

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

2021
INTERIM REPORT



A stylized silhouette of a horse in a running pose, rendered in shades of blue and purple, positioned in the upper right quadrant of the page.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhong Beichen (*Chairman*)
Mr. Feng Yujian (*Chief Executive Officer*)

NON-EXECUTIVE DIRECTORS

Mr. Wang Hao
Ms. Qin Yi
Mr. Zhou Yue
Mr. Yang, Paul Chunyao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Ngai Wai Fung
Ms. Zhao Yuhong
Mr. He Xiaofeng

AUDIT COMMITTEE

Dr. Ngai Wai Fung (*Chairman*)
Ms. Zhao Yuhong
Mr. He Xiaofeng

REMUNERATION COMMITTEE

Ms. Zhao Yuhong (*Chairman*)
Ms. Qin Yi
Mr. Yang, Paul Chunyao
Dr. Ngai Wai Fung
Mr. He Xiaofeng

NOMINATION COMMITTEE

Mr. Zhong Beichen (*Chairman*)
Mr. Zhou Yue
Dr. Ngai Wai Fung
Ms. Zhao Yuhong
Mr. He Xiaofeng

STRATEGIC INVESTMENT COMMITTEE

Mr. Feng Yujian (*Chairman*)
Mr. Wang Hao
Mr. Zhou Yue
Mr. Yang, Paul Chunyao
Mr. He Xiaofeng

SECRETARY OF THE BOARD OF DIRECTORS

Ms. Wang Xia

COMPANY SECRETARY

Ms. Peng Sisi

AUTHORISED REPRESENTATIVES

Mr. Feng Yujian
Ms. Peng Sisi

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISERS

AS TO HONG KONG LAWS:

Norton Rose Fulbright Hong Kong

AS TO CAYMAN ISLANDS LAWS:

Conyers Dill & Pearman

AS TO PRC LAWS:

Beijing Jingtian & Gongcheng
Beijing Zhonglun W&D Law Firm

CORPORATE INFORMATION

REGISTERED OFFICE

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

PRC HEADQUARTERS

Building 18, No. 6 Langjiayuan
Tonghuihe North Road, Chaoyang District
Beijing, China

HONG KONG OFFICE

Suites 4602-05
One Exchange Square
Central
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
China Merchants Bank
Bank of Communications
Bank of China
Bank of Beijing
The Hongkong and Shanghai Banking Corporation Limited
Dah Sing Bank Limited

CORPORATE WEBSITES

www.bcgrand.com
www.capitaloutlets.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square Hutchins Drive P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54 Hopewell Centre
183 Queen's Road East, Hong Kong

LISTING INFORMATION

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

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

INVESTOR RELATIONS CONTACT

Email: contactus@bcgrand.com



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board of directors (the "Board") of Beijing Capital Grand Limited ("Capital Grand" or the "Company", together with its subsidiaries, the "Group"), I am pleased to present the interim results of the Group for the period ended 30 June 2021.

During the first half of 2021, the COVID-19 pandemic situation remained severe world-wide and the global economic recovery varied across economies; the domestic economy has still sustained its turnaround, while the stress on the pandemic prevention and control could not be overlooked. During the period from January to June 2021, the total retail sales of consumer goods in China were approximately RMB21,190.4 billion, representing a year-on-year increase of 23.0% and an average biennial growth rate of 4.4%, which was a mild decrease as compared to the 8% of the growth rate of total retail sales of consumer goods for 2019, however, showing the gradual recovery of the Chinese consumption following the pace of economic turnaround. As the pandemic continued its disruptions, the consumption growth was still subject to further recovery.

During the period, the domestic market sales maintained a relatively good momentum of recovery with characteristics such as steady growth of retail sales of goods, significant recovery of consumption of services, relatively rapid growth in online consumption and improving offline consumption. The long-term positive economic fundamentals have remained unchanged. With the further progress of the dual circulation economy at home and abroad and the proactive construction of new development landscape, China's economy will continue to maintain healthy development. While the domestic outlets ("Outlets"), including the Group, accelerated the layout plan of business expansion, the online and offline integration has been expedited by pursuing the value creation of tenants and customers. Featured marketing activities and membership services were launched, thereby strengthening the consumer confidence continuously and achieving a full recovery and growth of operating efficiency.

In the first half of year, the Group achieved a total turnover of approximately RMB5.2 billion and a customer traffic of 24.00 million in Outlets operation, representing a year-on-year growth of 84% and 64% respectively. The Group continued its normalized and proper pandemic prevention and control efforts, and at the same time strived to capitalize on the promising trend of economic and consumption recovery. Through the development of a series of surging sales IP of "Come Together to Capital Outlets and Celebrate each Festival (逢節必聚、來首創奧萊過節)", the Group has further shaped the consumer mentality by "Consumption as if in a mini-holiday and at a tourist destination (微度假、目的地消費)" of Capital Outlets. In particular, in response to the policy demand for staying at the local region to celebrate the Chinese New Year amidst the pandemic recurrence in January, the Group launched "Overnight hot sales at Chinese New Year Eve (通宵燃爆小年夜)" to commence the peak sales under the Spring Festival marketing activities since 4 February, followed by large-scale innovative marketing campaigns for festivals such as the International Women's Day, Labor Day on 1 May, the Super National Tide Sold-out day (國潮戰聯品牌超級售罄日), Children's Day, Capital Outlets Festival on 6 June (首創奧萊66節), Dragon Boat Festival, Mothers' Day and Fathers' Day to expand our brand influence and appeal, thus achieving an upsurge in customer traffic and rapid sales growth.



CHAIRMAN'S STATEMENT

During the period, the Group strengthened its proprietary characteristic business to better serve consumers and fulfil their demands for international brands, resulting in sales of its proprietary goods of approximately RMB166 million, a year-on-year growth of 70%. During the period, the Group further promoted digitalization and innovative services and provided integrated online and offline services to nearly 3.61 million members, which recorded sales exceeding RMB25 million from the online shopping platform of Capital Outlets, representing a year-on-year growth exceeding 110%. Sales conversion through new media marketing including WeChat official accounts and communities also rapidly increased at the same pace.

Leveraging the strong background of shareholders and the excellent basic support in terms of assets, the Group has successfully launched the Phase II Asset-backed Securities Scheme with a size of total issue of product amounted to RMB3.268 billion during the period. The effectiveness of focusing on the principal outlets business, attaining the leading position of the industry and continuing to enhance the project operation capabilities of the Group has gained recognition of the mainstream investment institutions, at the same time laying the solid foundation for the Group to establish a diversified financing system and to achieve the closed-loop development of "investment-financing-management-divestment" of properties and assets of outlets more rapidly. During the period, the Group has commenced the "Tasks for the Three-year Development Planning on ESG for 2021-2023" to incorporate ESG into brand building, develop the ESG branding events and icons with the characteristics of Capital Outlets, promote the brand value and good reputation of the Company, enhance the communication and collaboration on ESG with multiple stakeholders such as investors and customers so as to propel the upgrade of brand value with vitality.

