
Net fair value losses	**–**	**(88,257)**	**(88,257)**
Amortisation to profit or loss	**–**	**17,922**	**17,922**
Total costs of hedging	**–**	**(70,335)**	**(70,335)**
At 31 December 2022	**85,617**	**(80,289)**	**5,328**

27 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cross currency interest rate swaps		
Carrying amount asset	**105,386**	8,016
Notional amount	**1,368,479**	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	**186,018**	5,642
Changes in fair value of the hedged item used for measuring effectiveness	**(186,018)**	(5,642)
Strike rate	**RMB6.4616:US$1**	RMB6.4616:US$1
Higher cap	**RMB 7: US$1**	RMB 7: 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

28 TRADE PAYABLES

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**1,232,800**	1,526,672
1 to 2 years	**425,082**	338,555
2 to 3 years	**80,869**	132,495
over 3 years	**96,447**	13,204
	1,835,198	2,010,926

As at 31 December 2022, there were no trade payables due to related parties (As at 31 December 2021, trade payables amounted to RMB8,599,000 were due to a joint venture of BCL which are repayable within 1 year subjected to credit terms similar to those offered by the related parties to its other major customers).

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

29 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Other tax payables	**41,463**	58,119
Employee benefit payable	**3,772**	1,773
Other payables and accruals due to related parties *(Note 37(h))*	**6,015**	16,373
Amounts due to non-controlling interests	**118,225**	118,225
Interest payable	**1,364**	5,708
Asset-backed Securities Scheme, senior class *(i)*	**5,291,529**	5,286,574
Outlets Scheme *(ii)*	**667,489**	–
Deposits received	**139,330**	126,755
Collect and remit payment on behalf of customers	**5,681**	4,373
Prepaid rental income from tenants	**35,199**	34,828
Others	**12,604**	11,032
	6,322,671	5,663,760
Less: non-current portion		
– Asset-backed Securities Scheme, senior class and Outlets Scheme	**(5,959,018)**	(5,286,574)
Current portion	**363,653**	377,186

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

(i) On 9 December 2019, the Group issued an Asset-backed Securities Scheme, senior class known as Phase I Asset-backed Securities Scheme. The issuance of the Asset-backed Securities Scheme, senior class was for securitisation of the properties held by the Group, namely the Beijing Capital Outlets and the Kunshan Capital Outlets, for the purpose of funding the Group's operations and development.

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 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 term of five years maturing on 9 December 2024, all of which were subscribed by Hengsheng Huachuang, a Company's wholly owned subsidiary. The Subordinated Class ABS will not be listed.

29 OTHER PAYABLES AND ACCRUALS (CONTINUED)

(i) (Continued)

On 28 May 2021, the Group privately issued an Asset-backed Securities Scheme, senior class known as Phase II Asset-backed Securities Scheme. The issuance of the Asset-backed Securities Scheme, senior class was for securitisation of the properties held by the Group, namely the Hefei Capital Outlets, the Hangzhou Capital Outlets, the Jinan Capital Outlets and the Jiangxi Capital Outlets, for the purpose of funding the Group's operations and development.

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 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 term of three years maturing on 28 May 2024, all of which were subscribed by Hengsheng Huachuang. The Subordinated Class ABS will not be listed.

(ii) On 27 April 2022, the Group issued an asset-backed securitised product known as China Life Investment BCG Outlets First Stage Asset Support Scheme. For the purpose of issuing beneficiary certificates with a total principal amount of not more than RMB1,350,000,000. Under the Outlets Scheme, Hengsheng Huachuang (as the Scheme's originator) will provide loans to Chongqing Shouju Outlet and Kunming Outlet 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 Outlets Scheme for the purpose of funding the Group's operations and development.

As at 31 December 2022, the Outlets Scheme was issued with a principal of RMB670,000,000 at 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.

