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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the "**Board**" or the "**Directors**") of Beijing Capital Grand Limited (the "**Company**") is pleased to present the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021, together with comparative amounts for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

		Year ended 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Revenue	*4, 5*	**1,341,049**	1,024,035
Cost of sales		**(702,095)**	(678,218)
Gross profit		**638,954**	345,817
Other gains – net	*5*	**191,543**	336,302
Other income	*5*	**39,933**	45,860
Selling and marketing expenses		**(137,994)**	(157,669)
Administrative expenses		**(269,665)**	(303,779)
Operating profit		**462,771**	266,531
Finance costs	*7*	**(502,962)**	(462,514)
Share of losses of investments accounted for using the equity method		**(5,954)**	(2,450)
Loss before income tax		**(46,145)**	(198,433)
Income tax expenses	*8*	**(177,802)**	(119,256)
Loss for the year		**(223,947)**	(317,689)
Attributable to:			
– Owners of the Company		**(224,346)**	(320,446)
– Non-controlling interests		**399**	2,757
Losses per share attributable to ordinary equity holders of the Company during the year			
Basic losses per share (RMB)	*10*	**(0.09)**	(0.13)
Diluted losses per share (RMB)	*10*	**(0.09)**	(0.13)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

		Year ended 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Loss for the year		**(223,947)**	(317,689)
Other comprehensive income/(loss) for the year			
Items that may be reclassified to profit or loss			
Cash flow hedges		**62,084**	10,467
Cost of hedging		**(45,214)**	14,179
		16,870	24,646
Total comprehensive loss for the year		**(207,077)**	(293,043)
Attributable to:			
– Owners of the Company		**(207,476)**	(295,800)
– Non-controlling interests		**399**	2,757

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	As at 31 December 2021 RMB'000	31 December 2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**183,081**	152,225
Right-of-use assets		**13,943**	21,091
Long-term prepaid expenses		**89,946**	115,028
Investment properties		**14,495,835**	13,657,289
Intangible assets and lease prepayments		**34,468**	26,674
Investments accounted for using the equity method		**287,665**	273,119
Deferred income tax assets		**7,155**	34,936
Derivative financial assets		**8,016**	–
Trade and other receivables	*11*	**35,644**	47,564
Total non-current assets		**15,155,753**	14,327,926
Current assets			
Inventories		**2,434,757**	2,380,773
Incremental costs of obtaining a contract		**4,195**	7,349
Trade and other receivables	*11*	**519,788**	637,006
Prepayments	*11*	**117,871**	104,913
Restricted cash		**84,959**	14,345
Cash and cash equivalents		**719,349**	840,441
Total current assets		**3,880,919**	3,984,827
Total assets		**19,036,672**	18,312,753
LIABILITIES			
Non-current liabilities			
Borrowings		**5,066,491**	2,585,884
Lease liabilities		**5,618**	12,770
Other payables and accruals	*13*	**5,286,574**	2,695,950
Deferred income tax liabilities		**814,604**	723,647
Total non-current liabilities		**11,173,287**	6,018,251

	Notes	As at **31 December 2021** ***RMB'000***	 31 December 2020 *RMB'000*
LIABILITIES			
Current liabilities			
Trade payables	*14*	**2,010,926**	2,066,591
Other payables and accruals	*13*	**377,186**	319,271
Derivative financial liabilities		**–**	166,805
Contract liabilities		**202,048**	215,639
Borrowings		**395,645**	1,718,552
Lease liabilities		**7,152**	6,821
Guaranteed notes	*12*	**–**	2,599,504
Current income tax liabilities		**80,375**	204,189
Total current liabilities		**3,073,332**	7,297,372
Total liabilities		**14,246,619**	13,315,623
Net current assets/(liabilities)		**807,587**	(3,312,545)
Total assets less current liabilities		**15,963,340**	11,015,381
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**16,732**	16,732
Perpetual convertible bond securities	*17*	**945,661**	945,572
Reserves		**3,240,852**	3,223,982
Retained earnings		**532,476**	756,911
		4,735,721	4,943,197
Non-controlling interests		**54,332**	53,933
Total equity		**4,790,053**	4,997,130
Total equity and liabilities		**19,036,672**	18,312,753

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**").

Upon the completion of the Issuance and the Conversion, BECL Investment Holding Limited ("**BECL**") held 72.94% of the Company's total issued share capital.