During the period under review, the Group achieved an operating revenue of RMB682,911,000, representing an increase of approximately 73% over the same period of last year, and recorded a net loss attributable to the parent of RMB19,803,000. The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021.

Looking forward to the second half of the year, with the impact of global COVID-19 pandemic, the open block shopping experience with the characteristics of Capital Outlets will continue to be favored by consumers, while the Group's proprietary business of international brands will also cater for the high-end consumer demands. In the meantime, the Group will consolidate its operational capabilities of big data in respect of tenants and customers, continue to give full play to the advantages of chain operation, enrich the brand value system of Capital Outlets, further upgrade the characteristic marketing IP and innovatively introduce fashionable, quality, healthy, trendy, highly experimental and experiential business functions and services to better cope with the changes in consumption trends, lead the industrial trends and consolidate its leading position in the industry.

On behalf of the Board, I would like to express our sincere gratitude to all our shareholders, partners and clients for their care and strong support to Capital Grand. We will continue to gain insights into consumer demand, provide products, services and shopping experience with the characteristics of Capital Outlets, promote lean operation, improve capability precisely and develop as the most valuable outlets operator which provides excellent consumer experience in China so as to continuously create value for our shareholders, customers and partners!

Mr. Zhong Beichen

Chairman

Beijing, 4 August 2021



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

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

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

BUSINESS REVIEW

INCREASE IN BOTH CUSTOMER VISITS AND SALES BENEFITTED FROM THE TRADITION OF GATHERING AT EACH FESTIVAL

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

REACHING NEW HEIGHT THROUGH INNOVATIVE OPERATION

- The proprietary business once again achieved recording-breaking growth with increasing brand recognition. During the period, the proprietary business achieved a sales of over RMB166 million, demonstrating strong growth with an increase of 70% year-on-year. Breakthroughs have also been achieved in wholesale business through in-depth cooperation in various channels. Upon the completion of renovation and upgrade in June with latest design used in GUCCI Outlet in Europe being adopted, the GUCCI Store in Beijing achieved a sales of over RMB1 million within two days after its soft opening.

MANAGEMENT DISCUSSION AND ANALYSIS

- The online shopping mall reached new heights through online and offline interaction. During the period, the Group continued to intensify its efforts in digitization and innovation services, providing integrated online and offline services to about 3.61 million members. The online shopping mall achieved a sales of over RMB25 million, representing an increase of approximately 110% year-on-year. The Group also actively promoted the two-way traffic flow between online and offline operations, which increased the number of groups to 26 with 15,000 followers. The number of users of private traffic increased steadily with constant improvement in quality.

SETTING THE STANDARDS FOR THE INDUSTRY WITH DIVERSIFIED FINANCING CHANNELS

- “Zhonglian BCG – Capital Outlets Phase II Asset-backed Securities Scheme” (中聯首創證券 – 首創鉅大奧特萊斯二期資產支持專項計劃) has been launched successfully with the size of total issue of product amounting to RMB3.268 billion. The effectiveness of focusing on the principal outlets business, attaining the leading position of the industry and continuing to enhance the project operation capabilities of the Group has gained recognition of the mainstream investment institutions, at the same time laying the solid foundation for the Group to establish a diversified financing system and to achieve the closed-loop development of “investment-financing-management-divestment” of properties and assets of outlets more rapidly.

CONTINUOUSLY ENHANCE THE BRAND INFLUENCE OF “CAPITAL OUTLETS”

- Commencement of the “Tasks for the three-year development planning on ESG for 2021-2023”. In order to gradually implement the national goals of “Carbon Peak, Carbon Neutrality” and promote the achievement of the Company’s long-term value on ESG development, Capital Outlets has also focused on aspects such as its governance capability, risk control and low-carbon economy, put great efforts in developing low-carbon outlets, incorporated ESG into the Company’s strategy, enhanced the communication and collaboration on ESG with multiple stakeholders such as investors and customers so as to propel the upgrade of brand value with vitality. Further, it has formulated ESG development strategy to better facilitate the development of the Company, and upgraded the issue of its sustainability to the strategic level, aiming to ultimately promote the brand, reputation and social responsibilities of the Group generally.
- Organized the 2020-2021 Commendation Congress of Brand Owners of Capital Outlets to strive forward for more glorious achievements with concerted efforts. The joint cooperation of the cooperative brands is indispensable to the significant results improvement of Capital Outlets. In recognition and appreciation of the substantial support of the brand owners, the 2020-2021 Commendation Congress of Brand Owners of Capital Outlets was held during the period, during which the Company shared Capital Grand’s experience in relation to domestic economic development and the development of outlets with participating guests in a bid to achieve better results through concerted efforts of the partners by taking the attained honors and achievements as the new starting point and a new step forward.
- During the period, with years of professional operation and management experience and good market reputation, following the 19 major awards received last year, the Group won 27 major awards including “Corporate Strength Award of the Year” (年度實力獎), “Leading Performance Award of the Year” (年度領先獎), “Corporate Charm Award of The Year” (年度魅力獎) at the “8th China Outlets Industry Development Forum and 2020 China Outlets Awards Ceremony” (第八屆中國奧特萊斯產業發展論壇暨2020年度中國奧萊頒獎盛典), an annual industry event.

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT PROPERTIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

DEVELOPMENT PROPERTIES

Project	Approximate Site Area (m ²)	Unsold Gross Floor Area (m ²)	Unsold Ground Floor Area (m ²)	Property Type (m ²)	Attributable Interests
Xi'an First City (Xi'an Economic Technology Development Zone)	355,900	326,039	205,809	Residential/ Commercial/ Office buildings/ Parking space	100%
Nanchang Capital Outlets (Xinjian District, Nanchang)	30,150 ^(Note 5)	24,397	24,397	Commercial	40%
Jinan Capital Outlets (Tangye New Area, Jinan)	114,930 ^(Note 6)	2,154	2,154	Commercial	100%
Chongqing Capital Outlets (Banan District, Chongqing)	74,350 ^(Note 7)	5,523	5,523	Commercial	100%
Nanning Capital Outlets (Xingning District, Nanning)	101,970 ^(Note 8)	7,054	7,054	Commercial	100%

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

1. REVENUE AND OPERATING RESULTS

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

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

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

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

2. LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

3 CHANGES IN MAJOR SUBSIDIARIES AND PRINCIPAL NON-CONTROLLING INTERESTS

Nil.