30 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities are as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Deferred income tax assets:		
– to be recovered within 12 months	**7,567**	659
– to be recovered after more than 12 months	**85,645**	119,657
	93,212	120,316
Deferred income tax liabilities:		
– to be settled within 12 months	**(1,432)**	(1,529)
– to be settled after more than 12 months	**(995,678)**	(926,236)
	(997,110)	(927,765)
Offsetting	**93,212**	113,161
Deferred income tax assets after offset	**–**	7,155
Deferred income tax liabilities after offset	**(903,898)**	(814,604)
Deferred income tax liabilities (net)	**(903,898)**	(807,449)

The gross movement on the deferred income tax account is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
At beginning of the year	**(807,449)**	(688,711)
Recognised in the consolidated statement of profit or loss *(Note 12)*	**(96,449)**	(118,738)
At end of the year	**(903,898)**	(807,449)

30 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the years ended 31 December 2022 and 2021, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax losses *RMB'000*
Deferred income tax assets	
At 1 January 2021	167,125
Credited to the consolidated statement of profit or loss	(46,809)
At 31 December 2021	120,316
Credited to the consolidated statement of profit or loss	(27,104)
At 31 December 2022	**93,212**

	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*	**Appreciation of investment properties at fair value** *RMB'000*	**Capitalised borrowing costs** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Deferred income tax liabilities					
At 31 December 2020	88,736	702,534	51,543	13,023	855,836
(Credited)/charged to the consolidated statement of profit or loss	(1,529)	63,827	9,631	–	71,929
At 31 December 2021	87,207	766,361	61,174	13,023	927,765
At 31 December 2021	87,207	766,361	61,174	13,023	927,765
(Credited)/charged to the consolidated statement of profit or loss	(1,432)	59,734	7,642	3,401	69,345
At 31 December 2022	85,775	826,095	68,816	16,424	997,110

30 DEFERRED INCOME TAX (CONTINUED)

As at 31 December 2022, deferred tax assets have not been recognised in respect of unused tax losses of RMB2,194,000,000 (31 December 2021: RMB1,639,935,000), as they have arisen in the Company and certain subsidiaries, which executing administrative functions and to which employee benefit expense, office and management expense are incurred. These companies have been loss-making for some time, and it is not probable that taxable profits will be available in the foreseeable future against which such tax losses can be utilised.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future profits is probable. These tax losses are expiring within five years.

As at 31 December 2022, deferred income tax liabilities of RMB55,944,000 (31 December 2021: RMB55,958,000) have not been recognised in connection with the withholding tax and other taxes that would be payable when the earnings retained by the subsidiaries of the Group are distributed to the Company.

31 SHARE CAPITAL

	As at 31 December			
	2022	2021	**2022**	2021
	Number of shares	*Number of shares*	***RMB'000***	*RMB'000*
Authorised:				
Ordinary shares, HK$0.01 each	**18,355,918,048**	18,355,918,048	**160,009**	160,009
Class A CPS, HK$0.01 each	**738,130,482**	738,130,482	**5,875**	5,875
Class B CPS, HK$0.01 each	**905,951,470**	905,951,470	**7,575**	7,575
	20,000,000,000	20,000,000,000	**173,459**	173,459
Issued and fully paid:				
Ordinary shares, HK$0.01 each	**961,538,462**	961,538,462	**7,828**	7,828
Class A CPS, HK$0.01 each *(Note 32(i))*	**166,976,636**	166,976,636	**1,329**	1,329
Class B CPS, HK$0.01 each *(Note 32(i))*	**905,951,470**	905,951,470	**7,575**	7,575
	2,034,466,568	2,034,466,568	**16,732**	16,732

32 CPS

(A) CLASS A CPS

On 22 January 2015, the Company issued 738,130,482 Class A CPS to BECL at HK$2.78 per share. On 28 December 2016, 571,153,846 Class A CPS were converted into ordinary shares.

(i) The Class A CPS is non-redeemable with no maturity.

