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 2023

The board of directors (the "**Board**" or the "**Directors**") of Beijing Capital Grand Limited (the "**Company**") is pleased to present the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023, together with unaudited comparative amounts for the corresponding period in the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**Six months ended 30 June** **2023** *RMB'000* **(Unaudited)**	2022 (Restated) *RMB'000* (Unaudited)
Company operations			
Revenue	*4, 5*	**624,962**	458,432
Cost of sales	*6*	**(416,824)**	(265,432)
Gross profit		**208,138**	193,000
Other gains/(losses) – net	*5*	**76,675**	(3,269)
Other income	*5*	**16,220**	4,942
Selling and marketing expenses	*6*	**(45,901)**	(36,237)
Administrative expenses	*6*	**(119,136)**	(113,459)
Operating profit		**135,996**	44,977
Finance costs	*7*	**(306,640)**	(238,100)
Share of losses of investments accounted for using the equity method		**(5,395)**	(3,062)
Loss before income tax		**(176,039)**	(196,185)
Income tax expenses	*8*	**(48,530)**	(30,558)
Loss from continuing operations		**(224,569)**	(226,743)
Profit from discontinued operation		**314,648**	109,505
Profit/loss for the period	*14*	**90,079**	(117,238)
Attributable to:			
– Owners of the Company		**87,135**	(116,116)
– Non-controlling interests		**2,944**	(1,122)
Loss per share for loss from continuing operations attributable to ordinary equity holders of the Company during the period	*10*		
– Basic and diluted losses per share (RMB cents)		**(8.84)**	(8.85)
Earnings/(losses) per share for loss attributable to ordinary equity holders of the Company during the period	*10*		
– Basic and diluted earnings/(losses) per share (RMB cents)		**3.42**	(4.56)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2023	2022
		(Restated)
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	**90,079**	(117,238)
Other comprehensive income/(loss) for the period		
Items that may be reclassified to profit or loss		
Cash flow hedges	**(12,780)**	50,508
Cost of hedging	**36,222**	(30,163)
	23,442	20,345
Total comprehensive profit/(loss) for the period	**113,521**	(96,893)
Attributable to:		
– Owners of the Company	**110,577**	(95,771)
– Non-controlling interests	**2,944**	(1,122)
Total comprehensive income/(loss) for the period attributable to owners of the Company arises from:		
– Continuing operations	**(201,688)**	(205,009)
– Discontinued operations	**312,265**	109,238

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2023** *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**160,342**	182,827
Right-of-use assets		**8,999**	10,694
Long-term prepaid expenses		**55,937**	65,704
Investment properties		**13,149,555**	14,725,509
Intangible assets and lease prepayment		**33,195**	34,555
Investments accounted for using the equity method		**303,440**	299,185
Derivative financial assets		**135,787**	105,386
Trade and other receivables and prepayments	*11*	**23,335**	28,923
Total non-current assets		**13,870,590**	15,452,783
Current assets			
Inventories		**2,733,515**	2,690,328
Incremental costs of obtaining a contract		**15,364**	7,787
Trade and other receivables and prepayments	*11*	**374,466**	449,030
Restricted cash		**391,963**	72,705
Cash and cash equivalents		**1,814,755**	1,137,660
Assets classified as held for sale		**2,110,654**	–
Total current assets		**7,440,717**	4,357,510
Total assets		**21,311,307**	19,810,293
LIABILITIES			
Non-current liabilities			
Borrowings		**4,900,343**	4,630,476
Lease liabilities		**7,601**	8,735
Other payables and accruals	*13*	**4,043,606**	5,959,018
Deferred income tax liabilities		**794,837**	903,898
Total non-current liabilities		**9,746,387**	11,502,127

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
LIABILITIES			
Current liabilities			
Trade payables	*12*	**1,638,090**	1,835,198
Other payables and accruals	*13*	**2,926,876**	363,653
Contract liabilities		**804,946**	319,165
Borrowings		**1,242,860**	1,314,301
Lease liabilities		**2,016**	2,861
Current income tax liabilities		**63,395**	79,513
Liabilities directly associated with assets classified as held for sale		**382,473**	–
Total current liabilities		**7,060,656**	3,914,691
Total liabilities		**16,807,043**	15,416,818
Net current assets		**380,061**	442,819
Total assets less current liabilities		**14,250,651**	15,895,602
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**16,732**	16,732
Perpetual convertible bond securities	*17*	**945,805**	945,755
Reserves		**3,262,838**	3,237,543
Retained earnings		**226,179**	139,094
		4,451,554	4,339,124
Non-controlling interests		**52,710**	54,351
Total equity		**4,504,264**	4,393,475
Total equity and liabilities		**21,311,307**	19,810,293

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

Unless otherwise stated, this interim financial information is presented in Renminbi ("**RMB**"). The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This interim financial information has been approved and authorised for issue by the Board of Directors on 28 August 2023.

2 BASIS OF PREPARATION

This consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2022, as described in the annual consolidated financial statements.

3.1 New standards and amendments adopted by the Group

The following amended standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2023.