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

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

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

On 9 December 2019, the Group non-publicly issued an asset-backed securitization scheme known as Zhonglian Yichuang – Beijing Capital Grand Outlets No.1 Phase I Asset-backed Securities Scheme (中聯一創 – 首創鉅大奧特萊斯一號第一期資產支持專項計劃). The issuance of this asset-backed securitization scheme was for the purpose of securitizing the properties held by the Group, namely the Fangshan Capital Outlets and the Kunshan Capital Outlets, and raising funds for the operation and development of the businesses of the Group. The total issuance of the scheme was RMB3,579,000,000, including: (i) the Senior Class ABS in the principal amount of RMB2,700,000,000 with a fixed coupon rate of 5.2% per annum and a maturity term of five years, all of which were subscribed by qualified third party investors, and listed and traded on the Integrated Negotiated Trading Platform (綜合協議交易平台) of the Shenzhen Stock Exchange (the "Listing"); and (ii) the Subordinated Class ABS in the principal amount of RMB879,000,000 with no fixed coupon rate and a maturity term of five years, all of which were subscribed by Zhuhai Hengqin Hengsheng Huachuang Business Management Co., Ltd (珠海橫琴恒盛華創商業管理有限公司) ("Hengsheng Huachuang"), a wholly-owned subsidiary of the Group. The Subordinated Class ABS will not be listed. It was treated as equity investment of Hengsheng Huachuang from an accounting perspective and offset in the consolidated financial statements of the Group. As at 30 June 2021, the amortised cost of the Group's Senior Class ABS was approximately RMB2,766,345,000 (31 December 2020: RMB2,696,341,000), including the current portion of RMB70,395,000 (31 December 2020: RMB391,000) and the non-current portion of RMB2,695,950,000 (31 December 2020: RMB2,695,950,000).

On 28 May 2021, the Group non-publicly issued Zhonglian BCG – Capital Outlets Phase II Asset-backed Securities Scheme (中聯首創證券 – 首創鉅大奧特萊斯二期資產支持專項計劃) for the purpose of securitizing the four properties held by the Group, namely the Hangzhou Outlets, the Jiangxi Outlets, the Jinan Outlets and the Hefei Outlets. The total issuance of the scheme was RMB3,268,000,000 with a maturity term of three years, including: (i) the Senior Class ABS in the principal amount of RMB2,600,000,000 with a fixed coupon rate of 5.05% per annum, which are listed and traded on the Integrated Negotiated Trading Platform (綜合協議交易平台) of the Shenzhen Stock Exchange, all of which were subscribed by qualified third party investors; and (ii) the Subordinated Class ABS in the principal amount of RMB668,000,000 with no fixed coupon rate. The Subordinated Class ABS will not be listed, all of which were subscribed by Hengsheng Huachuang, a wholly-owned subsidiary of the Group, and will be treated as equity investment of Hengsheng from an accounting perspective and offset in the consolidated financial statements of the Group. As at 30 June 2021, the amortised cost of the Group's Senior Class ABS was approximately RMB2,598,803,000, including the current portion of RMB12,603,000 and the non-current portion of RMB2,586,200,000. Details are set out in the announcement of the Company dated 28 May 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

5. FOREIGN EXCHANGE EXPOSURE

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

6. FINANCIAL GUARANTEES

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

7. CAPITAL COMMITMENTS

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

INTERIM DIVIDEND

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

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

As at 30 June 2021, so far as is known to the Directors, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, or underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("SFO")) which were to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2021, so far as is known to the Directors, the following entities, not being a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of the issued share capital (%)	Number of ordinary shares can be converted from Class A Convertible Preference Shares, Class B Convertible Preference Shares and PCBS at initial conversion price of HK\$2.10 per share	Total Interest	Percentage of total interests to total issued shares
BECL Investment Holding Limited ("BECL")	Beneficial owner	701,353,846	72.94%	1,072,928,106 (Note 5)	1,774,281,952	184.53%
BCL	Interests of controlled corporation (Note 1)	701,353,846	72.94%	1,072,928,106 (Note 5)	1,774,281,952	184.53%
BCG Chinastar International Limited ("BCG Chinastar")	Beneficial owner	19,800,000	2.06%	–	19,800,000	2.06%
Capital Group	Interests of controlled corporation (Note 2)	721,153,846	75%	1,072,928,106 (Note 5)	1,794,081,952	186.58%
Smart Win Group Limited	Beneficial owner	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Sino-Ocean Land (Hong Kong) Limited	Interests of controlled corporation (Note 3)	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Faith Ocean International Limited	Interests of controlled corporation (Note 3)	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Shine Wind Development Limited	Interests of controlled corporation (Note 3)	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Sino-Ocean Group Holding Limited	Interests of controlled corporation (Note 3)	95,192,308	9.9%	313,140,124	408,332,432	42.47%
KKR CG Judo Outlets	Beneficial owner	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR CG Judo	Interests of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR China Growth Fund L.P.	Interests of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Associates China Growth L.P.	Interests of controlled corporation (Note 4)	95,192,308	9.9%	200,045,787	295,238,095	30.70%

MANAGEMENT DISCUSSION AND ANALYSIS

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

Notes:

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

Save as disclosed above, as at 30 June 2021, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME

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

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

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

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

As of 30 June 2021, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

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

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

BOARD COMPOSITION

As at 30 June 2021, the Board consisted of a total of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, the changes in information of directors of the Company subsequent to the date of the 2020 Annual Report is set out below:

On 12 May 2021, Dr. Ngai Wai Fung, the independent non-executive director of the Company, has resigned from the position of independent non-executive director of BBMG Corporation (stock code: 02009.HK).

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

- (b) Under the Code Provision E.1.2, the chairman of the board should attend the annual general meetings of the company. The chairman of the Board was unable to attend the 2020 annual general meeting due to urgent business matters. Instead, the 2020 annual general meeting was chaired by the chairman of the audit committee of the Company (the "Audit Committee") who, together with the management of the Company, answered the questions from shareholders; and
- (c) Under the Code Provision F.1.2, the appointment of the company secretary should be dealt with by a physical board meeting rather than a written resolution. The appointment of the current company secretary was dealt with by a written resolution. The Board considered that, prior to the appointment, Ms. Peng worked in the company secretarial department of BCL from May 2015 to September 2020 and was the company secretary of the Company from August 2019 to September 2020. The Board is fully aware of the qualifications and experience of Ms. Peng without any dissenting opinion and there was no need to approve her appointment by a physical board meeting.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW BY AUDIT COMMITTEE

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

MANAGEMENT DISCUSSION AND ANALYSIS

COST OF EMPLOYEES AND REMUNERATION POLICY

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

FUTURE PROSPECTS

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

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

Mr. Feng Yujian

Chief Executive Officer

Beijing, 4 August 2021

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Beijing Capital Grand Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 62, which comprises the interim condensed consolidated statement of financial position of Beijing Capital Grand Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and the interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 4 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	6,7	682,911	393,935
Cost of sales	8	(336,444)	(276,396)
Gross profit		346,467	117,539
Fair value gains on investment properties	15	123,716	304,980
Other gains/(losses) – net	7	13,731	(148)
Other income	7	22,072	20,760
Selling and marketing expenses	8	(56,983)	(69,067)
Administrative expenses	8	(139,704)	(173,938)
Operating profit		309,299	200,126
Finance costs	9	(236,599)	(229,419)
Share of losses of investments accounted for using the equity method	17	(1,956)	(1,455)
Profit/(loss) before income tax		70,744	(30,748)
Income tax expenses	10	(90,193)	(76,020)
Loss for the period		(19,449)	(106,768)
Attributable to:			
– Owners of the Company		(19,803)	(107,978)
– Non-controlling interests		354	1,210
Loss per share attributable to owners of the Company during the period	12		
– Basic loss per share (RMB cents)		(0.78)	(4.24)
– Diluted loss per share (RMB cents)		(0.78)	(4.24)

