

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

CAPITAL  GRAND
BEIJING CAPITAL GRAND LIMITED
首創鉅大有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1329)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board of directors (the “Board” or the “Directors”) of Beijing Capital Grand Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021, together with unaudited comparative amounts for the corresponding period in the previous year as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Six months ended 30 June	
		2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Revenue	4,5	682,911	393,935
Cost of sales		<u>(336,444)</u>	<u>(276,396)</u>
Gross profit		<u>346,467</u>	<u>117,539</u>
Fair value gains on investment properties		123,716	304,980
Other gains/(losses) – net	5	13,731	(148)
Other income	5	22,072	20,760
Selling and marketing expenses		(56,983)	(69,067)
Administrative expenses		<u>(139,704)</u>	<u>(173,938)</u>
Operating profit		<u>309,299</u>	<u>200,126</u>
Finance costs	7	(236,599)	(229,419)
Share of losses of investment accounted for using the equity method		<u>(1,956)</u>	<u>(1,455)</u>
Profit/(loss) before income tax		<u>70,744</u>	<u>(30,748)</u>
Income tax expenses	8	<u>(90,193)</u>	<u>(76,020)</u>
Loss for the period		<u><u>(19,449)</u></u>	<u><u>(106,768)</u></u>
Attributable to:			
– Owners of the Company		(19,803)	(107,978)
– Non-controlling interests		<u>354</u>	<u>1,210</u>
Loss per share attributable to owners of the Company during the period	<i>10</i>		
– Basic loss per share (RMB cents)		(0.78)	(4.24)
– Diluted loss per share (RMB cents)		<u>(0.78)</u>	<u>(4.24)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	<u>(19,449)</u>	<u>(106,768)</u>
Other comprehensive income/(loss) for the period		
Items that may be reclassified to profit or loss		
Cash flow hedges	37,521	(26,081)
Cost of hedging	<u>(30,414)</u>	<u>9,454</u>
	<u>7,107</u>	<u>(16,627)</u>
Total comprehensive loss for the period	<u><u>(12,342)</u></u>	<u><u>(123,395)</u></u>
Attributable to:		
– Owners of the Company	(12,696)	(124,605)
– Non-controlling interests	<u>354</u>	<u>1,210</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at	
		30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		159,616	152,225
Right-of-use assets		17,546	21,091
Long-term prepaid expenses		100,653	115,028
Investment properties		14,180,824	13,657,289
Intangible assets		33,245	26,674
Investments accounted for using the equity method		281,163	273,119
Deferred income tax assets		21,232	34,936
Other receivables and prepayments	11	31,548	47,564
Total non-current assets		14,825,827	14,327,926
Current assets			
Inventories		2,263,035	2,380,773
Incremental costs of obtaining a contract		5,414	7,349
Trade and other receivables	11	638,811	637,006
Prepayments	11	131,142	104,913
Restricted cash		14,235	14,345
Cash and cash equivalents		3,395,528	840,441
Total current assets		6,448,165	3,984,827
Total assets		21,273,992	18,312,753
LIABILITIES			
Non-current liabilities			
Borrowings		3,319,004	2,585,884
Lease liabilities		9,234	12,770
Other payables and accruals	13	5,282,150	2,695,950
Deferred income tax liabilities		765,652	723,647
Total non-current liabilities		9,376,040	6,018,251

		As at	
	<i>Notes</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
LIABILITIES			
Current liabilities			
Trade payables	<i>12</i>	1,883,848	2,066,591
Other payables and accruals	<i>13</i>	426,449	319,271
Derivative financial liabilities		173,113	166,805
Contract liabilities		192,276	215,639
Borrowings		1,418,156	1,718,552
Lease liabilities		6,983	6,821
Guaranteed notes	<i>14</i>	2,585,071	2,599,504
Current income tax liabilities		227,268	204,189
		<hr/>	<hr/>
Total current liabilities		6,913,164	7,297,372
		<hr/>	<hr/>
Total liabilities		16,289,204	13,315,623
		<hr/>	<hr/>
Net assets		4,984,788	4,997,130
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>15</i>	16,732	16,732
Perpetual convertible bond securities	<i>17</i>	945,617	945,572
Reserves		3,231,089	3,223,982
Retained earnings		737,063	756,911
		<hr/>	<hr/>
		4,930,501	4,943,197
		<hr/>	<hr/>
Non-controlling interests		54,287	53,933
		<hr/>	<hr/>
Total equity		4,984,788	4,997,130
		<hr/>	<hr/>
Total equity and liabilities		21,273,992	18,312,753
		<hr/>	<hr/>

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in commercial property development with a focus on the development, operation and management of outlets-backed commercial integrated projects and non-outlets retail property projects in the People’s Republic of China (the “PRC”).

In the opinion of the directors of the Company, the immediate holding company of the Company is BECL Investment Holding Limited. Beijing Capital Land Ltd. (“BCL”, a joint stock company incorporated in the PRC with limited liability whose H shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)) 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 registered in the PRC.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. The Company’s shares are listed on the Main Board of the Stock Exchange.