	Effective for accounting periods beginning on or after
HKFRS 17 "Insurance Contracts"	1 January 2023
Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates – Amendments to HKAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12	1 January 2023

The adoption of above did not have any material impact on the Group's results for the six months ended 30 June 2023 and the Group's financial position as at 30 June 2023. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

3.2 Amended standards not yet applied by the Group

The Group has not early adopted any of the new or amended standards which have been published but not yet effective for financial period commencing 1 January 2023. The Group is assessing the impact on the consolidated financial statements if these new or amended standards have been adopted. Based on the preliminary assessment, these new or amended standards are not expected to have material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	Effective for accounting periods beginning on or after
Classification of Liabilities as current or non-current – Amendments to HKAS 1	1 January 2024
Non-current liabilities with covenants – Amendments to HKAS 1	1 January 2024
Lease liability in sale and leaseback – amendments to HKFRS 16	1 January 2024
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to HKFRS 10 and HKAS 28	To be determined

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

Total segment assets exclude assets classified as held for sale, and cash and cash equivalents, restricted cash, amounts due from related parties, deferred income tax assets, investments accounted for using the equity method and derivative financial assets, all of which are managed on a central basis. Total segment liabilities exclude liabilities directly associated with assets classified as held for sale and borrowings, amounts due to non-controlling interests, deferred income tax liabilities, Outlets Scheme and Asset-backed Securities Scheme, senior class, all of which are managed on a central basis as well. These are part of the reconciliation to total assets and liabilities of the interim 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 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*
Six months ended 30 June 2023 (Unaudited)					
Total revenue	**49,891**	**464,228**	**111,685**	**–**	**625,804**
Inter-segment revenue	**–**	**(842)**	**–**	**–**	**(842)**
Revenue (from external customers) *(i)*	**49,891**	**463,386**	**111,685**	**–**	**624,962**
Segment operating profit/(loss)	**(102,068)**	**274,219**	**12,731**	**(7,609)**	**177,273**
Depreciation and amortisation	**–**	**(21,123)**	**(4,508)**	**–**	**(25,631)**
Income tax expenses	**(1,666)**	**(46,863)**	**–**	**(1)**	**(48,530)**
Six months ended 30 June 2022 (Restated) (Unaudited)					
Total revenue	1,982	336,236	121,024	–	459,242
Inter-segment revenue	–	(810)	–	–	(810)
Revenue (from external customers) *(i)*	1,982	335,426	121,024	–	458,432
Segment operating profit/(loss)	(6,202)	104,111	1,197	(37,128)	61,978
Depreciation and amortisation	(46)	(28,169)	(6,252)	–	(34,467)
Income tax expenses	(388)	(30,160)	–	(10)	(30,558)

(i) For the six months ended 30 June 2023 and 2022, the Group derives all revenue from contracts with customers at a point in time in property development segment and sale of merchandise inventories segment.

	Property development RMB'000	Investment property development and operation RMB'000	Sale of merchandise inventories RMB'000	Other segments RMB'000	Total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
As at 30 June 2023 (Unaudited)							
Total segment assets	**4,386,831**	**19,079,382**	**651,224**	**8,468,330**	**32,585,767**	**(16,105,362)**	**16,480,405**
Total segment liabilities	**(1,408,082)**	**(8,694,337)**	**(2,418,177)**	**(6,311,156)**	**(18,831,752)**	**16,105,362**	**(2,726,390)**
As at 31 December 2022 (Audited)							
Total segment assets	4,406,321	19,657,627	551,888	6,770,219	31,386,055	(13,264,439)	18,121,616
Total segment liabilities	(992,968)	(8,310,869)	(1,248,093)	(5,202,045)	(15,753,975)	13,264,439	(2,489,536)

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

	Six months ended 30 June	
	2023	2022 (Restated)
	RMB'000 **(Unaudited)**	*RMB'000* (Unaudited)
Segment operating profit	**177,273**	61,978
Share of losses of investments accounted for using the equity method	**(5,395)**	(3,062)
Interest income	**12,502**	3,810
Foreign exchange	**(53,779)**	(20,811)
Finance costs	**(306,640)**	(238,100)
Loss before income tax from continuing operations	**(176,039)**	(196,185)

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Total segment assets	**16,480,405**	18,121,616
Cash and cash equivalents	**1,814,755**	1,137,660
Restricted cash	**391,963**	72,705
Investments accounted for using the equity method	**303,440**	299,185
Amounts due from related parties	**74,303**	73,741
Derivative financial assets	**135,787**	105,386
Assets classified as held for sale	**2,110,654**	–
Total assets per interim condensed consolidated statement of financial position	**21,311,307**	19,810,293
Total segment liabilities	**2,726,390**	2,489,536
Borrowings	**6,143,203**	5,944,777
Amounts due to non-controlling interests	**118,225**	118,225
Deferred income tax liabilities	**794,837**	903,898
China Life Investment — BCG Outlets First Stage Asset Support Scheme ("**Outlets Scheme**")	**1,345,794**	668,112
Asset-backed Securities Scheme, senior class	**5,296,121**	5,292,270
Liabilities directly associated with assets classified as held for sale	**382,473**	–
Total liabilities per interim condensed consolidated statement of financial position	**16,807,043**	15,416,818

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Sales commission for properties	**15,364**	7,787
Total incremental costs of obtaining a contract	**15,364**	7,787
Advances from sales of properties	**804,946**	319,165
Total contract liabilities	**804,946**	319,165

The Company was incorporated in the Cayman Islands, with most of its subsidiaries domiciled in Mainland China. Revenues from external customers of the Group are mainly derived in the mainland China for the six months ended 30 June 2023 and 2022.

As at 30 June 2023, total non-current assets other than deferred income tax assets and derivative financial assets located in the mainland China is RMB13,734,803,000 (31 December 2022: RMB15,347,397,000). As at 30 June 2023 and 31 December 2022, none of these non-current assets are located in Hong Kong.