In the opinion of the directors of the Company, the immediate holding company of the Company is BECL. Beijing Capital Land Co., Ltd. (formerly named "**Beijing Capital Land Ltd**.") ("**BCL**", a limited liability company incorporated in the PRC with limited liability) is an intermediate holding company of the Company. The ultimate holding company of the Company is Beijing Capital Group Ltd. ("**Capital Group**"), a state-owned enterprise registered in the PRC.

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. 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 Board of Directors on 8 March 2022.

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/liabilities, 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 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.

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The Group also elected to adopt the following amendments early:

- Annual Improvements to HKFRS Standards 2018-2020 Cycle
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to HKAS 12, and
- Covid-19-Related Rent Concessions beyond 30 June 2021.

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

(ii) New standards, amendments to accounting 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 2021 reporting period 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.

4 OPERATING SEGMENT INFORMATION

The Directors are the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Directors for the purposes of allocating resources and assessing performance.

The Directors 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 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 financial statements.

Total segment assets exclude cash and cash equivalents, restricted cash, deferred income tax assets, amounts due from related parties, 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, guaranteed notes, amounts due to a related party, deferred income tax liabilities, Asset-backed Securities Scheme, senior class 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 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.

	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*
Year ended 31 December 2021							
Total revenue	**148,161**	**916,152**	**278,800**	**–**	**1,343,113**	**(2,064)**	**1,341,049**
Revenue (from external customers) ***(i)***	**148,161**	**916,152**	**278,800**	**–**	**1,343,113**	**(2,064)**	**1,341,049**
Segment operating profit/(loss)	**63,305**	**430,634**	**28,384**	**(73,166)**	**449,157**	**–**	**449,157**
Depreciation and amortisation *(Note 6)*	**(3)**	**(69,393)**	**(4,070)**	**–**	**(73,466)**	**–**	**(73,466)**
Income tax expenses *(Note 8)*	**(30,876)**	**(146,923)**	**–**	**(3)**	**(177,802)**	**–**	**(177,802)**
Year ended 31 December 2020							
Total revenue	134,268	645,254	244,513	–	1,024,035	–	1,024,035
Revenue (from external customers) ***(i)***	134,268	645,254	244,513	–	1,024,035	–	1,024,035
Segment operating profit/(loss)	19,897	314,616	17,425	(103,454)	248,484	(1,046)	247,438
Depreciation and amortisation *(Note 6)*	(2)	(71,641)	(3,048)	–	(74,691)	–	(74,691)
Income tax expenses *(Note 8)*	(16,524)	(94,683)	–	(8,049)	(119,256)	–	(119,256)

(i) No revenue from contracts with customers is recognised over time in property development segment (year ended 31 December 2020: Nil).

	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 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**
As at 31 December 2020							
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 reconciliation of segment operating profit to loss before income tax is provided as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Segment operating profit	**449,157**	247,438
Share of losses of investments accounted for using the equity method	**(5,954)**	(2,450)
Interest income *(Note 5)*	**13,614**	19,093
Finance costs *(Note 7)*	**(502,962)**	(462,514)
Loss before income tax	**(46,145)**	(198,433)

Segment assets and liabilities are reconciled to total assets and liabilities as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Total segment assets	**17,858,412**	17,078,896
Cash and cash equivalents	**719,349**	840,441
Restricted cash	**84,959**	14,345
Deferred income tax assets	**7,155**	34,936
Investments accounted for using the equity method	**287,665**	273,119
Amounts due from related parties *(Note 11)*	**71,116**	71,016
Derivative financial assets	**8,016**	–
Total assets per consolidated statement of financial position	**19,036,672**	18,312,753
Total segment liabilities	**2,565,080**	2,693,233
Borrowings	**5,462,136**	4,304,436
Guaranteed notes *(Note 12)*	**–**	2,612,936
Amount due to a related party *(Note 13)*	**118,225**	118,225
Deferred income tax liabilities	**814,604**	723,647
Asset-backed Securities Scheme, senior class *(Note 13)*	**5,286,574**	2,696,341
Derivative financial liabilities	**–**	166,805
Total liabilities per consolidated statement of financial position	**14,246,619**	13,315,623

Assets and liabilities related to contracts with customers:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Sales commission for properties	**4,195**	7,349
Total incremental costs of obtaining a contract	**4,195**	7,349
Advances from sales of properties	**202,048**	215,639
Total contract liabilities	**202,048**	215,639

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 Mainland China for the years ended 31 December 2021 and 2020.

As at 31 December 2021, total non-current assets other than deferred income tax assets and derivative financial assets located in the PRC is RMB15,140,582,000 (31 December 2020: RMB14,292,990,000), none of these non-current assets is located in Hong Kong (31 December 2020: none of these non-current assets is located in Hong Kong).

