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CAPITAL  GRAND

BEIJING CAPITAL GRAND LIMITED

首創鉅大有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1329)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board of directors (the “**Board**” or the “**Directors**”) of Beijing Capital Grand Limited (the “**Company**”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022, together with comparative amounts for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

		Year ended 31 December	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
Revenue	4,5	1,124,138	1,341,049
Cost of sales	6	<u>(650,304)</u>	<u>(702,095)</u>
Gross profit		<u>473,834</u>	<u>638,954</u>
Other gains – net	5	85,738	191,543
Other income	5	27,522	39,933
Selling and marketing expenses	6	(93,164)	(137,994)
Administrative expenses	6	<u>(262,176)</u>	<u>(269,665)</u>
Operating profit		<u>231,754</u>	<u>462,771</u>
Finance costs	7	(509,225)	(502,962)
Share of losses of investments accounted for using the equity method		<u>(10,480)</u>	<u>(5,954)</u>
Loss before income tax		<u>(287,951)</u>	<u>(46,145)</u>
Income tax expenses	8	<u>(105,318)</u>	<u>(177,802)</u>
Loss for the year		<u>(393,269)</u>	<u>(223,947)</u>
Attributable to:			
– Owners of the Company		(393,288)	(224,346)
– Non-controlling interests		<u>19</u>	<u>399</u>
Loss per share attributable to owners of the Company during the year			
Basic loss per share (RMB)		<u>(0.15)</u>	<u>(0.09)</u>
Diluted loss per share (RMB)		<u>(0.15)</u>	<u>(0.09)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022

		As at	
		31 December 2022	31 December 2021
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		182,827	183,081
Right-of-use assets		10,694	13,943
Long-term prepaid expenses		65,704	89,946
Investment properties		14,725,509	14,495,835
Intangible assets and lease prepayment		34,555	34,468
Investments accounted for using the equity method		299,185	287,665
Deferred income tax assets		–	7,155
Derivative financial assets		105,386	8,016
Trade and other receivables and prepayments	11	28,923	35,644
Total non-current assets		15,452,783	15,155,753
Current assets			
Inventories		2,690,328	2,434,757
Incremental costs of obtaining a contract		7,787	4,195
Trade and other receivables and prepayments	11	449,030	637,659
Restricted cash		72,705	84,959
Cash and cash equivalents		1,137,660	719,349
Total current assets		4,357,510	3,880,919
Total assets		19,810,293	19,036,672
LIABILITIES			
Non-current liabilities			
Borrowings		4,630,476	5,066,491
Lease liabilities		8,735	5,618
Other payables and accruals	12	5,959,018	5,286,574
Deferred income tax liabilities		903,898	814,604
Total non-current liabilities		11,502,127	11,173,287

		As at	
		31 December 2022	31 December 2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Current liabilities			
Trade payables	<i>13</i>	1,835,198	2,010,926
Other payables and accruals	<i>12</i>	363,653	377,186
Contract liabilities		319,165	202,048
Borrowings		1,314,301	395,645
Lease liabilities		2,861	7,152
Current income tax liabilities		79,513	80,375
		<hr/>	<hr/>
Total current liabilities		3,914,691	3,073,332
		<hr/>	<hr/>
Total liabilities		15,416,818	14,246,619
		<hr/>	<hr/>
Net current assets		442,819	807,587
		<hr/>	<hr/>
Total assets less current liabilities		15,895,602	15,963,340
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>14</i>	16,732	16,732
Perpetual convertible bond securities		945,755	945,661
Reserves		3,237,543	3,240,852
Retained earnings		139,094	532,476
		<hr/>	<hr/>
		4,339,124	4,735,721
		<hr/>	<hr/>
Non-controlling interests		54,351	54,332
		<hr/>	<hr/>
Total equity		4,393,475	4,790,053
		<hr/>	<hr/>
Total equity and liabilities		19,810,293	19,036,672
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE AND GROUP INFORMATION

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

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

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

Unless otherwise stated, the consolidated financial statements are presented in Renminbi (“**RMB**”). The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

2 BASIS OF PREPARATION

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

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

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

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(i) New and amended standards adopted by the Group

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

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

The Group also elected to adopt the following amendments early:

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

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

(ii) New standards and interpretations not yet adopted

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

4 OPERATING SEGMENT INFORMATION

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

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

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

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

Total segment assets exclude cash and cash equivalents, restricted cash, amounts due from related parties, deferred income tax assets, investments accounted for using the equity method and derivative financial assets, all of which are managed on a central basis. Total segment liabilities exclude borrowings, amounts due to non-controlling interests, deferred income tax liabilities, China Life Investment-BCG Outlets First Stage Asset Support Scheme ("**Outlets Scheme**") and Asset-backed Securities Scheme, senior class, all of which are managed on a central basis as well. These are part of the reconciliation to total assets and liabilities of the consolidated statement of financial position.