This condensed consolidated interim financial information has been approved and authorised for issue by the Board of Directors on 4 August 2021.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

As at 30 June 2021, the current liabilities of the Group exceeded its current assets by approximately RMB465 million primarily due to the reason that approximately RMB2,599 million guaranteed notes (Note 14) will expire on 2 August 2021. In response to this situation, the Group has obtained approximately RMB1,980 million long-term borrowings in July 2021 and has fully repaid the guaranteed notes on 2 August 2021. Up to the date of this report, the current liabilities of the Group no longer exceed its current assets.

Based on the above considerations, the directors of the Company are of the opinion that the Group has sufficient available financial resources to meet or refinance its working capital requirements as and when they fall due. As a result, the interim financial information has been prepared on a going concern basis.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 OPERATING SEGMENT INFORMATION

The members of the Board of Directors (“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 segments of investment property development and operation derive their revenue primarily from rental income. The segment of sale of merchandise inventories derives its revenue primarily from sale of merchandise inventories.

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 “All 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 and finance costs are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. Other information provided to the Directors, except as noted below, is measured in a manner consistent with that in the interim financial information.

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

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

	Property development RMB'000	Investment property development and operation RMB'000	Sale of merchandise inventories RMB'000	All other segments RMB'000	Total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Six months ended 30 June 2021							
(Unaudited)							
Total revenue	86,238	450,099	146,574	-	682,911	-	682,911
Inter-segment revenue	-	-	-	-	-	-	-
Revenue (from external customers)	86,238	450,099	146,574	-	682,911	-	682,911
Segment operating profit/(loss)	47,243	300,195	15,300	(59,316)	303,422	-	303,422
Depreciation and amortisation (Note 6)	-	(35,635)	(2,685)	-	(38,320)	-	(38,320)
Income tax expenses (Note 8)	(21,369)	(68,820)	-	(4)	(90,193)	-	(90,193)
Six months ended 30 June 2020							
(Unaudited)							
Total revenue	75,412	232,891	86,322	-	394,625	-	394,625
Inter-segment revenue	-	(690)	-	-	(690)	-	(690)
Revenue (from external customers)	75,412	232,201	86,322	-	393,935	-	393,935
Segment operating profit/(loss)	13,947	229,858	11,840	(65,745)	189,900	-	189,900
Depreciation and amortisation (Note 6)	(177)	(34,349)	(3,633)	-	(38,159)	-	(38,159)
Income tax expenses (Note 8)	(10,305)	(65,715)	-	-	(76,020)	-	(76,020)
As at 30 June 2021 (Unaudited)							
Total segment assets	3,616,274	17,281,919	826,212	10,154,766	31,879,171	(14,388,353)	17,490,818
Total segment liabilities	(969,736)	(10,897,030)	(1,218,650)	(3,834,200)	(16,919,616)	14,388,353	(2,531,263)
As at 31 December 2020 (Audited)							
Total segment assets	3,054,959	16,605,273	723,948	10,244,027	30,628,207	(13,549,311)	17,078,896
Total segment liabilities	(929,330)	(8,655,787)	(1,572,523)	(5,084,904)	(16,242,544)	13,549,311	(2,693,233)

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

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Segment operating profit	303,422	189,900
Share of losses of investments accounted for using the equity method	(1,956)	(1,455)
Interest income (<i>Note 5</i>)	5,877	10,226
Finance costs (<i>Note 7</i>)	(236,599)	(229,419)
Profit/(loss) before income tax	70,744	(30,748)

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

	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
	Total segment assets	17,490,818
Cash and cash equivalents	3,395,528	840,441
Restricted cash	14,235	14,345
Deferred income tax assets	21,232	34,936
Investments accounted for using the equity method	281,163	273,119
Amounts due from related parties	71,016	71,016
Total assets per interim condensed consolidated statement of financial position	21,273,992	18,312,753
Total segment liabilities	(2,531,263)	(2,693,233)
Borrowings	(4,737,160)	(4,304,436)
Guaranteed notes (<i>Note 14</i>)	(2,598,643)	(2,612,936)
Amounts due to related parties	(118,225)	(118,225)
Deferred income tax liabilities	(765,652)	(723,647)
Senior class asset-backed securities scheme (<i>Note 13</i>)	(5,365,148)	(2,696,341)
Derivative financial liabilities	(173,113)	(166,805)
Total liabilities per interim condensed consolidated statement of financial position	(16,289,204)	(13,315,623)

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Sales commission for properties	<u>5,414</u>	<u>7,349</u>
Total incremental costs of obtaining a contract	<u><u>5,414</u></u>	<u><u>7,349</u></u>
Advances from sales of properties	158,891	181,961
Others	<u>33,385</u>	<u>33,678</u>
Total contract liabilities	<u><u>192,276</u></u>	<u><u>215,639</u></u>

The Company is incorporated in Cayman Islands, with most of its major subsidiaries domiciled in the PRC. Revenues from external customers of the Group are mainly derived in the PRC for the six months ended 30 June 2021 and 2020.

As at 30 June 2021, total non-current assets other than deferred income tax assets located in the PRC is RMB14,804,595,000 (31 December 2020: RMB14,292,990,000), none of these non-current assets is located in Hong Kong (31 December 2020: None).

For the six months ended 30 June 2021 and 2020, the Group does not have any single customer with revenue over 10% of the revenue from external customers.