(ii) Each Class A CPS is convertible by its holders into one ordinary share of the Company of HK$0.01 each at nil consideration, at any time after issuance, provided that they may not exercise the conversion rights as to such number the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules.

(iii) Each Class A 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 Class A CPS may be converted on an as converted basis.

(iv) The Class A CPS shall not confer on its holder thereof the right to vote at a general meeting of the Company, unless a resolution is to be proposed for winding-up the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the holders of Class A CPS.

(v) On a distribution of assets on liquidation, winding-up or dissolution of the Company, the assets and funds of the Company shall, subject to applicable laws, firstly pay to the Class A and Class B CPS holders, pari passu as between themselves, an amount equal to the aggregate nominal amounts of the Class A and Class B CPS.

As there is no contractual obligations to redeem Class A CPS by the Company, Class A CPS is therefore classified as equity in the consolidated financial statements.

32 CPS (CONTINUED)

(B) CLASS B CPS

On 14 December 2016, the Company issued 905,951,470 Class B CPS to BECL at HK$2.78 per share.

(i) The Class B CPS is non-redeemable with no maturity.

(ii) Each Class B CPS is convertible by its holders into one ordinary share of the Company of HK$0.01 each at nil consideration, at any time after issuance, provided that they may not exercise the conversion rights as to such number the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules.

(iii) Each 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 Class B CPS may be converted on an as converted basis.

(iv) Each Class B CPS shall confer on its holder the right to receive a preferred distribution ("Preferred Distribution") from the date of the issue at a rate of 0.01% per annum on the issue price, payable annually in arrears. The Preferred Distribution is non-cumulative, and the Company may, in its sole discretion, elect to defer or not to pay the Preferred Distribution. During the year, the Company did not pay any Preferred Distribution (2021: Nil). As at 31 December 2022, there was no Preferred Distribution deferred and payable by the Company (2021: Nil).

(v) The Class B CPS shall not confer on its holder thereof the right to vote at a general meeting of the Company, unless a resolution is to be proposed for winding-up the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the holders of Class B CPS.

(vi) On a distribution of assets on liquidation, winding-up or dissolution of the Company, the assets and funds of the Company shall, subject to applicable laws, firstly pay to the Class A and Class B CPS holders, pari passu as between themselves, an amount equal to the aggregate nominal amounts of the Class A and Class B CPS.

As there is no contractual obligations to redeem Class B CPS by the Company, Class B CPS is therefore classified as equity in the consolidated financial statements.

33 PCBS

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

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

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

As at 31 December 2022, the Group has accrued interest amounting to RMB558,000 (31 December 2021: RMB464,000).

As the Company has no contractual obligations to the holders of PCBS, the PCBS is classified as equity in the consolidated financial statements.

34 CASH FLOW INFORMATION

NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As at 31 December 2022 RMB'000	2021 RMB'000
Net Debt		
Cash and cash equivalents	**1,137,660**	719,349
Borrowings (excluding bank overdraft, *Note 26*)	**(5,944,777)**	(5,462,136)
Asset-backed Securities Scheme, senior class *(Note 29)*	**(5,292,270)**	(5,286,570)
Lease liabilities *(Note 16)*	**(11,596)**	(12,770)
Outlets scheme *(Note 29)*	**(668,112)**	–
Net debt	**(10,779,095)**	(10,042,131)
Cash and cash equivalents	**1,137,660**	719,349
Gross debt – fixed interest rates	**(9,171,978)**	(7,894,484)
Gross debt – variable interest rates	**(2,744,777)**	(2,866,996)
Net debt	**(10,779,095)**	(10,042,131)