For the year ended 31 December 2021 and 2020, the Group does not have any single customer with revenue over 10% of the revenue from external customers.

For the year ended 31 December 2021, revenue of RMB181,839,000 (31 December 2020: RMB135,909,000) was included in the contract liabilities balance at the beginning of the year.

5 REVENUE, OTHER GAINS – NET AND OTHER INCOME

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Revenue		
Rental revenue of investment properties	**914,088**	645,254
Sale of goods	**278,800**	244,513
Sale of properties	**148,161**	134,268
	1,341,049	1,024,035
Other gains – net		
Fair value gains on investment properties	**124,900**	338,937
Government grants	**51,772**	1,485
Foreign exchange gains – net	**17,279**	92
Net impairment losses on financial and contract assets	**(5,697)**	(5,197)
Others	**3,289**	985
	191,543	336,302
Other income		
Interest income	**13,614**	19,093
Others	**26,319**	26,767
	39,933	45,860

6 EXPENSES BY NATURE

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost of properties sold	**80,317**	84,547
Cost of goods sold	**235,381**	216,844
Property management fee	**245,633**	225,353
Depreciation charge of right-of-use assets	**7,149**	8,141
Depreciation and amortisation	**73,466**	74,691
Employee benefit expenses	**211,450**	211,367
– Wages, salaries and staff welfare	**151,937**	177,120
– Pension scheme contributions	**20,780**	3,232
– Other allowance and benefits	**38,733**	31,015

7 FINANCE COSTS

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Interest expense on bank and other financial institution borrowings	**289,227**	259,484
Interest expense on Asset-backed Securities scheme, senior class	**232,016**	140,699
Interest expense on lease liabilities	**771**	166
Net fair value loss on derivative financial instruments		
Reclassified from cash flow hedge reserve	**46,018**	60,105
Reclassified from costs of hedging reserves	**8,170**	1,465
Ineffectiveness of cash flow hedges	**4,959**	10,133
Interest expense on guaranteed notes	**48,749**	102,497
Less: interests capitalised	**(126,948)**	(112,035)
	502,962	462,514

For the year ended 31 December 2021, the capitalisation rate is 5.40% (year ended 31 December 2020: 5.72%), and the finance costs are mainly capitalised into investment properties and properties under development.

8 INCOME TAX EXPENSES

Hong Kong corporate are mainly subject to Hong Kong profits tax rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong during the year (year ended 31 December 2020: Nil).

PRC enterprise income tax has been provided at the rate of 25% (year ended 31 December 2020: 25%) on the taxable profits of the Group's PRC subsidiaries during the year.

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

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current income tax:		
– PRC corporate income tax	**37,399**	21,596
– PRC land appreciation tax	**21,665**	7,409
Deferred income tax	**118,738**	90,251
Total tax charges for the year	**177,802**	119,256

A reconciliation of the tax expenses applicable to loss before income tax at the statutory.

9 DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 December 2021 (year ended 31 December 2020: Nil).

10 LOSSES PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Losses attributable to owners of the Company	**(224,346)**	(320,446)
Excluding: losses attributable to the holders of CPS and PCBS	**139,584**	199,408
Losses attributable to ordinary equity holders of the Company used in the basic and diluted losses per share calculation	**(84,762)**	(121,038)
	Shares	*Shares*
Weighted average number of ordinary shares	**961,538,462**	961,538,462

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**65,157**	65,432
Less: provision for impairment of trade receivables	**(572)**	–
	64,585	65,432
Prepayments to related parties	**31,771**	5,024
Prepayments of merchandise inventories	**79,549**	93,102
Other prepayments	**6,551**	6,787
Input-value added tax to be deducted and prepaid of other taxes	**354,859**	388,555
Other deposits	**13,459**	22,150
Other receivables due from related parties	**1,116**	3,368
Amounts due from related parties	**71,116**	71,016
Receivables from government repurchase of land use rights	**–**	69,931
Other receivables	**60,618**	69,315
Less: provision for impairment of other receivables	**(10,321)**	(5,197)
	673,303	789,483
Less: non-current portion		
– Input-value added tax to be deducted	**(35,644)**	(42,140)
– Other deposits	**–**	(5,424)
Current portion	**637,659**	741,919

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 as at the end of the reporting period is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**65,157**	65,432

As at 31 December 2021, included in the trade receivables are balances of RMB6,723,000 (31 December 2020: RMB6,003,000) due from related parties which are receivable within 3 months and represented credit terms similar to those offered to other major customers.