For the six months ended 30 June 2023 and 2022, 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 2023, revenue of RMB30,273,000 (six months ended 30 June 2022: RMB1,982,000) was included in the contract liabilities 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	
	2023	2022
		(Restated)
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Rental revenue from investment properties	**463,386**	335,426
Sale of goods	**111,685**	121,024
Sale of properties	**49,891**	1,982
	624,962	458,432
Other gains/(losses) – net		
Fair value gains on investment properties	**131,000**	15,306
Government grants	**180**	672
Foreign exchange losses – net	**(53,779)**	(20,811)
Net impairment reversal on financial and contract assets	**597**	324
Others	**(1,323)**	1,240
	76,675	(3,269)
Other income		
Interest income	**12,502**	3,810
Others	**3,718**	1,132
	16,220	4,942

6 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2023	2022
		(Restated)
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**141,046**	2,072
Direct operating expenses arising from property management and other property related services	**120,211**	92,974
Cost of goods sold	**95,134**	116,416
Employee benefit expense	**86,083**	88,348
– *Wages, salaries and staff welfare*	**64,036**	65,507
– *Pension scheme contributions*	**8,529**	10,709
– *Other allowance and benefits*	**13,518**	12,132
Taxes and levies (other than income tax expenses)	**50,946**	34,443
Depreciation and amortisation	**23,935**	30,922
Advertising and marketing	**31,924**	24,913
Office and traveling expenses	**16,830**	10,528
Consultancy fee	**6,700**	3,939
Depreciation charge of right-of-use assets	**1,696**	3,545
Others	**7,356**	7,028
	581,861	415,128

7 FINANCE COSTS

	Six months ended 30 June	
	2023	2022
		(Restated)
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on bank and other financial institution borrowings	**203,555**	162,768
Interest expense on Outlets Scheme	**21,207**	5,698
Interest expenses on Asset-backed Securities Scheme, senior class	**150,563**	143,646
Interest expenses on lease liabilities	**239**	261
Net fair value loss/(gains) on derivative financial instruments		
– Reclassified from cash flow hedge reserve	**(32,281)**	(1,303)
– Reclassified from costs of hedging reserves	**8,887**	8,887
– Ineffectiveness of cash flow hedges	**1,192**	1,511
	353,362	321,468
Less: interests capitalised	**(46,722)**	(83,368)
	306,640	238,100

For the six months ended 30 June 2023, the capitalisation rate was 5.50% (six months ended 30 June 2022: 5.89%). The finance costs are capitalised into investment properties and properties under development.

8 INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group did not derive any assessable profit in Hong Kong during the period (six months ended 30 June 2022: Nil).

Mainland China enterprise income tax has been provided at a rate of 25% (six months ended 30 June 2022: 25%) on the taxable profits of the Group's Mainland China subsidiaries during the period.

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

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

	Six months ended 30 June	
	2023	2022
		(Restated)
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
– Mainland China enterprise income tax	**6,778**	721
– Mainland China land appreciation tax (credit)	**5,818**	(139)
Deferred income tax	**139,742**	57,154
Total tax charges for the period	**152,338**	57,736
Income tax expense is attributable to:		
Profit from continuing operations	**48,530**	30,558
Profit from discontinued operation	**103,808**	27,178
	152,338	57,736

9 DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

10 EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of basic and diluted earnings/(loss) per share are based on:

	Six months ended 30 June	
	2023	2022
		(Restated)
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit/(loss) from continuing operations attributable to owners of the Company	**(225,130)**	(225,354)
Excluding: (profit)/loss from continuing operations attributable to the holders of convertible preference shares (the "**CPS**") and perpetual convertible bonds securities (the "**PCBS**")	**140,143**	140,254
Profit/(loss) from continuing operations attributable to ordinary equity holders of the Company	**(84,987)**	(85,100)
Profit from discontinued operations	**312,265**	109,238
Excluding: (profit)/loss from discontinued operations attributable to the holders of CPS and PCBS	**(194,410)**	(68,009)
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	**32,868**	(43,871)
From continuing operations attributable to the ordinary equity holders of the company (RMB Cents)	**(8.84)**	(8.85)
From discontinued operation (RMB Cents)	**12.26**	4.29
	Shares	*Shares*
Weighted average number of ordinary shares	**961,538,462**	961,538,462

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Loss per share for loss from continuing operations attributable to ordinary equity holders of the Company during the period		
– Basic and diluted losses per share (RMB Cents)	**(8.84)**	(8.85)
Earnings per share from discontinued operations attributable to ordinary equity holders of the Company during the period		
– Basic and diluted earnings per share (RMB Cents)	**12.26**	4.29

Diluted earnings per share are equal to the basic earnings per share since the Company has no potential dilutive ordinary shares during the six months ended 30 June 2023 and 2022.

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables from contracts with customers	**52,956**	72,444
Less: provision for impairment of trade receivables	**(1,532)**	(1,626)
	51,424	70,818
Prepayments to related parties	**2,368**	16,161
Prepayments of merchandise inventories	**46,721**	79,458
Other prepayments	**3,322**	23,003
Input value added tax to be deducted and prepayments other taxes	**156,684**	131,794
Other deposits	**5,837**	7,472
Amounts due from related parties	**74,303**	73,741
Other receivables	**67,258**	86,213
Less: provision for impairment of other receivables	**(10,116)**	(10,707)
	397,801	477,953
Less: non-current portion		
– Input value added tax to be deducted	**(23,335)**	(28,923)
Current portion	**374,466**	449,030

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**52,956**	72,444

As at 30 June 2023, there are trade receivables amounted to RMB846,000 (31 December 2022: RMB846,000) due from related parties.

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 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**940,538**	1,232,800
1 to 2 years	**396,501**	425,082
2 to 3 years	**214,255**	80,869
over 3 years	**86,796**	96,447
	1,638,090	1,835,198

As at 30 June 2023, there were no trade payables due to related parties (As at 31 December 2022: Nil).