	Liabilities from financing activities					Other assets	
	Borrowings RMB'000	Outlets Scheme RMB'000	Asset-backed Securities Scheme, senior class RMB'000	Lease liabilities RMB'000	Total RMB'000	Cash and cash equivalents RMB'000	Total RMB'000
Net debt as at 1 January 2021	(4,304,436)	–	(2,695,950)	(19,591)	(7,019,977)	840,441	(6,179,536)
Financing cash flows	(1,178,407)	–	(2,586,200)	7,592	(3,757,015)	(121,120)	(3,878,135)
Foreign exchange adjustments	20,707	–	–	–	20,707	28	20,735
Other changes							
Interest expenses	–	–	–	(771)	(771)	–	(771)
Amortisation	–	–	(4,424)	–	(4,424)	–	(4,424)
Net debt as at 31 December 2021	(5,462,136)	–	(5,286,574)	(12,770)	(10,761,480)	719,349	(10,042,131)
Financing cash flows	**(50,108)**	**(644,891)**	**291,444**	**6,306**	**(397,249)**	**418,221**	**20,972**
New leases	**–**	**–**	**–**	**(4,395)**	**(4,395)**	**–**	**(4,395)**
Foreign exchange adjustments	**(114,006)**	**–**	**–**	**–**	**(114,006)**	**90**	**(113,916)**
Other changes							
Interest expenses	**(318,527)**	**(22,483)**	**(293,771)**	**(737)**	**(635,519)**	**–**	**(635,519)**
Amortisation	**–**	**(738)**	**(3,369)**	**–**	**(4,107)**	**–**	**(4,107)**
Net debt as at 31 December 2022	**(5,944,777)**	**(668,112)**	**(5,292,270)**	**(11,596)**	**(11,916,755)**	**1,137,660**	**(10,779,095)**

35 COMMITMENTS

The Group had the following capital commitments:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Properties under development	**388,023**	423,204
Investment properties	**–**	51,977
	388,023	475,181

36 FINANCIAL GUARANTEES

The Group had the following financial guarantees:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Mortgage facilities for certain purchasers of the Group's properties	**702,104**	603,605

As at 31 December 2022 and 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 occurrence of default on mortgage repayments by these purchasers during the guarantee period, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interests and penalties due by the defaulted purchasers to the banks. At the same time, the Group is entitled to take over the legal title and possession of the related properties. The guarantee period of the Group commences on the grant date of the relevant mortgage and terminates on obtaining the "property title certificate" by the property purchasers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 RELATED PARTY TRANSACTIONS

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

(A) PROVISION OF SERVICES

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Provision of services		
– Project management services for a subsidiary of BCL	**1,200**	2,400
– Project management services for a subsidiary of Shouju Yiming	**846**	–
	2,046	2,400

(B) PURCHASES OF SERVICES

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Purchases of services		
– Management fees on Asset-backed Securities Scheme, senior classes deed to fellow subsidiaries	**4,248**	2,537
– Service fees to:		
– BCL	**1,741**	1,632
– a fellow subsidiary	**580**	–
– for keepwell deed to Capital Group	**–**	4,527
– Guarantee fees relating to:		
– Outlets Scheme *(i)*	**3,199**	–
– bank and other financial institution borrowing deed to Capital Group *(ii)*	**20,798**	8,940
– bank and other financial institution borrowing deed to BCL	**2,575**	1,359
– Property management expenses to a fellow subsidiary of BCL	**18,875**	26,848
	52,016	45,843

(i) Capital Group issued a guarantee to China Life Investment Management Company Limited ("China Life") for Outlets Scheme with a total principal amount of not exceeding RMB1,350,000,000. In accordance with the Outlets Scheme, the Group is required to pay an amount of 0.7% per annum on the outstanding principal to Capital Group as guarantee fee.

(ii) Capital Group issued a guarantee to China Life for a borrowing of the Group of RMB1,500,000,000. The Group is required to pay 0.7% per annum on the outstanding principal as guarantee fee to Capital Group.