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

The notes on pages 26 to 62 form an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Loss for the period		(19,449)	(106,768)
Other comprehensive income/(loss) for the period			
Items that may be reclassified to profit or loss			
Cash flow hedges	18	37,521	(26,081)
Cost of hedging	18	(30,414)	9,454
		7,107	(16,627)
Total comprehensive loss for the period		(12,342)	(123,395)
Attributable to:			
– Owners of the Company		(12,696)	(124,605)
– Non-controlling interests		354	1,210

The notes on pages 26 to 62 form an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	159,616	152,225
Right-of-use assets		17,546	21,091
Long-term prepaid expenses	14	100,653	115,028
Investment properties	15	14,180,824	13,657,289
Intangible assets	16	33,245	26,674
Investments accounted for using the equity method	17	281,163	273,119
Deferred income tax assets		21,232	34,936
Other receivables and prepayments	19	31,548	47,564
Total non-current assets		14,825,827	14,327,926
Current assets			
Inventories	20	2,263,035	2,380,773
Incremental costs of obtaining a contract		5,414	7,349
Trade and other receivables	19	638,811	637,006
Prepayments	19	131,142	104,913
Restricted cash		14,235	14,345
Cash and cash equivalents		3,395,528	840,441
Total current assets		6,448,165	3,984,827
Total assets		21,273,992	18,312,753
LIABILITIES			
Non-current liabilities			
Borrowings	21	3,319,004	2,585,884
Lease liabilities		9,234	12,770
Other payables and accruals	23	5,282,150	2,695,950
Deferred income tax liabilities		765,652	723,647
Total non-current liabilities		9,376,040	6,018,251

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
LIABILITIES			
Current liabilities			
Trade payables	24	1,883,848	2,066,591
Other payables and accruals	23	426,449	319,271
Derivative financial liabilities	18	173,113	166,805
Contract liabilities		192,276	215,639
Borrowings	21	1,418,156	1,718,552
Lease liabilities		6,983	6,821
Guaranteed notes	22	2,585,071	2,599,504
Current income tax liabilities		227,268	204,189
Total current liabilities		6,913,164	7,297,372
Total liabilities		16,289,204	13,315,623
Net assets		4,984,788	4,997,130
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	16,732	16,732
Perpetual convertible bond securities	27	945,617	945,572
Reserves		3,231,089	3,223,982
Retained earnings		737,063	756,911
		4,930,501	4,943,197
Non-controlling interests		54,287	53,933
Total equity		4,984,788	4,997,130
Total equity and liabilities		21,273,992	18,312,753

The notes on pages 26 to 62 are an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(Unaudited)	Attributable to owners of the Company										Total RMB'000
	Issued capital					Share premium account RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	
	Notes	Ordinary shares RMB'000	Class A convertible preference shares RMB'000	Class B convertible preference shares RMB'000	Perpetual convertible bond securities RMB'000						
At 1 January 2021	7,828	1,329	7,575	945,572	3,169,418	54,564	756,911	4,943,197	53,933	4,997,130	
(Loss)/profit for the period	-	-	-	-	-	-	(19,803)	(19,803)	354	(19,449)	
Other comprehensive loss for the period	-	-	-	-	-	7,107	-	7,107	-	7,107	
Total comprehensive (loss)/income for the period	-	-	-	-	-	7,107	(19,803)	(12,696)	354	(12,342)	
Transactions with owners	-	-	-	-	-	-	(45)	-	-	-	
Dividends payable to perpetual convertible bond securities holders	-	-	-	-	45	-	-	-	-	-	
Total transactions with owners	-	-	-	-	45	-	(45)	-	-	-	
At 30 June 2021	7,828	1,329	7,575	945,617	3,169,418	61,671	737,063	4,930,501	54,287	4,984,788	
At 1 January 2020	7,828	1,329	7,575	945,477	3,169,418	29,918	1,077,452	5,238,997	51,176	5,290,173	
(Loss)/profit for the period	-	-	-	-	-	-	(107,978)	(107,978)	1,210	(106,768)	
Other comprehensive loss for the period	-	-	-	-	-	(16,627)	-	(16,627)	-	(16,627)	
Total comprehensive (loss)/income for the period	-	-	-	-	-	(16,627)	(107,978)	(124,605)	1,210	(123,395)	
Transactions with owners	-	-	-	-	-	-	(50)	-	-	-	
Dividends payable to perpetual convertible bond securities holders	-	-	-	-	50	-	-	-	-	-	
Total transactions with owners	-	-	-	-	50	-	(50)	-	-	-	
At 30 June 2020	7,828	1,329	7,575	945,527	3,169,418	13,291	969,424	5,114,392	52,386	5,166,778	

The notes on pages 26 to 62 form an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from/(used in) operations		45,754	(543,451)
Income tax paid		(12,084)	(78,029)
Net cash flows generated from/(used in) operating activities		33,670	(621,480)
Cash flows from investing activities			
Interests received from deposits		415	47
Purchases of property, plant and equipment	13	(15,405)	(2,465)
Additions of long-term prepaid expenses		(15,107)	(10,122)
Additions of investment properties		(314,340)	(435,536)
Purchases of intangible assets		(7,682)	(6,678)
Investment in a joint venture		(10,000)	(6,630)
Amounts repaid from related parties		–	134
Amounts received from government repurchase of land use rights		60,000	–
Interest received from a third party		–	1,600
Net cash flows used in investing activities		(302,119)	(459,650)
Cash flows from financing activities			
Repayments of bank borrowings		(1,930,976)	(15,500)
Interests paid to bank and other borrowings		(109,570)	(122,745)
New bank and other borrowings		1,163,700	814,000
Loan from a related party (Note 30(g))		1,500,000	–
Loans paid to a related party (Note 30(g))		(300,000)	–
Interests paid for guaranteed notes		(36,274)	(62,772)
Cash settlement of hedging instrument		(45,493)	(19,865)
Principal elements of lease payments		(3,986)	(4,218)
Senior class asset-backed securities scheme		2,586,200	–
Net cash flows generated from financing activities		2,823,601	588,900
Net increase/(decrease) in cash and cash equivalents		2,555,152	(492,230)
Cash and cash equivalents at beginning of the period		840,441	2,151,926
Exchange (losses)/gains on cash and cash equivalents		(65)	283
Cash and cash equivalents at end of the period		3,395,528	1,659,979

The notes on pages 26 to 62 form an integral part of this interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

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

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

2 BASIS OF PREPARATION

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

As at 30 June 2021, the current liabilities of the Group exceeded its current assets by approximately RMB465 million primarily due to the reason that approximately RMB2,599 million guaranteed notes (Note 22) will expire on 2 August 2021. In response to this situation, the Group has obtained approximately RMB1,980 million long-term borrowings in July 2021 and has fully repaid the guaranteed notes on 2 August 2021. Up to the date of this report, the current liabilities of the Group no longer exceed its current assets.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

4 ESTIMATES

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

In preparing the condensed consolidated interim financial information, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

5 FINANCIAL RISK MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other financial institution borrowings, guaranteed notes, senior class asset-backed securities scheme and cash and cash equivalents.