12 GUARANTEED NOTES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
As at 1 January	**2,612,936**	2,796,677
Interest expenses	**44,223**	102,497
Interest paid	**(57,655)**	(104,038)
Repayment upon maturity	**(2,602,960)**	–
Exchange rate effect on guaranteed notes	**3,456**	(182,200)
	–	2,612,936
Accrued interests for guaranteed notes, classified as other payables under current liabilities	**–**	(13,432)
Less: amounts due within one year	**–**	(2,599,504)
Non-current portion	**–**	–

On 2 August 2018, Trade Horizon Global Limited ("**Trade Horizon**"), a wholly-owned subsidiary of the Company, issued floating rate guaranteed notes (the "**Notes**") amounted to US$400,000,000, which is due on 2 August 2021. 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.

13 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Other tax payables	**58,119**	33,974
Employee benefit payable	**1,773**	1,584
Other payables and accruals due to related parties	**16,373**	8,153
Amount due to a related party	**118,225**	118,225
Interests payable for guaranteed notes	**–**	13,432
Interests payable for bank and other financial institution borrowings	**5,708**	6,303
Interests payable for Asset-backed Securities Scheme, senior class	**–**	391
Asset-backed Securities Scheme, senior class *(i)(ii)*	**5,286,574**	2,695,950
Deposits	**126,755**	116,581
Collect and remit payment on behalf of customers	**4,373**	4,976
Prepaid rental income from tenants	**34,828**	–
Others	**11,032**	15,652
	5,663,760	3,015,221
Less: non-current portion		
– Asset-backed Securities Scheme, senior class *(i)(ii)*	**(5,286,574)**	(2,695,950)
Current portion	**377,186**	319,271

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

(i) On 9 December 2019, the Group issued an asset-backed securities scheme known as Phase I Asset-backed Securities Scheme. The issuance of the asset-backed securities scheme was for the purpose of securitising the properties held by the Group, namely the Beijing Capital Outlets and the Kunshan Capital Outlets, and raising funds for the operation and development of the businesses of the Group.

The total issuance of the scheme was RMB3,579,000,000, including: (i) the Asset-backed Securities Scheme, senior class in the principal amount of RMB2,700,000,000 with a fixed coupon rate of 5.2% per annum and a maturity term of five years maturing on 9 December 2024, all of which were subscribed by qualified investors (which were Third Parties) and will be listed on the Integrated Negotiated Trading Platform of the Shenzhen Stock Exchange; and (ii) the Subordinated Class ABS in the principal amount of RMB879,000,000 with no fixed coupon rate and a maturity term of five years maturing on 9 December 2024, all of which were subscribed by Zhuhai Hengqin Hengsheng Huachuang Business Management Co., Ltd. ("**Hengsheng Huachuang**"), a wholly-owned subsidiary of the Group. The Subordinated Class ABS will not be listed.

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

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

14 TRADE PAYABLES

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**1,526,672**	1,872,154
1 to 2 years	**338,555**	171,191
2 to 3 years	**132,495**	23,246
over 3 years	**13,204**	–
	2,010,926	2,066,591

As at 31 December 2021, included in the trade payables are trade payables of RMB8,599,000 (31 December 2020: RMB8,266,000) due to related parties 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.

15 SHARE CAPITAL

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Authorised:		
Ordinary shares 18,355,918,048 (31 December 2020: 18,355,918,048) ordinary shares of HK$0.01 each	**160,009**	160,009
Class A CPS 738,130,482 (31 December 2020: 738,130,482) CPS of HK$0.01 each	**5,875**	5,875
Class B CPS 905,951,470 (31 December 2020: 905,951,470) CPS of HK$0.01 each	**7,575**	7,575
	173,459	173,459
Issued and fully paid:		
Ordinary shares 961,538,462 (31 December 2020: 961,538,462) ordinary shares of HK$0.01 each	**7,828**	7,828
Class A CPS 738,130,482 (31 December 2020: 738,130,482) CPS of HK$0.01 each	**1,329**	1,329
Class B CPS 905,951,470 (31 December 2020: 905,951,470) CPS of HK$0.01 each	**7,575**	7,575
	16,732	16,732

16 CPS

Class A CPS

The class A CPS with a par value HK$0.01 each were created as a new class of shares in the share capital of the Company on 22 January 2015. Upon the completion date of the business combination of Xi'an Capital Xin Kai Real Estate Ltd. on 22 January 2015, the Company issued 738,130,482 class A CPS (which are convertible into 738,130,482 ordinary shares of HK$0.01 each in the share capital of the Company at HK$2.66 each to be allotted and issued credited as fully paid by the Company upon the exercise of the conversion rights attaching to the class A CPS), resulting in credits to share capital of approximately RMB5,875,000 (equivalent to approximately HK$7,381,000) with par value of HK$0.01 each and share premium of RMB1,556,817,000 (equivalent to approximately HK$1,956,046,000) respectively. On 28 December 2016, 571,153,846 class A CPS have been converted into ordinary shares.