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(B) PURCHASES OF SERVICES (CONTINUED)

Capital Group issued a guarantee to Ping An Bank for a borrowing of the Group of US$198,000,000. The Group is required to pay 0.7% per annum on the outstanding principal to Capital Group as guarantee fee.

Capital Group issued a guarantee to China Life with a principal of not exceeding RMB1,000,000,000. The Group is required to pay 0.7% per annum on the outstanding principal to Capital Group as guarantee fee.

(C) GUARANTEE FROM RELATED PARTIES

As at 31 December 2022, BCL provided irrevocable guarantee to the Group in respect of the bank and other financial institution borrowings of the Group amounted to RMB2,143,296,000 (31 December 2021: RMB2,539,146,000) (Note 26).

As at 31 December 2022, Capital Group provided irrevocable guarantee to the Group in respect of the other financial institution borrowings of the Group amounted to RMB3,568,479,000 (31 December 2021: RMB2,758,050,000) (Note 26).

(D) ADVANCES TO AN ASSOCIATE

	2022 ***RMB'000***	2021 *RMB'000*
At 1 January	**68,999**	68,999
Funds granted	**635**	–
Repayments	**(1,236)**	–
At 31 December	**68,398**	68,999

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

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(E) FUNDS GRANTED TO A JOINT VENTURE

	2022 *RMB'000*	2021 *RMB'000*
At 1 January	**2,117**	2,017
Interest income accrued	**100**	100
Interest income received	**(100)**	–
At 31 December	**2,117**	2,117

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

(F) LOANS FROM BCL

	2022 *RMB'000*	2021 *RMB'000*
At 1 January	**100,210**	96,347
Proceeds from loans	**–**	1,500,000
Repayments	**(95,140)**	(1,500,000)
Interest accrued	**3,321**	29,492
Interest paid	**(8,391)**	(25,629)
At 31 December	**–**	100,210

(G) KEY MANAGEMENT COMPENSATION

	Year ended 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Salaries, allowances and benefits in kinds	**6,106**	8,305
Pension scheme contributions	**429**	468
	6,535	8,773

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(H) YEAR-END BALANCES

	31 December 2022 ***RMB'000***	31 December 2021 *RMB'000*
Trade receivables		
– a fellow subsidiary	**846**	6,723
Prepayments to related parties		
– Capital Group	**15,361**	10,269
– Fellow subsidiaries	**800**	3,247
	16,161	13,516
Amounts due from related parties		
– An associate of the Group	**68,398**	68,999
– A joint venture of the Group	**2,117**	2,117
– Fellow subsidiaries	**1,040**	1,040
– An associate of BCL	**193**	193
– A joint venture of BCL	**1,993**	1,993
	73,741	74,342
Other payables and accruals		
– BCL	**5,967**	16,373
– A fellow subsidiary	**48**	–
	6,015	16,373

(I) LEASE FROM RELATED PARTIES

	31 December 2022 ***RMB'000***	31 December 2021 *RMB'000*
Right-of-use rights	**1,050**	13,943
Lease liabilities	**1,177**	12,770

Hengsheng Huaxing rent building used as administrative office from related parties. Right-of-use rights amounted to RMB1,050,000 (31 December 2021: RMB13,943,000) and lease liabilities amounted to RMB1,177,000 (31 December 2021: RMB12,770,000) are recognised respectively.

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
ASSETS			
Non-current assets			
Investments in subsidiaries		**382,637**	665,446
		382,637	665,446
Current assets			
Amounts due from subsidiaries		**5,907,995**	5,908,023
Cash and cash equivalents		**932**	1,190
		5,908,927	5,909,213
Total assets		**6,291,564**	6,574,659
LIABILITIES			
Non-current liabilities			
Amounts due to subsidiaries		**91,376**	91,376
		91,376	91,376
Current liabilities			
Bank borrowing		**–**	69,800
Other payables and accruals		**266**	671
Amounts due to subsidiaries		**1,257,889**	1,459,293
Amounts due to BCL		**1,774**	1,632
		1,259,929	1,531,396
Total liabilities		**1,351,305**	1,622,772
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*Note 31*	**16,732**	16,732
PCBS	*Note 33*	**945,755**	945,661
Reserves	*(a)*	**4,032,351**	4,032,351
Accumulated losses	*(a)*	**(54,579)**	(42,857)
Total equity		**4,940,259**	4,951,887
Total equity and liabilities		**6,291,564**	6,574,659

The balance sheet of the Company was approved by the Board of Directors of the Company on 21 March 2023 and was signed on its behalf.