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

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Foreign exchange risk

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

The Group uses structured cross currency swaps to manage its foreign exchange risk arising from US\$-denominated floating rate guaranteed note amounting to US\$400,000,000. The Group seeks to apply, wherever possible, hedge accounting to present its financial statements in accordance with the economic purpose of the hedging activity. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms and performing a quantitative assessment as needed. As a result, the Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned, the hedging instruments have a one-to-one hedge ratio with the hedged items. In view of the nature of the hedging activities, no significant ineffectiveness is expected at inception.

	30 June 2021 RMB'000	31 December 2020 RMB'000
Assets		
HKD	524	946
USD	1,699	1,819
	2,223	2,765
Liabilities		
USD	2,585,071	2,599,504

As at 30 June 2021, if RMB had weakened/strengthened by 10% against HKD/USD with all other variable held constant, profit before tax for the year of the Group would have been RMB222,000 higher/lower (31 December 2020: RMB277,000 higher/lower).

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Net foreign exchange gain included in other gains-net	142	250
Total net foreign exchange gains recognised in profit before income tax for the period	142	250

NOTES TO THE INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest rate risk

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

The interest rate risk of US\$-denominated floating rate guaranteed note was managed by the use of structured cross currency interest rate swaps.

As at 30 June 2021, if interest rates on bank borrowings had been 50 basis points higher/lower with all other variables held constant, profit before tax for the year would have been RMB12,210,000 (31 December 2020: RMB8,546,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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

	30 June 2021 RMB'000	% of total loans	31 December 2020 RMB'000	% of total loans
Floating rate guaranteed note	2,585,071	35%	2,599,504	38%
Variable rate borrowings	2,442,020	34%	1,709,296	25%
Fixed rate borrowings – repricing or maturity dates:				
Less than 1 year	1,200,000	16%	1,595,140	23%
1 – 5 years	1,095,140	15%	1,000,000	14%
	7,322,231	100%	6,903,940	100%

(c) Credit risk

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

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

Cash and cash equivalents

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

Trade and other receivables (excluding prepayments)

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables (excluding prepayments).

The expected loss rates are based on the payment profiles over a period of 36 months before 30 June 2021 or 1 January 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

NOTES TO THE INTERIM FINANCIAL INFORMATION

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

Trade and other receivables (excluding prepayments) (Continued)

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

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

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

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

	Individual provision for impairment	Group provision for impairment	Total
Carrying amount of trade and other receivables	5,197	670,359	675,556
Expected credit loss rate	100%	0%	1%
Loss allowance	5,197	–	5,197
Other receivables, net	–	670,359	670,359

NOTES TO THE INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk

The Group's policies are to maintain sufficient cash and cash equivalents and to have available funding through senior class asset-backed securities scheme, bank and other financial institution borrowings and guaranteed notes to meet its working capital requirements.

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

	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 30 June 2021 (Unaudited)				
Trade payables	1,883,848	–	–	1,883,848
Other payables and accruals	553,482	5,983,800	–	6,537,282
Borrowings	1,905,898	3,055,649	717,161	5,678,708
Guaranteed notes	2,634,983	–	–	2,634,983
Lease liabilities	6,983	9,234	–	16,217
	6,985,194	9,048,683	717,161	16,751,038
At 31 December 2020 (Audited)				
Trade payables	2,066,591	–	–	2,066,591
Other payables and accruals	403,987	3,121,200	–	3,525,187
Borrowings	2,084,925	2,257,494	717,699	5,060,118
Guaranteed notes	2,650,038	–	–	2,650,038
Lease liabilities	6,821	12,770	–	19,591
	7,212,362	5,391,464	717,699	13,321,525

The amounts have not included financial guarantee contracts:

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

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

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

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

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Total borrowings (Note 21)	4,737,160	4,304,436
Guaranteed notes (including accrued interests payables) (Note 22)	2,598,643	2,612,936
Senior class asset-backed securities scheme (including accrued interests payables) (Note 23)	5,365,148	2,696,341
Lease liabilities	16,217	19,591
	12,717,168	9,633,304
Less: Cash and cash equivalents	(3,395,528)	(840,441)
Restricted cash	(14,235)	(14,345)
Net debt	9,307,405	8,778,518
Total equity	4,984,788	4,997,130
Gearing ratio	187%	176%

The change of net gearing ratio was primarily due to the increase in net debt of the Group during the period ended 30 June 2021.

NOTES TO THE INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 FAIR VALUE ESTIMATION

The table below analyses the Group's assets and liabilities carried at fair value as at 30 June 2021 and 31 December 2020, by valuation method. The different levels have been defined as follows:

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2021 (Unaudited)				
Non-financial assets				
Investment properties	–	–	11,838,904	11,838,904
Financial instruments				
Cross currency interest rate swap	–	(173,113)	–	(173,113)
As at 31 December 2020 (Audited)				
Non-financial assets				
Investment properties	–	–	11,716,904	11,716,904
Financial instruments				
Cross currency interest rate swap	–	(166,805)	–	(166,805)

There were no transfers among level 1, 2 and 3 during the period.

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

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

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

	Carrying amounts		Fair values	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial liabilities				
Interest-bearing other financial institution borrowings	3,095,140	2,595,140	3,124,034	2,621,371
Senior class asset-backed securities scheme	5,365,148	2,696,341	5,418,794	2,751,202

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

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

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 OPERATING SEGMENT INFORMATION

The members of the Board of Directors (the “Directors”) are the Group’s chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Directors for the purposes of allocating resources and assessing performance.

The Directors consider the business from a product perspective. Management separately considers the performance of property development, investment property development and operation and sale of merchandise inventories. The segment of property development derives its revenue primarily from sale of completed properties. The segments of investment property development and operation derive their revenue primarily from rental income. The segment of sale of merchandise inventories derives its revenue primarily from sale of merchandise inventories.

These operations of other segments are excluded from the reportable operating segments, as these operations are not the key concern of the Directors. The results of these operations are included in the “All other segments”.

The Directors assess the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Share of losses of investments accounted for using the equity method, interest income and finance costs are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. Other information provided to the Directors, except as noted below, is measured in a manner consistent with that in the interim financial information.

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 OPERATING SEGMENT INFORMATION (CONTINUED)

	Property development RMB'000	Investment property development and operation RMB'000	Sale of merchandise inventories RMB'000	All other segments RMB'000	Total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Six months ended 30 June 2021 (Unaudited)							
Total revenue	86,238	450,099	146,574	-	682,911	-	682,911
Inter-segment revenue	-	-	-	-	-	-	-
Revenue (from external customers)	86,238	450,099	146,574	-	682,911	-	682,911
Segment operating profit/(loss)	47,243	300,195	15,300	(59,316)	303,422	-	303,422
Depreciation and amortisation (Note 8)	-	(35,635)	(2,685)	-	(38,320)	-	(38,320)
Income tax expenses (Note 10)	(21,369)	(68,820)	-	(4)	(90,193)	-	(90,193)
Six months ended 30 June 2020 (Unaudited)							
Total revenue	75,412	232,891	86,322	-	394,625	-	394,625
Inter-segment revenue	-	(690)	-	-	(690)	-	(690)
Revenue (from external customers)	75,412	232,201	86,322	-	393,935	-	393,935
Segment operating profit/(loss)	13,947	229,858	11,840	(65,745)	189,900	-	189,900
Depreciation and amortisation (Note 8)	(177)	(34,349)	(3,633)	-	(38,159)	-	(38,159)
Income tax expenses (Note 10)	(10,305)	(65,715)	-	-	(76,020)	-	(76,020)

- (i) No revenue from contracts with customers is recognised over time in property development segment (2020: nil).