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

13 OTHER PAYABLES AND ACCRUALS

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other taxes payables	**27,280**	41,463
Employee benefits payable	**4,440**	3,772
Other payables and accruals due to related parties	**6,358**	6,015
Amounts due to non-controlling interests	**118,225**	118,225
Asset-backed Securities Scheme, senior class (i)	**5,296,121**	5,292,270
Outlets Scheme (ii)	**1,345,794**	668,112
Deposits received	**117,980**	139,330
Collect and remit payment on behalf of customers	**7,970**	5,681
Prepaid rental income from tenants	**32,604**	35,199
Others	**13,710**	12,604
	6,970,482	6,322,671
Less: non-current portion		
– Asset-backed Securities Scheme, senior class and Outlets Scheme	**(4,043,606)**	(5,959,018)
Current portion	**2,926,876**	363,653

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

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

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

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

The total issuance of the scheme was RMB3,268,000,000, including: (i) the Asset-backed Securities Scheme, senior class in the principal amount of RMB2,600,000,000 with a fixed coupon rate of 5.05% per annum and a term of three years maturing on 28 May 2024, all of which were subscribed by qualified investors (which were Third Parties) and has been listed on the Integrated Negotiated Trading Platform of the Shenzhen Stock Exchange; and (ii) the Subordinated Class ABS in the principal amount of RMB668,000,000 with no fixed coupon rate and a term of three years maturing on 28 May 2024, all of which were subscribed by Hengsheng Huachuang. The Subordinated Class ABS will not be listed. On 26 July 2023 Phase II Asset-backed Securities Scheme have been fully repaid in advance.

(ii) On 27 April 2022, the Group issued an asset-backed securitised product known as China Life Investment-BCG Outlets First Stage Asset Support Scheme. For the purpose of issuing beneficiary certificates with a total principal amount of not more than RMB1,350,000,000. Under the Outlets Scheme, Hengsheng Huachuang (as the Scheme's originator) will provide loans to Chongqing Shouju Outlet Real Estate Co., Ltd. (an indirect wholly-owned subsidiary of the Company) and Kunming Capital Outlet Commercial Management Co., Ltd. (an indirect non wholly-owned subsidiary of the Company) and the rights such as the creditor's right and interests that Hengsheng Huachuang is entitled thereto will be used as the underlying assets for securitisation under the Outlets Scheme for the purpose of funding the Group's operation and development of business.

On 27 April 2022, the Outlets Scheme was issued with a principal amount of RMB670,000,000 at a fixed coupon rate of 4.85% per annum and a maturity term of three years maturing on 27 April 2025; On 27 April 2023, the Outlets Scheme was issued with a principal amount of RMB680,000,000 at a fixed coupon rate of 4.85% per annum and a maturity term of three years maturing on 27 April 2026, all of which were held by China Life Investment Management Company Limited.

14 DISCONTINUED OPERATION

The Company is planning to dispose the entire equity interest of the Company's wholly owned subsidiaries Jinan Commercial Management Co., Ltd. and Wuhan Commercial Management Co., Ltd., (together, the "**Target Companies**") to the fellow subsidiaries of Capital Group (the "**Disposal**"). On 28 June 2023, the Directors of the Company have approved the Disposal.

The associated assets and liabilities were consequently presented as held for sale in this interim consolidated financial information, and the target companies are reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(i) Financial performance and cash flow information

The financial performance and cash flow information presented are for the six months ended 30 June 2023 and 2022.

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**126,715**	92,407
Cost of sales	**(29,951)**	(9,684)
Other gains	**336,067**	67,156
Other income	**261**	175
Selling and marketing expenses	**(7,403)**	(3,960)
Administrative expenses	**(5,364)**	(6,743)
Finance costs	**(1,869)**	(2,668)
Profit before income tax	**418,456**	136,683
Income tax expense	**(103,808)**	(27,178)
Profit after income tax of discontinued operation	**314,648**	109,505
Net cash inflows generated from operating activities	**115,486**	34,568
Net cash flows (used in)/generated from investing activities	**(22,487)**	5,311
Net cash flows used in financing activities	**(96,495)**	(104,065)
Net decrease in cash and cash equivalents	**(3,496)**	(64,186)

(ii) Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 30 June 2023:

	2023
	RMB'000
	(Unaudited)
Assets classified as held for sale	
Property, plant and equipment	**18,102**
Long-term prepaid expenses	**6,692**
Investment properties	**2,016,592**
Intangible assets and lease prepayment	**515**
Inventories	**868**
Trade and other receivables and prepayments	**16,963**
Restricted cash	**3,764**
Cash and cash equivalents	**47,158**
Total assets of disposal group held for sale	**2,110,654**
Liabilities directly associated with assets classified as held for sale	
Deferred income tax liabilities	**248,804**
Trade payables	**102,076**
Other payables and accruals	**28,803**
Current income tax liabilities	**2,790**
Total liabilities of disposal group held for sale	**382,473**

15 SHARE CAPITAL

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Authorised:		
Ordinary shares		
18,355,918,048 (31 December 2022: 18,355,918,048) ordinary shares of HK$0.01 each	**160,009**	160,009
Class A CPS		
738,130,482 (31 December 2022: 738,130,482) CPS of HK$0.01 each	**5,875**	5,875
Class B CPS		
905,951,470 (31 December 2022: 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 2022: 961,538,462) ordinary shares of HK$0.01 each	**7,828**	7,828
Class A CPS		
166,976,636 (31 December 2022: 166,976,636) CPS of HK$0.01 each	**1,329**	1,329
Class B CPS		
905,951,470 (31 December 2022: 905,951,470) CPS of HK$0.01 each	**7,575**	7,575
	16,732	16,732

16 CPS

Class A CPS

On 22 January 2015, the Company issued 738,130,482 Class A CPS to BECL at HK$2.66 per share. On 28 December 2016, 571,153,846 Class A CPS were converted into ordinary shares.

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

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

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

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

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

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

CLASS B CPS

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

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

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

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

(iv) Each Class B CPS shall confer on its holder the right to receive a preferred distribution ("**Preferred Distribution**") from the date of the issue at a rate of 0.01% per annum on the issue price, payable annually in arrears. The Preferred Distribution is non-cumulative, and the Company may, in its sole discretion, elect to defer or not to pay the Preferred Distribution. During the period, the Company did not pay any Preferred Distribution (six months ended 30 June 2022: Nil). As at 30 June 2023, there was no Preferred Distribution deferred and payable by the Company (31 December 2022: Nil).