Mr. Fan Shubin
Director

Mr. Xu Jian
Director

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(A) RESERVE MOVEMENT OF THE COMPANY

	Share premium account *RMB'000*	Retained earnings/ (Accumulated losses) *RMB'000*	Total *RMB'000*
At 1 January 2021	4,032,351	(105,478)	3,926,873
Profit for the year	–	62,710	62,710
Dividends payable to PCBS holders	–	(89)	(89)
At 31 December 2021	**4,032,351**	**(42,857)**	**3,989,494**
At 1 January 2022	**4,032,351**	**(42,857)**	**3,989,494**
Loss for the year	**–**	**(11,628)**	**(11,628)**
Dividends payable to PCBS holders	**–**	**(94)**	**(94)**
At 31 December 2022	**4,032,351**	**(54,579)**	**3,977,772**

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below.

RESULTS

	Year ended 31 December 2022 *RMB'000*	Year ended 31 December 2021 *RMB'000*	Year ended 31 December 2020 *RMB'000*	Year ended 31 December 2019 *RMB'000*	Year ended 31 December 2018 *RMB'000*
REVENUE	**1,124,138**	1,341,049	1,024,035	1,864,672	1,224,040
Cost of sales	**(650,304)**	(702,095)	(678,218)	(986,249)	(818,440)
Gross profit	**473,834**	638,954	345,817	878,423	405,600
Other gains – net	**85,738**	191,543	336,302	90,070	263,715
Other income	**27,522**	39,933	45,860	47,405	47,157
Selling and marketing expenses	**(93,164)**	(137,994)	(157,669)	(190,742)	(163,082)
Administrative expenses	**(262,176)**	(269,665)	(303,779)	(368,325)	(297,535)
Operating profit	**231,754**	462,771	266,531	456,831	255,855
Finance costs	**(509,225)**	(502,962)	(462,514)	(391,339)	(212,509)
Share of loss of investment accounted for using the equity method	**(10,480)**	(5,954)	(2,450)	(4,375)	(4,155)
(LOSS)/PROFIT BEFORE TAX	**(287,951)**	(46,145)	(198,433)	61,117	39,191
Income tax expense	**(105,318)**	(177,802)	(119,256)	(284,169)	(236,649)
(LOSS)/PROFIT FOR THE YEAR	**(393,269)**	(223,947)	(317,689)	(223,052)	(197,458)
Attributable to:					
Owners of the Company	**(393,288)**	(224,346)	(320,446)	(223,539)	(197,698)
Non-controlling interests	**19**	399	2,757	487	240
	(393,269)	(223,947)	(317,689)	(223,052)	(197,458)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December 2022 *RMB'000*	Year ended 31 December 2021 *RMB'000*	Year ended 31 December 2020 *RMB'000*	Year ended 31 December 2019 *RMB'000*	Year ended 31 December 2018 *RMB'000*
TOTAL ASSETS	**19,810,293**	19,036,672	18,312,753	17,809,839	17,606,786
TOTAL LIABILITIES	**(15,416,818)**	(14,246,619)	(13,315,623)	(12,519,666)	(12,095,941)
NON-CONTROLLING INTERESTS	**(54,351)**	(54,332)	(53,933)	(51,176)	(50,689)
	4,339,124	4,735,721	4,943,197	5,238,997	5,460,156