	Property development RMB'000	Investment property development and operation RMB'000	Sale of merchandise inventories RMB'000	All other segments RMB'000	Total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
As at 30 June 2021 (Unaudited)							
Total segment assets	3,616,274	17,281,919	826,212	10,154,766	31,879,171	(14,388,353)	17,490,818
Total segment liabilities	(969,736)	(10,897,030)	(1,218,650)	(3,834,200)	(16,919,616)	14,388,353	(2,531,263)
As at 31 December 2020 (Audited)							
Total segment assets	3,054,959	16,605,273	723,948	10,244,027	30,628,207	(13,549,311)	17,078,896
Total segment liabilities	(929,330)	(8,655,787)	(1,572,523)	(5,084,904)	(16,242,544)	13,549,311	(2,693,233)

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 OPERATING SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Segment operating profit	303,422	189,900
Share of losses of investments accounted for using the equity method (Note 17)	(1,956)	(1,455)
Interest income (Note 7)	5,877	10,226
Finance costs (Note 9)	(236,599)	(229,419)
Profit/(loss) before income tax	70,744	(30,748)

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Total segment assets	17,490,818	17,078,896
Cash and cash equivalents	3,395,528	840,441
Restricted cash	14,235	14,345
Deferred income tax assets	21,232	34,936
Investments accounted for using the equity method (Note 17)	281,163	273,119
Amounts due from related parties (Note 30(e))	71,016	71,016
Total assets per interim condensed consolidated statement of financial position	21,273,992	18,312,753
Total segment liabilities	(2,531,263)	(2,693,233)
Borrowings (Note 21)	(4,737,160)	(4,304,436)
Guaranteed notes (Note 22)	(2,598,643)	(2,612,936)
Amounts due to related parties (Note 30(f))	(118,225)	(118,225)
Deferred income tax liabilities	(765,652)	(723,647)
Senior class asset-backed securities scheme (Note 23)	(5,365,148)	(2,696,341)
Derivative financial liabilities	(173,113)	(166,805)
Total liabilities per interim condensed consolidated statement of financial position	(16,289,204)	(13,315,623)

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 OPERATING SEGMENT INFORMATION (CONTINUED)**(C)** Assets and liabilities related to contracts with customers:

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

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

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

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

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

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

8 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cost of properties sold	42,330	56,503
Cost of goods sold	127,462	71,399
Depreciation charge of right-of-use assets	3,545	4,106
Depreciation and amortisation	38,320	38,159
Employee benefit expenses	116,930	138,374
– Wages, salaries and staff welfare	84,351	118,936
– Pension scheme contributions	2,266	2,741
– Other allowance and benefits	30,313	16,697
Office and traveling expenses	7,969	23,141
Consultancy fee	8,198	5,101
Property management fee	98,379	79,039
Advertising and marketing	35,861	49,569
Service fee for keepwell deed (Note 30(b))	4,060	4,060
Business taxes and other surcharges	39,896	38,316
Others	10,181	11,634
	533,131	519,401

NOTES TO THE INTERIM FINANCIAL INFORMATION

9 FINANCE COSTS

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

10 INCOME TAX EXPENSES

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

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

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

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

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

11 DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

NOTES TO THE INTERIM FINANCIAL INFORMATION

12 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

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

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture fixtures and equipment RMB'000	Motor vehicles and others RMB'000	Total RMB'000
For the six months ended 30 June 2021 (Unaudited)				
At 1 January 2021	131,352	19,569	1,304	152,225
Additions	–	15,354	51	15,405
Disposals	–	–	(17)	(17)
Depreciation provided during the period	(2,004)	(5,774)	(219)	(7,997)
At 30 June 2021	129,348	29,149	1,119	159,616
For the six months ended 30 June 2020 (Unaudited)				
At 1 January 2020	1,968	27,628	1,842	31,438
Additions	–	2,465	–	2,465
Transfer from investment property	120,874	–	–	120,874
Disposals	–	(10)	–	(10)
Depreciation provided during the period	(1,851)	(6,909)	(321)	(9,081)
At 30 June 2020	120,991	23,174	1,521	145,686

NOTES TO THE INTERIM FINANCIAL INFORMATION

14 LONG-TERM PREPAID EXPENSES

	Prepaid decoration expenses RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2021 (Unaudited)			
At 1 January 2021	86,397	28,631	115,028
Additions	3,756	11,351	15,107
Amortisation provided during the period	(21,985)	(7,497)	(29,482)
At 30 June 2021	68,168	32,485	100,653
Six months ended 30 June 2020 (Unaudited)			
At 1 January 2020	126,187	22,184	148,371
Additions	2,617	7,505	10,122
Amortisation provided during the period	(25,290)	(7,008)	(32,290)
At 30 June 2020	103,514	22,681	126,195

15 INVESTMENT PROPERTIES

(A) INVESTMENT PROPERTIES UNDER CONSTRUCTION

	Cost RMB'000
Six months ended 30 June 2021 (Unaudited)	
At 1 January 2021	1,940,385
Additions	401,535
At 30 June 2021	2,341,920
Six months ended 30 June 2020 (Unaudited)	
At 1 January 2020	1,887,432
Additions	311,716
At 30 June 2020	2,199,148

NOTES TO THE INTERIM FINANCIAL INFORMATION

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
At 1 January	11,716,904	10,694,300
Other adjustments (i)	(1,716)	(11,280)
Net gains from fair value adjustment	123,716	304,980
Transfer to property, plant and equipment	–	(120,874)
At 30 June	11,838,904	10,867,126

- (i) For the period ended 30 June 2021, due to cost settlement, the Group has adjusted investment properties of RMB1,716,000 (period ended 30 June 2020:RMB11,280,000).