Class B CPS

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

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

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

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

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 31 December 2021, the Group has recognised cumulative unpaid interest totalling RMB464,000 as a movement in the retained earnings (31 December 2020: RMB375,000).

18 COMMITMENTS

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Properties under development	**423,204**	86,981
Investment properties	**51,977**	476,489
	475,181	563,470

19 FINANCIAL GUARANTEES

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Mortgage facilities for certain purchasers of the Group's properties	**603,605**	1,008,045

As at 31 December 2021 and 2020, 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.

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2021 have been agreed upon by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary results announcement.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year (year ended 31 December 2020: Nil).

ANNUAL GENERAL MEETING

The annual general meeting ("**AGM**") of the Company will be held on or about 28 April 2022 and the notice of 2021 AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

– In 2021, the world has entered into a new stage of pandemic prevention and control under the normalization of the COVID-19. Whilst the number of local COVID-19 cases in certain regions fluctuated, the pandemic was generally under control in China and economic development remained stable. According to the data of the Chinese economy for 2021 issued by the National Bureau of Statistics, the preliminary calculation suggested that the total gross domestic product for the whole year amounted to RMB114 trillion, representing a growth rate of 8.1% over last year at constant price and an average biennial growth rate of 5.1%. With a significantly higher growth rate than most of other major economies around the globe, the Chinese economy exhibited strong resilience, huge potential and abundant momentum for development.

– As affected by the locally recurring pandemic, the growth of certain consumption sectors has slowed down, and the consumption has yet to recover to pre-pandemic level. In 2021, the total retail sales of consumer goods in China for the whole year were approximately RMB44 trillion, representing an increase of 12.5% over last year and an average biennial growth rate of 3.9%, which was lower than the growth rate of 8.0% for the same period in 2019. In 2021, the customer traffic and revenue of the physical retail industry in China were highly impacted. According to the monitoring results of the China National Commercial Information Center over the sales of 100 large-scale major retail enterprises nationwide during different festivals, the retail sales of sample enterprises during the National Day holiday in 2021 recorded year-on-year decreases of 9.2% and 0.1% over 2020 and 2019, respectively.

– During the period, in order to stimulate consumption and build "a new development pattern with domestic circulation as the main body and mutual promotion of both domestic and international circulations", five cities, namely Shanghai, Beijing, Guangzhou, Tianjin and Chongqing, took the lead in the development and fostering of international consumption center cities. Being the clusters of consumption resources, these international consumption center cities will be the pinnacle of the Chinese and global consumption market, which played a strong leading and driving role for consumption and were the major driver of development of the Chinese consumption market. Meanwhile, various local governments launched diverse policies of promoting consumption such as offering consumption vouchers, reducing tax liabilities, encouraging consumption in commercial areas and food and beverage successively, thereby securing well-functioning of the consumer market.

BUSINESS REVIEW

BREAKTHROUGH IN RESULTS BENEFITTED FROM DEDICATION OF ALL STAFF MEMBERS

– During the period, with the adverse factors such as the locally recurring pandemic and extreme weather, certain stores of the Group experienced temporary closure and major sales promotion events were affected to some extent accordingly. Nonetheless, with the strenuous efforts and dedication of all our employees, the Group has effectively enhanced the flexibility and resilience of sales under the normalization of pandemic, thereby realize quick improvement of the overall results. In 2021, the accumulated customer traffic flow amounted to 48.92 million visits, representing a year-on-year growth of 28% as compared with 2020. The turnover attained a new high exceeding RMB10 billion for the first time, up 35% year-on-year from 2020, marking a new milestone of the Group.

CREATION OF THE "COME TOGETHER TO CAPITAL OUTLETS AND CELEBRATE EACH FESTIVAL (來首創奧萊過節)" IP

– During the Spring Festival of 2021, in response to the pandemic containment policy of "Staying Local for the Spring Festival (就地過年)", the Capital Outlets projects nationwide carried out unified marketing campaign under the theme of "Come Together to Capital Outlets and Celebrate each Festival (來首創奧萊過節)". The Group launched the "Come to Thirteen Capital Outlets to Celebrate the Festival and Catch Overnight Hot Sales at Chinese New Year Eve (來首創奧萊十三城過節、通宵燃爆小年夜)" to kick off the peak sales season during the Spring Festival, which has facilitated the quick recovery of the projects from the impact of the pandemic. During the Spring Festival from 11 to 17 February 2021 (from Lunar New Year's Eve to the sixth day of the Lunar New Year), the projects recorded a sales of RMB330 million and a customer traffic of 1.381 million visits, up 64% and 75% year-on-year from the corresponding period of 2020, respectively.