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

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

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

17 PCBS

On 28 December 2016, the Company issued PCBS in the principal amounts of HK$657,594,260 to Smart Win Group Limited and in the principal amounts of HK$ 420,096,153 to KKR CG Judo Outlets, respectively, resulting in credits to PCBS of RMB 945,197,000 after deducting the direct professional fee of RMB 22,817,000.

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 2023, the Group has accrued interest amounting to RMB608,000 (31 December 2022: RMB558,000).

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

18 COMMITMENTS

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
– Properties under development	**266,499**	388,023

19 FINANCIAL GUARANTEES

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mortgage facilities for certain purchasers of the Group's properties	**314,202**	702,104

As part of the Group's business, the Group provides guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon occurrence of default on mortgage repayments by these purchasers during the guarantee period, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interests and penalties due by the defaulted purchasers to the banks. At the same time, the Group is entitled to take over the legal title and possession of the related properties. The guarantee period of the Group commences on the grant date of the relevant mortgage and terminates on obtaining the "property title certificate" by the property purchasers.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2023, China's economic recovery showed sound momentum which was in growing trend in whole. With the full resumption of economy to normal operation, the overall improvement of main indicators, the growth of new momentum, the steady improvement of development quality and the continued improvement of people's livelihood laid a solid foundation for achieving the prospective targets of economic and social development for the whole year. During the first half of the year, the industrial and agricultural production continued to increase, and service industry continued to record relatively rapid growth. In particular, the contact and clustered service industries played a key supporting role in service industry; the contribution of domestic demand increased steadily, and the driving effect of consumption on economic growth notably soared; the high-quality development has been steadily promoted, and the trend of industrial development to the middle- and high-end become more prominent. The preliminary calculation suggested that the GDP of China in the first half of 2023 reached RMB59,303.4 billion, representing a growth of 5.5% as compared to the corresponding period last year if calculated at constant prices. However, it is also noticeable that as the global political and economic situation were complicated and the global economy witnessed weak recovery, further efforts is needed to promote the continuous recovery of economy.

Ever since this year, various policies and measures for expanding domestic demand came to effect, and domestic demand continuously revealed its potentials. In particular, the driving effect of consumption on economic growth notably soared. During the first half of the year, the total retail sales of consumer goods maintained a relatively rapid growth, which reached RMB22,758.8 billion, representing a year-on-year increase of 8.2%. The final consumption spending contributed to 77.2% of economic growth, noticeably higher than last year, which basically recovered to the pre-pandemic levels, and the steady recovery of consumption provided a strong support for the effective improvement in quality and reasonable growth in quantity of economy.

In the first half of 2023, the epidemic situation improved significantly. Coupled with the efforts of central and local governments in proactively stabilizing employment, expanding domestic demand and promoting consumption, the consumer market recovered steadily, especially accelerating recovery of contact and clustered consumption and holiday consumption, such as dining-in service and cinema. The recovery of consumer market has not only enhanced the vitality of the commercial properties market, but also boosted the confidence of brand merchants for the market. According to the National Commercial Information Center of China, the top 100 retailers (dominated by the business format of department stores) experienced an accumulated growth of 11.8% in merchandise sales in the first half of 2023. In terms of major commodity categories, the sales of clothing, gold, silver and jewelry and household appliance increased rapidly during the first half of the year compared with the same period of last year, which were the main commodity categories driving the overall growth of retail sales, representing a cumulative growth of 15.9%, 16.2% and 13.6% respectively for clothing, gold, silver and jewelry and home appliance.

In March 2023, the National Development and Reform Commission released the Notice on Regulating and Efficiently Implementing the Application and Recommendation of Real Estate Investment Trusts (REITs) Projects in the Infrastructure Sector, formally bringing the consumption infrastructure into the issuance scope of REITs, prioritizing its support to department stores, shopping malls, farmers' markets and other urban and rural commercial network projects to guarantee community commercial projects of basic livelihood issuing infrastructure REITs. The consumption infrastructure is the spatial carrier of materials to undertake consumption behavior of residents and release the consumption potential of residents. The launching of consumption infrastructure is conducive to expand the scale of consumption infrastructure investment. With the launching of consumption infrastructure REITs, it will greatly accelerate the investment recovery of relevant facilities, and also promote the construction of new consumption infrastructure and the upgrading of existing facilities while improving the efficiency of capital usage, bringing better consumption experience to the public which would in turn facilitate continuous growth of consumption.

BUSINESS REVIEW

RECOVERING SIGNIFICANTLY IN OUTLETS BUSINESS AND HITTING ANOTHER RECORD HIGH IN SALES RESULTS

– During the period, all the staff of the Company with concerted efforts have struggled courageously to seize the important opportunity of market recovery, deploy its presence and formulate plans in advance. In the first half of 2023, the Company achieved a total turnover of RMB5.318 billion and a customer traffic of 26.95 million in Outlets operation, representing an increase of 42% and 34%, respectively, as compared to the corresponding period last year; and

– After a strong start in the new year, the turnover for the first two months reached RMB2.2 billion, hitting a record high; in March, Capital Outlets conducted in-depth collaboration with the resources of Capital Group achieving RMB200 million of turnover in "Women's Day Promotion Activities", which signified a powerful opening for the performance sprint of the first quarter; during the May Day holiday, Capital Outlets hit another record high in results with a surge of customer traffic. Five-day sales volume in 15 cities exceeded RMB410 million, representing a year-on-year increase of 136%.