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

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net gains from fair value adjustment	123,716	304,980
Rental income from leases	450,099	232,201
Direct operating expenses from investment properties that generated rental income	(4,773)	(4,878)
Direct operating expenses from investment properties that did not generate rental income	(92)	(98)

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

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

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

Information about fair value measurements using significant unobservable inputs:

Investment Properties	Fair value as at 30 June 2021 (Unaudited) RMB'000	Valuation techniques	Unobservable inputs		
			Title	Range	Relationship of unobservable inputs to fair value
Central region	7,323,369	Income capitalisation approach	Discount rate	4% to 7%	The higher discount rate is, the lower fair value
			Market rental price	RMB28 to RMB156 per square meter per month	The higher market rental price is, the higher fair value
North region	3,665,757	Income capitalisation approach	Discount rate	4.5% to 7%	The higher discount rate is, the lower fair value
			Market rental price	RMB50 to RMB282 per square meter per month	The higher market rental price is, the higher fair value
South region	849,778	Income capitalisation approach	Discount rate	5.5% to 6.5%	The higher discount rate is, the lower fair value
			Market rental price	RMB44 to RMB124 per square meter per month	The higher market rental price is, the higher fair value

Investment Properties	Fair value as at 31 December 2020 (Audited) RMB'000	Valuation techniques	Unobservable inputs		
			Title	Range	Relationship of unobservable inputs to fair value
Central region	7,226,369	Income capitalisation approach	Discount rate	4% to 7%	The higher discount rate is, the lower fair value
			Market rental price	RMB29 to RMB155 per square meter per month	The higher market rental price is, the higher fair value
North region	3,640,757	Income capitalisation approach	Discount rate	4% to 7%	The higher discount rate is, the lower fair value
			Market rental price	RMB50 to RMB280 per square meter per month	The higher market rental price is, the higher fair value
South region	849,778	Income capitalisation approach	Discount rate	5.5% to 6.5%	The higher discount rate is, the lower fair value
			Market rental price	RMB44 to RMB122 per square meter per month	The higher market rental price is, the higher fair value

NOTES TO THE INTERIM FINANCIAL INFORMATION

16 INTANGIBLE ASSETS

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
At 1 January	26,674	17,291
Additions	7,682	6,678
Amortisation charge	(1,111)	(1,077)
At 30 June	33,245	22,892

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

17.1 INVESTMENTS IN JOINT VENTURES

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
At 1 January	249,590	236,907
Capital injection	10,000	6,630
Share of losses	(2,918)	(626)
At 30 June	256,672	242,911

17.2 INVESTMENTS IN AN ASSOCIATE

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
At 1 January	23,529	24,782
Share of gains/(losses)	962	(829)
At 30 June	24,491	23,953

NOTES TO THE INTERIM FINANCIAL INFORMATION

18 DERIVATIVE FINANCIAL LIABILITIES

The Group has the following derivative financial instruments:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cash flow hedges		
Cross currency interest rate swaps (i)	(173,113)	(166,805)

- (i) On 6 August 2018, Trade Horizon entered into a cross currency interest rate swaps (“CCIRS”) to hedge the US\$/Chinese Yuan (“CNY”) exchange risk and the interest rate risk arising from the US\$-denominated floating rate Notes issued on 2 August 2018. According to the contract of the CCIRS, the Group receives US\$ floating rate interest and pays CNY fixed rate interest, and receives US\$ notional amount and pays CNY equivalent of the notional amount at the strike rate (strike rate varies if the spot rate on the maturity date is above higher cap strike or below the lower cap strike). The CCIRS meets the criteria to apply hedging accounting in accordance with the Group’s economic purpose of the hedging activities.

(ii) FAIR VALUE MEASUREMENT

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

18 DERIVATIVE FINANCIAL LIABILITIES (CONTINUED)

(iii) HEDGING RESERVES

	Cash flow hedge reserve RMB'000	Costs of hedging reserves RMB'000	Total RMB'000
At 31 December 2020 (Audited)	(43,493)	35,260	(8,233)
Other comprehensive loss			
Cash flow hedges			
Net fair value losses	(20,499)	–	(20,499)
Reclassification to profit or loss	58,020	–	58,020
Total cash flow hedges	37,521	–	37,521
Costs of hedging			
Net fair value gains	–	(31,139)	(31,139)
Amortisation to profit or loss	–	725	725
Total costs of hedging	–	(30,414)	(30,414)
At 30 June 2021 (Unaudited)	(5,972)	4,846	(1,126)
At 31 December 2019 (Audited)	(53,960)	21,081	(32,879)
Other comprehensive loss			
Cash flow hedges			
Net fair value losses	(1,868)	–	(1,868)
Reclassification to profit or loss	(24,213)	–	(24,213)
Total cash flow hedges	(26,081)	–	(26,081)
Costs of hedging			
Net fair value gains	–	8,725	8,725
Amortisation to profit or loss	–	729	729
Total costs of hedging	–	9,454	9,454
At 30 June 2020 (Unaudited)	(80,041)	30,535	(49,506)

NOTES TO THE INTERIM FINANCIAL INFORMATION

18 DERIVATIVE FINANCIAL LIABILITIES (CONTINUED)

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cross currency interest rate swaps		
Carrying amount liabilities	(173,113)	(166,805)
Notional amount	2,744,800	2,744,800
Maturity date	26 July 2021	26 July 2021
Hedge ratio	1:1	1:1
Changes in fair value of the hedging instrument used for measuring effectiveness	(20,499)	(231,746)
Changes in fair value of the hedged item used for measuring effectiveness	20,499	231,746
Strike rate	CNY6.862:US\$1	CNY6.862:US\$1
Higher cap	CNY 7.7: US\$1	CNY 7.7: US\$1
Lower cap	CNY 6.2: US\$1	CNY 6.2: US\$1
US\$ floating interest rate receive leg	3 months US\$- LIBOR+2.575% per annum based on US\$ notional	3 months US\$- LIBOR+2.575% per annum based on US\$ notional
CNY fixed interest rate pay leg	5.925% per annum based on CNY notional	5.925% per annum based on CNY notional

NOTES TO THE INTERIM FINANCIAL INFORMATION

19 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

As at 30 June 2021, included in the trade receivables are balances of RMB2,583,000 (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 (*Note 30(d)*).

NOTES TO THE INTERIM FINANCIAL INFORMATION

20 INVENTORIES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Properties under development	1,113,970	1,162,069
Completed properties held for sale	836,737	781,877
Merchandise inventories	331,951	456,450
Less: impairment of inventories in cost of sales	(19,623)	(19,623)
	2,263,035	2,380,773

21 BORROWINGS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current		
Bank borrowings	3,223,864	2,490,744
Related parties borrowings (Note 30(g))	95,140	95,140
	3,319,004	2,585,884
Current		
Current portion of long-term bank and other financial institution borrowings	148,356	1,648,752
Short-term bank borrowings	69,800	69,800
Related parties borrowings (Note 30(g))	1,200,000	–
	1,418,156	1,718,552
	4,737,160	4,304,436

As at 30 June 2021, bank borrowings amounting to RMB760,200,000 (31 December 2020: RMB718,000,000) were secured by the land use rights and the buildings of properties with carrying amount of RMB1,738,535,000 (31 December 2020: RMB2,765,667,000) and guaranteed by BCL (Note 30(h)).

As at 30 June 2021, bank borrowings amounting to RMB812,020,000 (31 December 2020: RMB604,696,000) were secured by the land use rights of investment properties with carrying amount of RMB847,120,000 (31 December 2020: RMB409,763,000) and guaranteed by BCL (Note 30(h)).

As at 30 June 2021, other financial institution borrowings amounting to RMB1,000,000,000 (31 December 2020: RMB2,500,000,000) were guaranteed by BCL (Note 30(h)).