- Capitalizing on opportunities arising from each festival and festive occasion, and leveraging the synergy of unified marketing campaign nationwide, the Group continued to strengthen the "Come Together to Capital Outlets and Celebrate each Festival (來首創奧萊過節)" IP and launched a series of activities such as "National Tide of Chinese Flavor for Labor Day on 1 May (五一國潮國味勞動節)", "Super Sold-out Day of Six Strategic Brands on 6 June (66節-六大戰聯品牌超級售罄)", "618 Online Carnival (618線上狂歡)", "Super Joint Celebration Activities at Mid-autumn Festival (中秋超級聯慶)" and "National Flag Dance for Prosperity cum Space Travel Journal (國慶旗舞盛世舞蹈及太空環遊記)", successfully creating various "Capital Outlets Impression". On the other hand, the Group has broadened the marketing channels through innovative linked-marketing online and offline with greater efforts made in marketing among different social groups. Private traffic platform has been established to consolidate traffic flow from third party platforms, thereby forming the "loyal fans" base of Capital Outlets to benefit the ordinary offline projects in return and boost the sales of all projects in full swing.

GRAND OPENING OF OUR FIRST STORE IN GUANGXI

- On 19 September 2021, the Capital Outlets in Nanning officially opened for business. Integrating Outlets Town, Outlets Mall and Share Time Open Block, the project is the first authentic European-style outlets complex in Guangxi, targeting customers from all over Guangxi Province.

- During the three-day opening campaign from 19 to 21 September 2021, the grand opening of Nanning Capital Outlets achieved phenomenal success and attracted a huge crowd of customers from the city. The customer traffic exceeded 400,000 visits with a sales of over 34.86 million within 3 days, breaking the sales record of the opening of commercial projects in Nanning and that of Capital Outlets. Multiple brands have become the best-selling brand within China and Guangxi region.

- The project achieved a sales of over RMB100 million within 28 days after its opening, which set a new record for opening of Capital Outlets and become a new commercial landmark in Nanning city and Guangxi Province.

DEVELOPING DIGITAL OUTLETS THROUGH TECHNOLOGICAL INNOVATION

- During the period, in response to changes in the retail market under the new landscape, the Group fueled the development of digital outlets in full swing and enhanced the precise marketing capability through technological means. Capitalizing on the business process reengineering and the management over the value of data assets, the online and digital full-business, full-process and full-dimension business management was accomplished. As such, the communication and assessment was based on data and indicators respectively, thus ensuring objective and comparable process control and management as well as added-value operation of its data assets.

- Building on its offline operation, the Group established the e-commerce platform for outlets business during the period. Through the omni-channel model such as the use of mini programs, official accounts and livestreaming e-commerce, the Group has realized the integrated development of online and offline business, further explored the potential value of private traffic and developed the characteristic member operating system, which will become the one-stop quality consumption chain platform with outlets products as the main entrance.

ENHANCE COST EFFECTIVENESS AT LESS EXPENSES WITH IMPROVEMENT OF EFFICIENCY

– During the period, oriented with the results growth of projects, the Group strengthened systematic and standardized development with a focus on enhancing the efficiency of individual staff and the organization. It has also intensified its efforts in increasing revenue at less expenses, reducing costs while ensuring quality and improving efficiency with reduction of consumption, with an aim to enhance the profitability of projects.

– During the period, the Group enhanced the integrated operation of seeking business partners and business operation to achieve win-win situation and collaborative creativity for the brand, increased comprehensive deduction rate and enhanced the quality of revenue. Besides, it has devoted greater resources to collaborative creativity and sharing of expenses with tenants. Through approaches such as collaboration with tenants and cross-industry cooperation, the Group has gradually transformed the outlets marketing platform from a cost-centre into a profit-centre.

– During the period, the Group consolidated the refined operation and ensured sound implementation of energy saving and consumption reduction measures. Through the enforcement of various measures, including the adoption of sprinkling/drip irrigation, less frequent change of water for water systems and water landscapes, stringent control over operating hours of elevators, avoid idle lighting of logistics passageways and parking facilities, etc., so as to achieve more highly efficient and energy-saving operations of various equipment and facilities, thus reducing energy consumption effectively.