EXPANDING PENETRATION RATE IN THE REGIONAL MARKETS AND EXPLORING THE GROWTH POINT OF TARGET CUSTOMER BASE

– By making the utmost of emerging media platforms (such as Tik Tok and Little Red Book) to form a matrix of topic propagation and make targeted marketing, our rapid traffic proliferation within range magnifies the marketing effect. Taking Zhengzhou project as an example, Zhengzhou project and URBAN REVIVO ("**UR**") jointly launched the special on-site sales activities tailored to college students. Subsequent to the shopping, the college students casually took the shocking scene of "one UR blue bag per person" on subway, which caused a number of college students who had bought resonating with it to comment and repost. The popularity of the video on Tik Tok rapidly increased and was consistent with dozens of pre-publicity videos promoted during the pre-launch marketing stage of the project with mutual support, fast forming propagation matrix of the topic on Tik Tok. The incoming customers at store spontaneously spread the queuing shopping from that point onward, spreading rapidly within traffic range, which made it widely known on the Internet to realize the ideal marketing results of "people-to-goods".

CONTINUOUSLY OPTIMIZING MANAGEMENT AND CONTROL SYSTEM AND CULTIVATING THE CAPABILITY OF LEAN OPERATION

– Haggling over every penny, the Group established the Cost Management Committee to promote the detailing of cost accounts, standardization of commercial improvement and modifications, centralized procurement of marketing and operation services and platformization of material procurement, which reduced costs and increased efficiency through various measures, so as to enhance the capability of platform-based lean operation.

ACHIEVING EFFECTIVE DESTOCKING WITH DRAMATICALLY IMPROVED PROFITABILITY IN PROPRIETARY BUSINESS

– During the period, the Group adjusted its business philosophy, clarified the profit-centered assessment orientation of its proprietary business, and took multiple measures to intensify the destocking efforts, which effectively improved its inventory structure. Meanwhile, the Group expanded consignment channels, enriched the categories of self-operated stores, and retrenched procurement costs; and accessed to a full-chain live streaming to increase online sales. As of 30 June 2023, our proprietary business has achieved sales of RMB125 million, with its profitability dramatically improved.

FUTURE DEVELOPMENT AND PROSPECTS

Although the external environment is complex and severe while the domestic economy development is confronted with pressure, the fundamentals of China's positive long-term economic prospects remain unchanged, the features of strong resilience, great potential and ample vitality remain constant, and the conditions to support high-quality development also remain the same. With the accumulative increase of positive factors for promoting development, the economy is expected to experience stable development.

Looking forward to the second half of the year, the measures for promoting consumption and boosting economy will be further implemented in China, and the measures intended by various departments in each region to promote high-quality development will also be introduced continuously. By implementing the macro policies in a scientific and accurate manner, such measures will focus on expanding domestic demands and lubricating economic circulation, with a view to providing a powerful support for steady economic operation.

In the second half of 2023, the Group will further focus on its Outlets' business strengths of "popular brand, discount and leisure" to comprehensively improve the core capabilities in tenants attraction, operation and marketing: the Group will further enhance the attraction to international brands, and establish the data connection between tenants attraction and operation, so as to build a more scientific and efficient smart tenants attracting system; in terms of operation, the Group will continue to promote the optimization and standardization of cost, accelerate the deployment of commercial service system, integrate the operation system and management requirements in it and continue to improve the capability of lean operation; in terms of marketing, the Group will proactively pilot the Outlets marketplace, innovate the online marketing model, explore the new format of livestream, upgrade the membership system, establish malls with the function of "reward points for cash coupons", and continuously improve member loyalty and repurchase rate; in terms of digitization, the Group will optimize digital governance and accelerate to establish a data "cockpit" that can assist in making business decision.

The Group will continue to comprehensively enhance its digital capabilities in commercial operation management, improve its management efficiency, realize the availability of online merchant services, online operation management, and digital performance evaluation, which will in turn empower the improvement of lean management. Meanwhile, the Group will proactively conduct research on favorable policies, seize the window period stipulated therein, and fully promote the research on the issuance of consumption infrastructure, REITs, with a view to further lubricating the entire chain of "investment-financing-management-withdrawal" capabilities, and gradually realize the transformation of assets "from heavy to light, from light to premium". The Company will continue to strengthen its asset management capabilities, steadily promote its asset-light strategic arrangements, realize the output of business management capabilities and brand resources, and further consolidate the Group's leading position in the Outlets track while achieving diversified revenue growth.

FINANCIAL REVIEW

1. Revenue and Operating Results

For the six months ended 30 June 2023, the revenue of the Group was approximately RMB624,962,000, representing an increase of 36% compared with the restated revenue of RMB458,432,000 for the same period in 2022. The increase in revenue was mainly attributable to the increase in sales results of Outlets as the domestic retail industry recovered rapidly due to the optimization of the prevention and control policies for COVID-19 pandemic in the first half of 2023.

For the six months ended 30 June 2023, the Group's gross profit margin was approximately 33%, representing a decrease of 9 percentage points compared with the restated gross profit margin of 42% for the same period in 2022. Among these, the gross profit margins of the investment property development and operation, the property development and the sale of merchandise inventories during the period were 60%, –185% and 18%, respectively, representing an increase of 3 percentage points, a decrease of 131 percentage points and an increase of 14 percentage points, respectively, compared with the restated gross profit margin of 57%, –54% and 4%, respectively for the corresponding period in 2022. The decrease in gross profit margin of the Group was mainly attributable to the decrease in gross profit margin of property development.

For the six months ended 30 June 2023, the Group's operating profit was approximately RMB135,995,000, representing an increase of 202% compared with the restated operating profit of RMB44,977,000 for the corresponding period in 2022. Such increase was mainly attributable to the increase in the rental income of the investment property development and operation and significant increase in fair value gains on investment properties as compared to the corresponding period last year.

For the six months ended 30 June 2023, the Group's net profit for the period amounted to approximately RMB90,079,000, which significantly increased from the net loss of RMB117,238,000 for the same period in 2022. The Group achieved a turnaround during the period, which was mainly attributable to (a) the increase to net profit of approximately RMB267 million contributed by the gain from valuation of properties for the current period as compared with the corresponding period of the previous year, which mainly represented the gain from valuation of the Wuhan Outlets and Jinan Outlets held for sale; and (b) the increase in sales of the Outlets business during the current period, which resulted in an increase in the gross profit for the current period of approximately RMB90 million as compared to the corresponding period of the previous year. The effect of aforesaid factors was partially offset by the increase in foreign exchange loss and interest expenses for the current period as compared to the corresponding period of the previous year.