For the six months ended 30 June 2021, revenue of RMB102,822,000 (six months ended 30 June 2020: RMB58,817,000) was included in the contract liabilities balance at the beginning of the period.

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

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

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Revenue		
Rental revenue from investment properties	450,099	232,201
Sale of goods	146,574	86,322
Sale of properties	86,238	75,412
	<u>682,911</u>	<u>393,935</u>
Other gains/(losses) – net		
Government grants	10,137	1,293
Foreign exchange gains – net	142	250
Others	3,452	(1,691)
	<u>13,731</u>	<u>(148)</u>
Other income		
Short-term lease income	14,369	8,784
Interest income	5,877	10,226
Others	1,826	1,750
	<u>22,072</u>	<u>20,760</u>

6 EXPENSES BY NATURE

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of properties sold	42,330	56,503
Cost of goods sold	127,462	71,399
Property management fee	98,379	79,039
Depreciation charge of right-of-use assets	3,545	4,106
Depreciation and amortisation	38,320	38,159
Employee benefit expenses	116,930	138,374
– <i>Wages, salaries and staff welfare</i>	<i>84,351</i>	<i>118,936</i>
– <i>Pension scheme contributions</i>	<i>2,266</i>	<i>2,741</i>
– <i>Other allowance and benefits</i>	<i>30,313</i>	<i>16,697</i>

7 FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on bank and other borrowings	125,633	123,070
Interest expenses on senior class asset-backed securities scheme	82,607	70,541
Interest expenses on lease liabilities	423	111
Net fair value loss on derivative financial instruments		
Reclassified from cash flow hedge reserve	40,870	20,965
Reclassified from costs of hedging reserves	725	729
Ineffectiveness of cash flow hedges	164	4,506
Interest expense on guaranteed notes	39,337	60,180
Less: interests capitalised	(53,160)	(50,683)
	236,599	229,419

8 INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group did not derive any assessable estimated profit in Hong Kong during the period (six months ended 30 June 2020: Nil).

PRC enterprise income tax has been provided at the rate of 25% (six months ended 30 June 2020: 25%) on the taxable profits of the Group's PRC subsidiaries during the period.

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

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC corporate income tax	22,823	4,998
– PRC land appreciation tax	11,661	6,981
Deferred income tax	55,709	64,041
	<hr/>	<hr/>
Total tax charges for the period	90,193	76,020
	<hr/> <hr/>	<hr/> <hr/>

9 DIVIDENDS

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

10 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted loss per share amount for the six months ended 30 June 2021 is based on the loss for the period attributable to owners of the Company of RMB19,803,000 (six months ended 30 June 2020: the profit for the period attributable to owners of the Company of RMB107,978,000), the weighted average number of ordinary shares of 961,538,462 (six months ended 30 June 2020: 961,538,462), the weighted average number of convertible preference shares of the Company (“CPS”) of 1,072,928,106 (six months ended 30 June 2020: 1,072,928,106) and the weighted average number of shares of 513,185,911 (six months ended 30 June 2020: 513,185,911) into which the Company issued perpetual convertible bonds securities (“PCBS”) may be converted, in issue during the period.

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company		
used in the basic and diluted losses per share calculation	(19,803)	(107,978)
	Shares	Shares
Weighted average number of ordinary shares	961,538,462	961,538,462
Weighted average number of CPS	1,072,928,106	1,072,928,106
Weighted average number of shares into which the PCBS may be converted	513,185,911	513,185,911
Weighted average number of shares for basic and diluted losses per share	2,547,652,479	2,547,652,479

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables from contracts with customers	<u>66,460</u>	<u>65,432</u>
Prepayments to related parties	1,084	5,024
Prepayments of merchandise inventories	126,679	93,102
Other prepayments	3,380	6,787
Input value added tax to be deducted and prepaid other taxes	437,077	388,555
Other deposits	13,086	22,150
Other receivables due from related parties	2,093	3,368
Amounts due from related parties	71,016	71,016
Receivables from government repurchase of land use rights	9,931	69,931
Other receivables	75,892	69,315
Less: provision for impairment of other receivables	<u>(5,197)</u>	<u>(5,197)</u>
	801,501	789,483
less: non-current portion		
– Input value added tax to be deducted	(31,548)	(42,140)
– Other deposits	<u>–</u>	<u>(5,424)</u>
	<u>(31,548)</u>	<u>(47,564)</u>
Current portion	<u>769,953</u>	<u>741,919</u>

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	<u>66,460</u>	<u>65,432</u>

12 TRADE PAYABLES

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	1,592,395	1,872,154
1 to 2 years	194,013	171,191
2 to 3 years	86,572	23,246
over 3 years	10,868	–
	<u>1,883,848</u>	<u>2,066,591</u>

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

13 OTHER PAYABLES AND ACCRUALS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Other tax payables	22,735	33,974
Employee benefit payable	2,996	1,584
Other payables and accruals due to related parties	7,307	8,153
Amounts due to related parties	118,225	118,225
Accrued interests for guaranteed notes (<i>Note 14</i>)	13,572	13,432
Accrued interest for bank and other borrowings	22,366	6,303
Accrued interest for senior class asset-backed securities scheme (i)	82,998	391
Senior class asset-backed securities scheme (i)	5,282,150	2,695,950
Deposits	117,462	116,581
Others	38,788	20,628
	<u>5,708,599</u>	<u>3,015,221</u>
less: non-current portion		
– Senior class asset-backed securities scheme (i)	<u>(5,282,150)</u>	<u>(2,695,950)</u>
Current portion	<u>426,449</u>	<u>319,271</u>

The financial liabilities included in the above balance excluding senior class asset-backed securities scheme are non-interest-bearing and normally settled on demand.