FUTURE DEVELOPMENT AND PROSPECTS

With the fact that pandemic containment remains critical, coupled with triple pressure from the shrink of demand, reduction of supply and the expectation of weaker growth, it is expected that many uncertainties will continue to exist in the recovery of the Chinese consumer market in 2022. However, with the implementation of more precise and effective pandemic containment measures in the future, and under the guidance of the macro policy of "Prioritizing stability while pursuing progress, driving the steady qualitative growth and rational quantitative growth of the economy (穩字當頭、穩中求進，推動經濟實現質的穩步提升和量的合理增長)", it is estimated that the market will be able to strike a better balance between pandemic prevention and control and economic development.

Driven by the change in global consumption concept and pattern, retail enterprises will further implement innovative transformation and accelerate the integrated development of "Internet+" and physical retail business. Amidst the new market situation, shopping experience will be reshaped constantly and making timely and precise responses and adjustments will be the key to success of the retail enterprises.

In 2022, with the launch of the outlets projects in Qingdao and Xiamen, the strategic goal of the layout plan of business expansion based on self-ownership mode will then be basically fulfilled, thus consolidating the economies of scale of the Group in the industry. Upholding the corporate vision of becoming the "most valuable comprehensive outlets operator in China", the Group will gain keen insights into the new demand and changes of consumer in pursuit of value increase for consumers and value creation for tenants. It will also adjust and optimize the operation philosophy, strengthen the empowering ability of the headquarters office, continue to enhance its capability in lean operation and digital operation and implement the "store-oriented policy" in operation in a more scientific and effective manner. Furthermore, the Group will further consolidate the foundation of project operation and continue to increase the flexibility and resilience of sales so as to improve the results of projects on an ongoing basis through measures such as increase revenue and reduce costs, control over expenses and enhance efficiency. Meanwhile, the Group will fully develop the two major system capabilities of business management and asset management with comprehensive outlets operation as its core. In addition, by active brand development and output management and promoting the orderly asset withdrawal from mature projects proactively, the Group will make persistent efforts in promoting the transformation and upgrade as planned in the corporate development strategy, and continue to consolidate and enhance the connotation of the "most valuable comprehensive outlets operator in China" with a view to maximizing the value for the shareholders!

Financial Review

1. Revenue and Operating Results

In 2021, the revenue of the Group was approximately RMB1,341,049,000 (2020: RMB1,024,035,000), representing an increase of 31% as compared to that of 2020. The increase in revenue was mainly attributable to the increase in rental income as a result of the growth of sales performance from outlets during the year; while the rental income for last year was relatively low as affected by the outbreak of COVID-19 pandemic.

In 2021, the gross profit margin of the Group was approximately 48%, representing an increase of 14 percentage points from 34% in 2020. The increase in gross profit margin was mainly attributable to the fact that 1) the rental income from outlets has increased compared with that of last year, and in the meantime, the Group has carried out effective cost control, resulting in a significant improvement in the gross profit margin of investment properties as compared to last year; 2) despite that the sale of properties only accounted for a small proportion, the increase in gross profit from the sale of properties during the year over last year has contributed to the slight increase in overall gross profit margin.

In 2021, the operating profit of the Group was approximately RMB462,771,000 (2020: RMB266,531,000), representing an increase of 74% as compared to that of 2020. Such increase was mainly attributable to the increase in revenue and the control over expenditure.

In 2021, the loss for the year of the Group was approximately RMB223,947,000 (2020: RMB317,689,000), representing a decrease of 30% as compared to that of 2020. Such decrease in loss was mainly attributable to the increase in operating profit.

2. Liquidity and Financial Resources

The Group has sufficient capital to meet the operational requirements. As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately RMB719,349,000 (31 December 2020: approximately RMB840,441,000), approximately 99.8% (31 December 2020: approximately 99.7%) of which were denominated in RMB and the remaining in HK$ and US$. The majority of the Group's cash and cash equivalents are deposited with creditworthy banks with no recent history of default.

As at 31 December 2021, the Group's current ratio was 1.26 (31 December 2020: 0.55).

As at 31 December 2021, the principal amount of the Group's interest-bearing debts totaled approximately RMB10,748,710,000 (31 December 2020: approximately RMB9,599,890,000), approximately 96.3% (31 December 2020: 55.0%) of which were non-current portion. The main purpose of the interest-bearing debt is to meet the capital requirements for property development and construction, operation and business development.