2. Liquidity and Financial Resources

The Group has sufficient capital to meet the operational requirements. As at 30 June 2023, the Group's total cash and cash equivalents and restricted cash amounted to approximately RMB2,206,718,000 (31 December 2022: approximately RMB1,210,365,000), of which approximately RMB2,205,956,000 (31 December 2022: approximately RMB1,109,365,000), approximately RMB545,000 (31 December 2022: approximately RMB69,000) and approximately RMB216,000 (31 December 2022: approximately RMB32,000) were denominated in RMB, Hong Kong Dollar and US Dollar, 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 2023, the Group's current ratio was 1.05 (31 December 2022: 1.11).

As at 30 June 2023, the principal amount of interest-bearing debts of the Group amounted to approximately RMB12,794,735,000 (31 December 2022: approximately RMB11,909,442,000), of which approximately 70% was non-current portion (31 December 2022: 89%). The main purpose of the interest-bearing debt was to meet the funding requirements for property development and construction, operation and business development.

As at 30 June 2023, the Group's net gearing ratio was 235% (31 December 2022: 244%), 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), the Asset-backed Securities Scheme, senior class (including current and non-current portions) and lease liabilities, less cash and cash equivalents and restricted cash. The change of net gearing ratio was primarily due to the increase in retained earnings and the decrease in net debt of the Group in the first half of 2023.

3. Changes in Principal Subsidiaries and Major Non-Controlling Interests

Nil.

4. Borrowings, Guaranteed Notes and Asset-Backed Securities Scheme

As at 30 June 2023, the Group's borrowings from banks, related parties and other financial institutions amounted to approximately RMB6,139,677,000 (31 December 2022: approximately RMB5,939,442,000). Of the total amount, bank borrowings of RMB1,211,859,000 (31 December 2022: RMB1,370,963,000) was secured by the land use rights and buildings or guaranteed by BCL or the Group. Borrowings from other financial institutions of approximately RMB1,000,000,000 (31 December 2022: approximately RMB1,000,000,000) were guaranteed by BCL. Bank borrowings of approximately RMB1,427,818,000 (31 December 2022: approximately RMB1,368,479,000) were guaranteed by Capital Group. Borrowings from other financial institutions of approximately RMB2,500,000,000 (31 December 2022: approximately RMB2,200,000,000) were guaranteed by Capital Group.

On 9 December 2019, the Group issued an asset-backed securitization scheme known as Zhonglian Yichuang — Beijing Capital Grand Outlets No.1 Phase I Asset-backed Securities Scheme (中聯一創 — 首創鉅大奧特萊斯一號第一期資產支持專項計劃) for the purpose of securitizing the two properties held by the Group, namely the Beijing Capital Outlets and the Kunshan Capital Outlets. The total issuance of the scheme was RMB3,579,000,000 with a maturity term of five years, including: (i) the Senior Class ABS in the principal amount of RMB2,700,000,000 with a fixed coupon rate of 5.2% per annum, all of which were subscribed by qualified third party investors, and listed and traded on the Integrated Negotiated Trading Platform (綜合協議交易平台) of the Shenzhen Stock Exchange; and (ii) the Subordinated Class ABS in the principal amount of RMB879,000,000 with no fixed coupon rate, all of which were subscribed by Zhuhai Hengqin Hengsheng Huachuang Business Management Co., Ltd. ("**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 Company dated 9 December 2019.

On 28 May 2021, the Group issued Zhonglian BCG — Capital Outlets Phase II Asset-backed Securities Scheme (中聯首創證券 — 首創鉅大奧特萊斯二期資產支持專項計劃) for the purpose of securitizing the four properties held by the Group, namely the Hefei Capital Outlets, the Hangzhou Capital Outlets, the Jinan Capital Outlets and the Jiangxi Capital Outlets. The total issuance of the scheme was 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. The Subordinated Class ABS will not be listed. Details are set out in the announcement of the Company dated 28 May 2021. On 26 July 2023, the Asset-backed Securities Scheme was fully repaid in advance.

On 27 April 2022, the Group issued an asset-backed securitized product known as China Life Investment — BCG Outlets First Stage Asset Support Scheme (國壽投資 — 首創鉅大奧特萊斯第一期資產支持計劃), under which beneficiary certificates in an aggregate principal amount of not more than RMB1,350,000,000 will be issued. Under the scheme, Hengsheng Huachuang (as the Scheme's originator) will provide loans to Chongqing Capital Outlets (重慶首創奧特萊斯) (an indirect wholly-owned subsidiary of the Company) and Kunming Capital Outlets (an indirect non wholly-owned subsidiary of the Company). The creditor's right and interests that Hengsheng Huachuang is entitled thereto will be used as the underlying assets for securitization under the scheme for the purpose of raising funds for the Group's operation and development. As at 30 June 2023, the Group has issued asset-backed securities in the principal amount of RMB1,350,000,000 with a fixed coupon rate of 4.85% and a maturity term of three years. Details are set out in the announcement of the Company dated 27 April 2022.

5. Foreign Exchange Exposure

Major subsidiaries of the Group operate in the PRC and most of the transactions are denominated in RMB. As at 30 June 2023, the Group had US$-denominated bank borrowings amounting to US$197,600,000 (31 December 2022: US$197,700,000). Accordingly, the Group has entered into the cross currency interest rate swap agreements to manage the risk of US$ exchange rate fluctuations. In addition, certain of the Group's assets and liabilities are denominated in HK$ and US$, the amount of which is not significant. Hence, it is expected that exchange rate fluctuations will have no significant impact on the finance of the Group.