- (i) On 9 December 2019, the Group non-publicly issued an asset-backed securities scheme known as Zhonglian Yichuang – Beijing Capital Grand Outlets No.1 Phase I Asset-backed Securities Scheme. The issuance of the asset-backed securities scheme was for the purpose of securitizing the Properties held by the Group, namely the Fangshan Capital Outlets and the Kunshan Capital Outlets, and raising funds for the operation and development of the businesses of the Group.

The total issuance of the scheme was RMB3,579,000,000, including: (i) the Senior Class ABS in the principal amount of RMB2,700,000,000 with a fixed coupon rate of 5.2% per annum and a maturity term of five years, all of which were subscribed by qualified investors (which were Third Parties) and will be listed and tradeable on the Integrated Negotiated Trading Platform of the Shenzhen Stock Exchange; and (ii) the Subordinated Class ABS in the principal amount of RMB879,000,000 with no fixed coupon rate and a maturity term of five years, all of which were subscribed by Zhuhai Hengqin Hengsheng Huachuang Business Management Co., Ltd. (“Hengsheng Huachuang”), a wholly-owned subsidiary of the Group. The Subordinated Class ABS will not be listed. It will be treated as equity investment of Hengsheng Huachuang from an accounting perspective and offset in the interim condensed consolidated financial statements of the Group.

On 28 May 2021, the Group non-publicly issued an asset-backed securities scheme known as Zhonglian BCG – Capital Outlets Phase II Asset-backed Securities Scheme. The issuance of the asset-backed securities scheme was for the purpose of indirectly acquiring the entire equity interest of the Project Companies and thereby securitizing the Properties by injecting the proceeds from the Issuance into the Fund. The Fund will in turn use such proceeds to acquire the entire equity interest in, and also to provide shareholders’ loans to, the Project Companies.

The total issuance of the scheme was RMB3,268,000,000, 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 and a maturity term of three years, all of which were subscribed by qualified investors (which were Third Parties) and will be listed and tradeable on the Integrated Negotiated Trading Platform of the Shenzhen Stock Exchange; and (ii) the Subordinated Class ABS in the principal amount of RMB668,000,000 with no fixed coupon rate and a maturity term of three years, all of which were subscribed by Hengsheng Huachuang, a wholly-owned subsidiary of the Group. The Subordinated Class ABS will not be listed. It will be treated as equity investment of Hengsheng Huachuang from an accounting perspective and offset in the interim condensed consolidated financial statements of the Group.

As at 30 June 2021, the amortised cost of the Group’s senior class asset-backed securities scheme was approximately RMB5,365,148,000 (31 December 2020: RMB2,696,341,000), including the current portion of RMB82,998,000 (31 December 2020: RMB391,000) and the non-current portion of RMB5,282,150,000 (31 December 2020: RMB2,695,950,000).

14 GUARANTEED NOTES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
As at beginning of the period/year	2,612,936	2,796,677
Interest expenses	39,337	102,497
Interest paid	(36,274)	(104,038)
Exchange rate effect on guaranteed notes	(17,356)	(182,200)
	<u>2,598,643</u>	<u>2,612,936</u>
Accrued interests for guaranteed notes, classified as other payables under current liabilities	(13,572)	(13,432)
Less: amounts due within one year (<i>Note 13</i>)	(2,585,071)	(2,599,504)
Non-current portion	<u> -</u>	<u> -</u>

On 2 August 2018, Trade Horizon Global Limited (“Trade Horizon”), a wholly-owned subsidiary of the Company, issued floating rate guaranteed notes (the “Notes”) amounting to US\$400,000,000, which is due on 2 August 2021 and is fully repaid. The Notes bear interest from 2 August 2018, payable quarterly in arrears on 2 February, 2 May, 2 August and 2 November in each year, until 2 August 2021.

15 SHARE CAPITAL

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Authorised:		
Ordinary shares 20,000,000,000 (31 December 2020: 20,000,000,000) ordinary shares of HK\$0.01 each	<u>160,009</u>	<u>160,009</u>
Class A CPS (<i>Note 16</i>) 738,130,482 (31 December 2020: 738,130,482) CPS of HK\$0.01 each	<u>5,875</u>	<u>5,875</u>
Class B CPS 905,951,470 (31 December 2020: 905,951,470) CPS of HK\$0.01 each	<u>7,575</u>	<u>7,575</u>
	<u>173,459</u>	<u>173,459</u>
Issued and fully paid:		
Ordinary shares 961,538,462 (31 December 2020: 961,538,462) ordinary shares of HK\$0.01 each	<u>7,828</u>	<u>7,828</u>
Class A CPS (<i>Note 16</i>) 166,976,636 (31 December 2020: 166,976,636) CPS of HK\$0.01 each	<u>1,329</u>	<u>1,329</u>
Class B CPS 905,951,470 (31 December 2020: 905,951,470) CPS of HK\$0.01 each	<u>7,575</u>	<u>7,575</u>
	<u>16,732</u>	<u>16,732</u>

Each class A and class B CPS shall confer on the holder thereof the right to receive any dividend pari passu with holders of ordinary shares on the basis of the number of ordinary share(s) into which each CPS may be converted on an as converted basis.