As at 31 December 2021, the Group's net gearing ratio was 208% (31 December 2020: 176%), based on the division of net debt by total equity. Net debt is total interest-bearing debts (including bank borrowings and borrowings from other financial institutions, guaranteed notes, the Senior Class Asset-backed Securities Scheme) and lease liabilities, less cash and cash equivalents and restricted cash. The change of net gearing ratio was primarily due to the increase in net debt of the Group in 2021.

3. Borrowings, Guaranteed Notes and Asset-Backed Securitization Scheme

As at 31 December 2021, the Group's borrowings from banks, related parties and other financial institutions totaled approximately RMB5,462,136,000 (31 December 2020: approximately RMB4,304,436,000). Of the total amount, approximately RMB1,539,146,000 (31 December 2020: approximately RMB1,639,496,000) was secured by land use rights or investment properties; of the total amount, approximately RMB5,297,196,000 (31 December 2020: approximately RMB3,822,696,000) was guaranteed by BCL or Capital Group.

In August 2018, the Group issued the three-year floating-rate guaranteed notes with a nominal value of US$400,000,000. The notes were repaid in full in August 2021.

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, 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, all of which were subscribed by 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 28 May 2021.

4. *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 2021, the Group had US$-denominated bank borrowings amounting to US$198,000,000 (31 December 2020: guaranteed notes amounting to US$400,000,000). Accordingly, the Group has entered into the cross currency interest rate swap agreements to manage the risk of US$ 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.

5. *Financial Guarantees*

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to purchasers of properties. As at 31 December 2021, the financial guarantees amounted to approximately RMB603,605,000 (31 December 2020: RMB1,008,045,000).

6. *Capital Commitments*

As at 31 December 2021, the Group had capital commitments relating to the development properties under construction of approximately RMB423,204,000 (31 December 2020: RMB86,981,000), and had capital commitments relating to the investment properties under construction of approximately RMB51,977,000 (31 December 2020: RMB476,489,000).

Human Resources

As at 31 December 2021, the Group had 1,181 employees (as of 31 December 2020: 1,234). The remuneration policy and package of the Group's employees are structured in accordance to market conditions, the performance, educational background and experience of individual employees as well as statutory requirements where appropriate. In addition, 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 meet the Group's business performance targets.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company, comprising Dr. Ngai Wai Fung as chairman as well as Ms. Zhao Yuhong and Mr. He Xiaofeng as members, has reviewed, together with the participation of the management, the accounting principles and practices adopted by the Group and discussed the auditing and financial reporting matters including the review of the audited financial statements of the Group for the year ended 31 December 2021.

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 shareholder value. At the same time, the Board also actively improves transparency and accountability to all shareholders.

For the year ended 31 December 2021, the Company complied with the requirements under the code provisions (the "**Code Provision**") set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and the continuing obligations requirements of a listed issuer pursuant to the Listing Rules, except for the following deviations:

(a) Pursuant to the Code Provision C.5.7 under Part 2, 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 connected transactions and continuing connected transactions between BCL and Capital Group, constituted by the entering into of the internal restructuring documents and the ABS agreements (the "**Transaction I**") and the transactions contemplated thereunder, by way of passing a written resolution. For details, please refer to the Company's announcement dated 28 May 2021. As Mr. Zhong Beichen, who resigned on 29 October 2021, 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 between Xi'an Capital Xinkai Real Estate Co., Ltd. ("**Xi'an Xinkai**", a wholly-owned subsidiary of the Company) and Capital Group (the "**Transaction II**") in relation to a 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, by way of passing a written resolution. For details, please refer to the Company's announcement dated 30 June 2021. 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.

During the period, the Board approved the entering into of the entrustment guarantee agreement between Trade Horizon Global Limited ("**Trade Horizon**", a wholly-owned subsidiary of the Company) and Capital Group (the "**Transaction III**") in relation to a 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, by way of passing a written resolution. For details, please refer to the Company's announcement dated 29 July 2021. As Mr. Wang Hao is a member of the management team of Capital Group, he is deemed to have material interests in the Transaction III.

The Transaction I, the Transaction II and the Transaction III should be dealt with by physical board meetings, however, after due consideration, the Board is of the view that the adoption of written resolutions would facilitate the efficiency 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 and the Transaction III. The Board (including the independent non-executive Directors) is of the view that the relevant terms of the agreements for the Transaction I, the Transaction II and the Transaction III and the transactions 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) Pursuant to 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 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) Pursuant to the Code Provision C.6.2 under Part 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 year ended 31 December 2021.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bcgrand.com). The annual report of the Company for the year ended 31 December 2021 containing all information required by the Listing Rules will be despatched 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, 8 March 2022

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