6. Financial Guarantees

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to purchasers of properties. As at 30 June 2023, the financial guarantees amounted to approximately RMB314,202,000 (31 December 2022: RMB702,104,000).

7. Capital Commitments

As at 30 June 2023, the Group had capital commitments relating to the development properties under construction of approximately RMB266,499,000 (31 December 2022: RMB388,023,000).

8. Significant Investments, Material Acquisitions and Disposals, and Future Plans for Significant Investment or Acquisition of Capital Assets

During the six months ended June 30, 2023, (a) the Group did not make any material acquisitions and disposals of subsidiaries, associates and joint ventures; and (b) the Company did not have any specific plans for material investments or acquisitions of capital assets.

9. Pledge of Asset

As at 30 June 2023, the total amount of the Group's pledge of investment properties and land use rights arising from borrowings were RMB3,459,000,000 (31 December 2022: RMB3,586,865,000).

10. Contingent Liabilities

As at 30 June 2023, the Group did not have any material contingent liabilities.

11. Subsequent Events

(a) *Asset-backed Securities Scheme*

On 6 July 2023, the Group issued an asset-backed securitized product known as China Life Investment — BCG Outlets Second Stage Asset Support Scheme* (國壽投資 — 首創鉅大奧特萊斯第二期資產支持計劃) for the purpose of issuing beneficiary certificates with a total principal amount of not more than RMB1,800,000,000. Under the scheme, Hengsheng Huachuang (as the scheme's originator) will provide loans to Xi'an BC Outlets, Nanning BC Outlets and Huzhou BC Outlets. The creditor's right and interests that Hengsheng Huachuang is entitled thereto will be used as the underlying assets for securitization under the scheme for the purpose of raising funds for the Group's operation and development. Details are set out in the announcement of the Company dated 6 July 2023.

(b) *Very Substantial Disposal*

On 10 July 2023, Beijing Hengsheng Huaxing Investment Management Co., Ltd.* (北京恒盛華星投資管理有限公司) ("**Hengsheng Huaxing**") and Shanghai Juque Investment Management Co., Ltd.* (上海鉅礐投資管理有限公司) ("**Shanghai Juque**") (both being wholly-owned subsidiaries of the Company) entered into the Equity Transfer Agreement A with Jinan Commercial Management Co., Ltd.* (濟南首城商業管理有限公司) ("**Jinan Shoucheng**", a connected person of the Company) and Jinan Shouju Real Estate Ltd.* (濟南首鉅置業有限公司) ("**Jinan Shouju**"), pursuant to which Hengsheng Huaxing and Shanghai Juque conditionally agreed to sell, and Jinan Shoucheng conditionally agreed to buy, the entire equity interest of Jinan Shouju, and Jinan Shoucheng agreed to acquire the shareholder's loans owed by Jinan Shouju to the Group as at the date of completion of the disposal; and (ii) Shanghai Juque and Capital Juda Outlets Development Limited (首創鉅大奧萊發展有限公司) ("**Juda Outlets Development**", a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement B with Wuhan Commercial Management Co., Ltd.* (武漢市首城商業管理有限公司) ("**Wuhan Shoucheng**", a connected person of the Company) and Wuhan Capital Juda Outlets Business Management Limited* (武漢首創鉅大奧萊商業管理有限公司) ("**Wuhan Capital Juda**"), pursuant to which Shanghai Juque and Juda Outlets Development agreed to sell, and Wuhan Shoucheng conditionally agreed to buy, the entire equity interest of Wuhan Capital Juda, and Wuhan Shoucheng agreed to acquire the shareholder's loans owed by Wuhan Capital Juda to the Group as at the effective date of Equity Transfer Agreement B. For details, please refer to the announcement of the Company dated 10 July 2023, the circular dated 3 August 2023 and the announcement dated 18 August 2023 respectively.

(c) ***The Operations Entrustment Agreements***

On 10 July 2023, (i) Jinan Shouju, Beijing Capital Commercial Management Co., Ltd.* (北京首創商業管理有限公司) ("**Beijing Capital**", a connected person of the Company) and the Company entered into the Operations Entrustment Agreement A, pursuant to which the Company or a wholly-owned subsidiary of the Company as nominated by it, as the operation manager, will provide property operation and management services in respect of Jinan Capital Outlets; and (ii) Wuhan Capital Juda, Beijing Capital and the Company entered into the Operations Entrustment Agreement B, pursuant to which the Company or a wholly-owned subsidiary of the Company as nominated by it, as the operation manager, will provide property operation and management services in respect of Wuhan Outlets. For details, please refer to the announcement of the Company dated 10 July 2023.

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2023 (30 June 2022: 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 2023 to 30 June 2023, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and the continuing obligations requirements of a listed issuer pursuant to the Listing Rules.

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 2023.

COST OF EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group employed 703 employees, of which 345 were male and 358 were female (as of 30 June 2022: the Group employed 1,092 employees, of which 528 were male and 564 were female). Employee benefit expense (excluding Directors' and chief executive's remuneration) of the Group incurred was approximately RMB87,809,800 as of 30 June 2023. 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. The Group also provides other staff benefits such as pension scheme, medical insurance scheme, unemployment insurance scheme and housing provident fund to motivate and reward employees at all levels to achieve the Group's business performance targets. In addition, the Group continues to provide training (including professional skills training) and development plans.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company ("**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Yeung Chi Tat as chairman, Dr. Huang Wei and Mr. Xu Weiguo. 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 2023.

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 2023 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, 28 August 2023

As at the date of this announcement, the Board comprises Mr. Fan Shubin (Chairman) and Mr. Xu Jian (Chief Executive Officer) as executive Directors; Mr. Wang Hao, Ms. Qin Yi, Mr. Zhou Yue and Mr. Zhao Randolph as non-executive Directors; and Mr. Yeung Chi Tat, Dr. Huang Wei and Mr. Xu Weiguo as independent non-executive Directors.