Class A CPS

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

Class B CPS

The class B CPS with a par value HK\$0.01 each were created as a new class of shares in the share capital of the Company on 14 December 2016. Upon the completion of the business combination of Beijing Chuangxin Jianye Real Estate Investment Ltd. and Zhejiang Outlets Property Real Estate Co., Ltd. on 14 December 2016, the Company issued 905,951,470 class B CPS (which are convertible into 905,951,470 ordinary shares of HK\$0.01 each in the share capital of the Company at HK\$2.78 each to be allotted and issued credited as fully paid by the Company upon the exercise of the conversion rights attaching to the class B CPS), resulting in credits to share capital of approximately RMB7,575,000 (equivalent to approximately HK\$9,060,000) with par value of HK\$0.01 each and share premium of RMB2,098,232,000 (equivalent to approximately HK\$2,509,485,000) respectively.

The above mentioned CPS shall be convertible at the option of its holder, without the payment of any additional consideration therefor, into such number of fully-paid ordinary shares at the conversion ratio of one CPS for one ordinary share. Holders of the CPS will have the right to convert all or such number of CPS into the new ordinary shares at any time after the issuance of the CPS, provided that they may not exercise the conversion rights as to such number of CPS the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The CPS shall be non-redeemable by the Company or their holders.

Each class B CPS shall confer on its holder the right to receive a preferred distribution ("Preferred Distribution") from the date of the issue of class B CPS at a rate of 0.01% per annum on the issue price, payable annually in arrears. Each Preferred Distribution is non-cumulative, and the Company may, in its sole discretion, elect to defer or not to pay the Preferred Distribution.

17 PCBS

On 28 December 2016, the Company issued PCBS in the principal amounts of HK\$657,594,260 to Smart Win Group Limited (“Smart Win”) and in the principal amounts of HK\$420,096,153 to KKR CG Judo Outlets (“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 30 June 2021, the Group has accrued interest amounting to RMB420,000 (31 December 2020: RMB375,000).

18 COMMITMENTS

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for:		
Properties under development	68,890	86,981
Investment properties	314,733	476,489
	383,623	563,470

19 FINANCIAL GUARANTEES

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Mortgage facilities for purchasers of the Group's properties	<u>687,051</u>	<u>1,008,045</u>

As at 30 June 2021, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage repayments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interests and penalties owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

The Group has not recognised any liabilities in connection with the aforesaid financial guarantee contracts as the directors of the Company are of the view that significant losses arising on these financial guarantee contracts to be borne by the Group is remote.

20 SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

In July 2021, the Group has obtained approximately RMB1,980 million long-term borrowings. On 2 August 2021, the Group has repaid USD400 million guaranteed notes (Note 14) with the floating rate.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2021, the business forms of outlets have gradually emerged from the impact of the pandemic while the development of the industry maintained a stable growth trend. Since the beginning of the year, the consumer market in China generally sustained the recovery momentum from the second half of last year with signs of steady reinforcement and improvement. From January to June, the total retail sales of consumer goods in China amounted to RMB21,190.4 billion, representing a year-on-year increase of 23.0% and a two-year average growth of 4.4%. Among which, the total retail sales of consumer goods in June amounted to RMB3,758.6 billion, representing a year-on-year growth of 12.1% and an increase of 10.0% as compared to that in June 2019. The two-year average growth was 4.9%, which is higher than the two-year average growth of 4.5% in May. The accelerated sales of mid-to-high-end products indicated gradual recovery of service consumption. In addition, new consumption models have been developed rapidly in tandem with recovery of both urban and rural markets. The consumption prices remained stable in general.

Meanwhile, as the situation of epidemic prevention and control in China continued to improve, the Group firmly implemented the national strategy of expanding domestic demand. In order to cater for the current consumption demand and seize the opportunities arising from the peak consumption season of Spring and Summer, the Group organized promotional activities for outlets projects nationwide in different styles and forms based on their regional characteristics. It has also developed operation models that is able to achieve synergetic development with the brands, enabling it to provide more caring and tailor-made consumer services to consumers, hence facilitating the improvement of the projects' results and capturing the diversified consumer market in the post-epidemic era.