As at 30 June 2021, related parties borrowings and short-term bank borrowings amounting to RMB1,364,940,000 (31 December 2020: RMB164,940,000) were credit borrowings.

NOTES TO THE INTERIM FINANCIAL INFORMATION

21 BORROWINGS (CONTINUED)

As at 30 June 2021, other financial institution borrowings amounting to RMB800,000,000 (31 December 2020: nil) were guaranteed by Capital Group (Note 30(h)).

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Total borrowings		
– Within 1 year	1,418,156	1,718,552
– Between 1 and 2 years	316,612	212,456
– Between 2 and 5 years	2,348,305	1,752,652
– Over 5 years	654,087	620,776
	4,737,160	4,304,436

(B) All the Group's borrowings are denominated in RMB.

(C) The weighted average effective interest rates at the respective dates of the interim consolidated statement of financial position are set out as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Bank and other borrowings	5.78%	5.72%

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 6 months	2,442,020	3,209,296
Between 6 and 12 months	1,200,000	–
Between 1 and 5 years	1,095,140	1,095,140
	4,737,160	4,304,436

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

22 GUARANTEED NOTES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
As at beginning of the period/year	2,612,936	2,796,677
Interest expenses	39,337	102,497
Interest paid	(36,274)	(104,038)
Exchange rate effect on guaranteed notes	(17,356)	(182,200)
As at end of the period/year	2,598,643	2,612,936
Accrued interests for guaranteed notes, classified as other payables under current liabilities (Note 23)	(13,572)	(13,432)
Less: amounts due within one year	(2,585,071)	(2,599,504)
Non-current portion	-	-

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

23 OTHER PAYABLES AND ACCRUALS

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

23 OTHER PAYABLES AND ACCRUALS (CONTINUED)

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

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

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

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

The total issuance of the scheme was RMB3,268,000,000, including: (i) the Senior Class ABS in the principal amount of RMB2,600,000,000 with a fixed coupon rate of 5.05% per annum and a maturity term of three years, all of which were subscribed by qualified investors (which were Third Parties) and will be listed and tradeable on the Integrated Negotiated Trading Platform of the Shenzhen Stock Exchange; and (ii) the Subordinated Class ABS in the principal amount of RMB668,000,000 with no fixed coupon rate and a maturity term of three years, all of which were subscribed by Hengsheng Huachuang, a wholly-owned subsidiary of the Group. The Subordinated Class ABS will not be listed. It will be treated as equity investment of Hengsheng Huachuang from an accounting perspective and offset in the interim condensed consolidated financial statements of the Group.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

24 TRADE PAYABLES

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

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

As at 30 June 2021, included in the trade payables are trade payables of RMB8,858,000 (31 December 2020: RMB8,266,000) due to related parties which are repayable within 1 year and represented credit terms similar to those offered by the related parties to other major customers (Note 30(d)).

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

25 SHARE CAPITAL

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Authorised:		
Ordinary shares 20,000,000,000 (31 December 2020: 20,000,000,000) ordinary shares of HK\$0.01 each	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 166,976,636 (31 December 2020: 166,976,636) 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

NOTES TO THE INTERIM FINANCIAL INFORMATION

26 CPS

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

CLASS A CPS

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

CLASS B CPS

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

27 PCBS

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

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

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

As at 30 June 2021, the Group has accrued interest amounting to RMB420,000 (31 December 2020: RMB375,000).

28 COMMITMENTS

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

29 FINANCIAL GUARANTEES

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

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

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

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

30 RELATED PARTY TRANSACTIONS

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

(A) PROVISION OF SERVICES

	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Provision of services		
– Project management services for a subsidiary of BCL	1,200	1,200

NOTES TO THE INTERIM FINANCIAL INFORMATION

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(B) PURCHASES OF SERVICES

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Purchases of services		
– Rental expense to BCL	832	913
– Service fee for keepwell deed to Capital Group (i)	4,060	4,060
– Rental expense to a joint venture of BCL	–	3,796
– Rental expense to a fellow subsidiary	3,986	–
– Property Management of a fellow subsidiary	13,874	2,695
	22,752	11,464

- (i) Capital Group provide keepwell and liquidity support deed and the deed of equity interest purchase undertaking to the Group for the issuance of US\$400,000,000 guaranteed notes, the Group would pay Capital Group with an amount of 0.3% of the issued aggregate principal, amounted to US\$1,200,000 (equivalent to RMB8,119,000) per annum. The Group recorded administrative expenses amounting to RMB4,060,000 during the current period. The service fee fall within the exemption for connected transactions pursuant to Rule14A.90 of the Listing Rules.

(C) KEY MANAGEMENT COMPENSATION

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Salaries, allowances and benefits in kinds	4,574	5,384
Pension scheme contributions	285	272
	4,859	5,656

NOTES TO THE INTERIM FINANCIAL INFORMATION

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(D) PERIOD-END BALANCES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Prepayments to related parties		
– Capital Group	646	4,555
– Fellow subsidiaries	438	469
	1,084	5,024
Trade receivables due from related parties		
– Fellow subsidiaries	2,583	6,003
Other receivables due from related parties		
– Fellow subsidiaries	2,017	3,175
– An associate of BCL	76	193
	2,093	3,368
Trade payables		
– Fellow subsidiaries	8,858	8,266
Other payables and accruals due to related parties		
– BCL	7,307	6,947

(E) AMOUNTS DUE FROM RELATED PARTIES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
An associate of the Group	68,999	68,999
A joint venture of the Group	2,017	2,017
	71,016	71,016

Amounts due from related parties were unsecured, interest free and repayable on demand.

NOTES TO THE INTERIM FINANCIAL INFORMATION

30 RELATED PARTY TRANSACTIONS (CONTINUED)**(F) AMOUNTS DUE TO RELATED PARTIES**

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-controlling interests	118,225	118,225

Amounts due to related parties were unsecured, interest free and repayable on demand.

(G) LOANS FROM RELATED PARTIES

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Loans from BCL		
Beginning of the period	96,347	–
Loans advanced during the period	1,500,000	95,140
Repayments during the period	(300,000)	–
Interest charged	16,027	1,207
End of period	1,312,374	96,347

As at 30 June 2021, short-term borrowing from BCL amounted to RMB 1,200,000,000 (31 December 2020: Nil), which is due on 24 March 2022, and the interest rate is 4.35%; long-term borrowing from BCL amounted to RMB 95,140,000 (31 December 2020: RMB 95,140,000), which is due on 20 April 2023, and the interest rate is 4.35%.

- (H)** As at 30 June 2021, BCL provided irrevocable guarantee for the bank and other financial institution borrowings of the Group amounted to RMB 2,572,220,000 (31 December 2020: RMB 3,822,696,000)(Note 21).

As at 30 June 2021, Capital Group provided irrevocable guarantee for the other financial institution borrowings of the Group amounted to RMB800,000,000 (31 December 2020: nil) (Note 21).

31 SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

In July 2021, the Group has obtained approximately RMB1,980 million long-term borrowings. On 2 August 2021, the Group has repaid USD400 million guaranteed notes(Note 22) with the floating rate.