BUSINESS REVIEW

Increase in both customer visits and sales benefitted from the tradition of gathering at each festival

- The widely-popular IP of “Come Together to Capital Outlets and Celebrate each Festival (來首創奧萊過節)” was created to boost sales in all aspects. Leveraging the positive trend of economic recovery and consumption recovery, the Group created the “Come Together to Capital Outlets and Celebrate each Festival (來首創奧萊過節)”, another popular IP following the 24-Hour nationwide unified marketing campaign. Starting from “Celebrate the Chinese New Year at Capital Outlets (來首創過年)” at the beginning of the year, the Group organized various events and bring innovative experience to consumer at each subsequent festival such as the Labor Day on 1 May, the Dragon Boat Festival, the Super National Tide Sold-out Day, the Capital Outlets Festival on 6 June, the Mothers' Day and the Fathers' Day.
- In the first half of the year, the Group achieved a total turnover of approximately RMB5.2 billion in Outlets operation, representing a year-on-year growth of 84%; and the customer visits reached 24 million, representing a year-on-year growth of 64%. Capital Outlets have achieved steady, continuous and rapid development with enhancing brand influence and increasing appeal.

Reaching new height through innovative operation

- The proprietary business once again achieved recording-breaking growth with increasing brand recognition. During the period, the proprietary business achieved a sales of over RMB166 million, demonstrating strong growth with an increase of 70% year-on-year. Breakthroughs have also been achieved in wholesale business through in-depth cooperation in various channels. Upon the completion of renovation and upgrade in June with latest design used in GUCCI Outlet in Europe being adopted, the GUCCI Store in Beijing achieved a sales of over RMB1 million within two days after its soft opening.
- The online shopping mall reached new heights through online and offline interaction. During the period, the Group continued to intensify its efforts in digitization and innovation services, providing integrated online and offline services to about 3.61 million members. The online shopping mall achieved a sales of over RMB25 million, representing an increase of approximately 110% year-on-year. The Group also actively promoted the two-way traffic flow between online and offline operations, which increased the number of groups to 26 with 15,000 followers. The number of users of private traffic increased steadily with constant improvement in quality.

Setting the standards for the industry with diversified financing channels

- “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) has been launched successfully with the size of total issue of product amounting to RMB3.268 billion. The effectiveness of focusing on the principal outlets business, attaining the leading position of the industry and continuing to enhance the project operation capabilities of the Group has gained recognition of the mainstream investment institutions, at the same time laying the solid foundation for the Group to establish a diversified financing system and to achieve the closed-loop development of “investment-financing-management-divestment” of properties and assets of outlets more rapidly.

Continuously enhance the brand influence of “Capital Outlets”

- Commencement of the “Tasks for the three-year development planning on ESG for 2021-2023”. In order to gradually implement the national goals of “Carbon Peak, Carbon Neutrality” and promote the achievement of the Company’s long-term value on ESG development, Capital Outlets has also focused on aspects such as its governance capability, risk control and low-carbon economy, put great efforts in developing low-carbon outlets, incorporated ESG into the Company’s strategy, enhanced the communication and collaboration on ESG with multiple stakeholders such as investors and customers so as to propel the upgrade of brand value with vitality. Further, it has formulated ESG development strategy to better facilitate the development of the Company, and upgraded the issue of its sustainability to the strategic level, aiming to ultimately promote the brand, reputation and social responsibilities of the Group generally.

- Organized the 2020-2021 Commendation Congress of Brand Owners of Capital Outlets to strive forward for more glorious achievements with concerted efforts. The joint cooperation of the cooperative brands is indispensable to the significant results improvement of Capital Outlets. In recognition and appreciation of the substantial support of the brand owners, the 2020-2021 Commendation Congress of Brand Owners of Capital Outlets was held during the period, during which the Company shared Capital Grand’s experience in relation to domestic economic development and the development of outlets with participating guests in a bid to achieve better results through concerted efforts of the partners by taking the attained honors and achievements as the new starting point and a new step forward.
- During the period, with years of professional operation and management experience and good market reputation, following the 19 major awards received last year, the Group won 27 major awards including “Corporate Strength Award of the Year” (年度實力獎), “Leading Performance Award of the Year” (年度領先獎), “Corporate Charm Award of The Year” (年度魅力獎) at the “8th China Outlets Industry Development Forum and 2020 China Outlets Awards Ceremony” (第八屆中國奧特萊斯產業發展論壇暨2020年度中國奧萊頒獎盛典), an annual industry event.

FUTURE PROSPECTS

In recent years, a number of outlets have been launched in towns and shopping malls in China, along with constant launch of new operation models such as urban outlets, online discount and others. If the focus of the first half of competition among outlets in China was to “secure product sources and select locations”, then the focus of the second half of competition which has already begun will be centered around, in addition to competition of “brands + discounts”, the precise analysis of consumption psychology and accurate prediction of consumption trend, and precisely targeting the consumers’ demands. From the perspective of popularity, block businesses can better reflect a city’s “nature” and “temperament” as compared to traditional box-type shopping malls. In particular, in the post-outbreak era, leveraging the advantage of open and green environment, open block outlets have been gaining popularity and become “new favorites” of city operators and consumers.

In the second half of 2021, the outlets market will maintain rapid development and the Group will continue to launch new projects. While increasing its presence in the market, the Group will focus on future development trend of consumption, gaining insights into changes in consumption demand, and continue to accelerate the implementation of key measures in respect of brand upgrades, marketing scenes, operating modes, etc.. Adhering to the principle of customer first and tenants foremost, the Group will improve its service quality, enhance the brand reputation and influence of “Capital Outlets”, and strengthen its competitiveness in the outlets industry, striving to become the most valuable outlets operator in China that provides excellent experience for consumers.

FINANCIAL REVIEW

1. Revenue and Operating Results

For the six months ended 30 June 2021, the revenue of the Group was approximately RMB682,911,000, representing an increase of 73% from RMB393,935,000 compared to the same period in 2020. The increase in revenue was mainly due to the growth of sales from outlets, which lead to an increase in rental income in the period; while the rental income for the same period of last year was relatively low as affected by the outbreak of COVID-19 pandemic.

For the six months ended 30 June 2021, the gross profit margin of the Group was approximately 51%, representing an increase of 21% from 30% in the same period of 2020. The increase in the gross profit margin was mainly due to the fact that 1) the revenue from sale of properties in the period has higher gross profits, leading to the increase in overall gross profit margin; 2) low revenue from outlets affected by the COVID-19 pandemic in the same period of last year.

For the six months ended 30 June 2021, the operating profit of the Group amounted to approximately RMB309,299,000, representing an increase of 55% from RMB200,126,000 in the same period of 2020. Such increase was mainly due to the increase of revenue.

For the six months ended 30 June 2021, the loss for the period of the Group was approximately RMB19,449,000, representing a decrease of 82% from RMB106,768,000 of loss in the same period of 2020. Such decrease was mainly due to the increase of the operating profit.

2. Liquidity and Financial Resources

The Group's liquidity remained at a healthy level with reasonable distribution of financial resources. As at 30 June 2021, the Group's cash and cash equivalents and restricted cash totaled RMB3,409,763,000 (31 December 2020: approximately RMB854,786,000), of which approximately RMB3,407,540,000 (31 December 2020: RMB852,021,000), approximately RMB524,000 (31 December 2020: approximately RMB946,000) and approximately RMB1,699,000 (31 December 2020: RMB1,819,000) were denominated in RMB, Hong Kong Dollar ("HK\$") and US Dollar ("US\$"), respectively. The majority of the Group's cash and cash equivalents and restricted cash are deposited with creditworthy banks with no recent history of default.

As at 30 June 2021, the Group's current ratio was 0.93 (31 December 2020: 0.55).

As at 30 June 2021, the Group's net gearing ratio was 187% (31 December 2020: 176%), based on the division of net debt by total equity. Net debt includes total bank and other borrowings, guaranteed notes (including current and non-current portions), senior class asset-backed securities scheme (including current and non-current portions) and lease liabilities less cash and cash equivalents and restricted cash. The change of net gearing ratio was primarily due to the increase in net debt of the Group.

3 Changes in Major Subsidiaries and Principal Non-controlling Interests

Nil.

4 Borrowings, Guaranteed Notes and Asset-Backed Securitization Scheme

As at 30 June 2021, the Group's borrowings from banks and other financial institutions were approximately RMB4,737,160,000 (31 December 2020: approximately RMB4,304,436,000). The borrowings from banks of approximately RMB760,200,000 (31 December 2020: approximately RMB718,000,000) were secured on the land use rights and the buildings and guaranteed by Beijing Capital Land Ltd. ("BCL") or our Group. The borrowings from banks of approximately RMB812,020,000 (31 December 2020: approximately RMB604,696,000) were secured on the land use rights and guaranteed by BCL. The borrowings from banks and related parties of approximately RMB1,364,940,000 (31 December 2020: RMB164,940,000) were credit borrowings. The borrowings from other financial institutions of approximately RMB1,000,000,000 (31 December 2020: approximately RMB2,500,000,000) were guaranteed by BCL. The borrowings from other financial institutions of approximately RMB800,000,000 (31 December 2020: Nil) were guaranteed by Capital Group.

As at 30 June 2021, the amortised cost of the Group's guaranteed notes (the "Notes") was approximately RMB2,598,643,000 (31 December 2020: RMB2,612,936,000), all being current liabilities. The three-year floating-rate guaranteed notes with a nominal value of US\$400,000,000 were listed for trading on the Stock Exchange in August 2018. The details of the Notes are set out in the announcements dated 27 July and 2 August 2018.

On 9 December 2019, the Group non-publicly issued an asset-backed 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). The issuance of this asset-backed securitization scheme was for the purpose of securitizing the properties held by the Group, namely the Fangshan Capital Outlets and the Kunshan Capital Outlets, and raising funds for the operation and development of the businesses of the Group. The total issuance of the scheme was RMB3,579,000,000, including: (i) the Senior Class ABS in the principal amount of RMB2,700,000,000 with a fixed coupon rate of 5.2% per annum and a maturity term of five years, all of which were subscribed by qualified 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 (the "Listing"); and (ii) the Subordinated Class ABS in the principal amount of RMB879,000,000 with no fixed coupon rate and a maturity term of five years, all of which were subscribed by Zhuhai Hengqin Hengsheng Huachuang Business Management Co., Ltd (珠海橫琴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. It was treated as equity investment of Hengsheng Huachuang from an accounting perspective and offset in the consolidated financial statements of the Group. As at 30 June 2021, the amortised cost of the Group's Senior Class ABS was approximately RMB2,766,345,000 (31 December 2020: RMB2,696,341,000), including the current portion of RMB70,395,000 (31 December 2020: RMB391,000) and the non-current portion of RMB2,695,950,000 (31 December 2020: RMB2,695,950,000).

On 28 May 2021, the Group non-publicly 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 Hangzhou Outlets, the Jiangxi Outlets, the Jinan Outlets and the Hefei 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, which are listed and traded on the Integrated Negotiated Trading Platform (綜合協議交易平台) of the Shenzhen Stock Exchange, all of which were subscribed by qualified third party investors; and (ii) the Subordinated Class ABS in the principal amount of RMB668,000,000 with no fixed coupon rate. The Subordinated Class ABS will not be listed, all of which were subscribed by Hengsheng Huachuang, a wholly-owned subsidiary of the Group, and will be treated as equity investment of Hengsheng from an accounting perspective and offset in the consolidated financial statements of the Group. As at 30 June 2021, the amortised cost of the Group’s Senior Class ABS was approximately RMB2,598,803,000, including the current portion of RMB12,603,000 and the non-current portion of RMB2,586,200,000. Details are set out in the announcement dated 28 May 2021.

5. Foreign Exchange Exposure

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

6. Financial Guarantees

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to purchasers of properties. As at 30 June 2021, the financial guarantees amounted to approximately RMB687,051,000 (31 December 2020: RMB1,008,045,000).

7. Capital Commitments

As at 30 June 2021, the Group had capital commitments relating to the development properties under construction of approximately RMB68,890,000 (31 December 2020: RMB86,981,000), and had capital commitments relating to the investment properties under construction of approximately RMB314,733,000 (31 December 2020: RMB476,489,000).

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

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

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

The Board and the management of the Company are committed to establishing and maintaining good corporate governance standards, a robust internal control mechanism and effective risk management. They are convinced that sound corporate governance is the cornerstone for the Company's long-term success and can establish a framework for effective management, superior corporate culture, successful business development and higher shareholder value. At the same time, the Board also actively improves transparency and accountability to all shareholders.

During the period from 1 January 2021 to 30 June 2021, the Company complied with the requirements under the code provisions (the "Code Provision") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules and the continuing obligations requirements of a listed issuer pursuant to the Listing Rules, except for the following deviations:

- (a) Under the Code Provision A.1.7, if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.

During the period, the Board approved the entering into of the internal restructuring documents and the ABS agreements and the transactions contemplated thereunder constituted the connected transaction and continuing connected transactions (the "Transaction I") between BCL and Capital Group, by way of passing a written resolution. As Mr. Zhong Beichen is a common director of BCL and the Company, Mr. Wang Hao is a member of the management team of Capital Group and Ms. Qin Yi is the board secretary of BCL, therefore, they were regarded as having material interests in the Transaction I.

During the period, the Board approved the entering into of the entrustment guarantee agreement and the transactions contemplated thereunder constituted continuing connected transactions (the "Transaction II") between Capital Group and the Company, by way of passing a written resolution. As Mr. Wang Hao is a member of the management team of Capital Group, he is deemed to have material interests in the Transaction II.

The Transaction I and the Transaction II should be dealt with by physical board meetings, but the Board considered that the adoption of written resolutions would facilitate the effectiveness of decision-making and implementation. Furthermore, Mr. Zhong Beichen, Mr. Wang Hao and Ms. Qin Yi have abstained from voting for the relevant resolutions of the Transaction I, and Mr. Wang Hao has abstained from voting for the relevant resolutions of the Transaction II. The Board (including the independent non-executive Directors) is of the view that the relevant terms of the agreements for the Transaction I and the Transaction II and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable and in the interests of the Company and its shareholders as a whole;

- (b) Under the Code Provision E.1.2, the chairman of the board should attend the annual general meetings of the company. The chairman of the Board was unable to attend the 2020 annual general meeting due to urgent business matters. Instead, the 2020 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; and
- (c) Under the Code Provision F.1.2, the appointment of the company secretary should be dealt with by a physical board meeting rather than a written resolution. The appointment of the current company secretary was dealt with by a written resolution. The Board considered that, prior to the appointment, Ms. Peng 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. The Board is fully aware of the qualifications and experience of Ms. Peng without any dissenting opinion and there was no need to approve her appointment by a physical board meeting.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Following specific enquiries by the Company, all Directors have confirmed that they fully complied with the requirements under the Model Code for the six months ended 30 June 2021.

HUMAN RESOURCES

As at 30 June 2021, the Group employed 1,153 employees (as of 30 June 2020: 1,247). The remuneration policy and package of the Group’s employees are structured in accordance to market terms, individual employee performance, qualifications and experience and statutory requirements where appropriate. In addition, the Group also provides other staff benefits such as pension scheme, medical insurance scheme, unemployment insurance scheme, housing provident fund and share options to motivate and reward employees at all levels to achieve the Group’s business performance targets.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Dr. Ngai Wai Fung as chairman, Ms. Zhao Yuhong and Mr. He Xiaofeng. The Audit Committee, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bcgrand.com). The interim report of the Company for the six months ended 30 June 2021 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and available on the above websites in due course.

By Order of the Board
Beijing Capital Grand Limited
Peng Sisi
Company Secretary

Hong Kong, 4 August 2021

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