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

	Property development <i>RMB'000</i>	Investment property development and operation <i>RMB'000</i>	Sale of merchandise inventories <i>RMB'000</i>	Other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2022					
Total revenue	46,737	868,372	210,566	-	1,125,675
Inter-segment revenue	-	(1,537)	-	-	(1,537)
Revenue (from external customers)(i)	46,737	866,835	210,566	-	1,124,138
Segment operating profit/(loss)	(29,160)	335,333	6,880	(77,726)	235,327
Depreciation and amortisation (<i>Note 6</i>)	(114)	(54,659)	(4,853)	-	(59,626)
Income tax expenses (<i>Note 8</i>)	4,006	(109,312)	-	(12)	(105,318)

	Property development RMB'000	Investment property development and operation RMB'000	Sale of merchandise inventories RMB'000	Other segments RMB'000	Total RMB'000
Year ended 31 December 2021					
Total revenue	148,161	916,152	278,800	–	1,343,113
Inter-segment revenue	–	(2,064)	–	–	(2,064)
Revenue (from external customers)(i)	148,161	914,088	278,800	–	1,341,049
Segment operating profit/(loss)	63,305	430,634	28,384	(73,166)	449,157
Depreciation and amortisation (Note 6)	(3)	(69,393)	(4,070)	–	(73,466)
Income tax expenses (Note 8)	(30,876)	(146,923)	–	(3)	(177,802)

- (i) For the years ended 31 December 2022 and 2021, the Group derives all revenue from contracts with customers at a point in time in property development segment and sale of merchandise inventories segment.

	Property development RMB'000	Investment property development and operation RMB'000	Sale of merchandise inventories RMB'000	Other segments RMB'000	Total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
As at 31 December 2022							
Total segment assets	4,406,321	19,657,627	551,888	6,770,219	31,386,055	(13,264,439)	18,121,616
Total segment liabilities	(992,968)	(8,310,869)	(1,248,093)	(5,202,045)	(15,753,975)	13,264,439	(2,489,536)
As at 31 December 2021							
Total segment assets	4,542,139	17,514,322	685,826	6,249,241	28,991,528	(11,133,116)	17,858,412
Total segment liabilities	(1,149,836)	(7,012,877)	(1,032,557)	(4,502,926)	(13,698,196)	11,133,116	(2,565,080)

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

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

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Total segment assets	18,121,616	17,858,412
Cash and cash equivalents	1,137,660	719,349
Restricted cash	72,705	84,959
Deferred income tax assets	–	7,155
Investments accounted for using the equity method	299,185	287,665
Amounts due from related parties	73,741	71,116
Derivative financial assets	105,386	8,016
Total assets per consolidated statement of financial position	19,810,293	19,036,672
Total segment liabilities	2,489,536	2,565,080
Borrowings	5,944,777	5,462,136
Amounts due to non-controlling interests (Note 12)	118,225	118,225
Deferred income tax liabilities	903,898	814,604
Asset-backed Securities Scheme, senior class	5,292,270	5,286,574
Outlets Scheme	668,112	–
Total liabilities per consolidated statement of financial position	15,416,818	14,246,619

Assets and liabilities related to contracts with customers:

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

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

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

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

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

5 REVENUE, OTHER GAINS-NET AND OTHER INCOME

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

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

6 EXPENSES BY NATURE

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

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

(i) For the year ended 31 December 2022, an adjustment of RMB15,069,000 was made to the cost of properties sold upon final agreement of the actual overall construction costs with the relevant contractors (2021: Nil).

7 FINANCE COSTS

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

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

8 INCOME TAX EXPENSES

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

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

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

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

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

9 DIVIDENDS

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

10 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Loss attributable to owners of the Company	(393,288)	(224,346)
Excluding: loss attributable to the holders of convertible preference shares (the "CPS") and perpetual convertible bonds securities (the "PCBS")	<u>244,817</u>	<u>139,628</u>
Loss attributable to ordinary shareholders of the Company used in the basic and diluted loss per share calculation	<u>(148,471)</u>	<u>(84,718)</u>
	Shares	Shares
Weighted average number of ordinary shares	<u>961,538,462</u>	<u>961,538,462</u>

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

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

As at 31 December 2022, there are trade receivables amounted to RMB846,000 (31 December 2021: RMB6,723,000) due from related parties.

12 OTHER PAYABLES AND ACCRUALS

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

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

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

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

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

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

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

As at 31 December 2022, the Outlets Scheme was issued with a principal of RMB670,000,000 at a fixed coupon rate of 4.85% per annum and a maturity term of three years maturing on 27 April 2025, all of which were held by China Life Investment Management Company Limited.

13 TRADE PAYABLES

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

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

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

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

14 SHARE CAPITAL

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

(a) Class A CPS

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

- (i) The Class A CPS is non-redeemable with no maturity.
- (ii) Each Class A CPS is convertible by its holders into one ordinary share of the Company of HK\$0.01 each at nil consideration, at any time after issuance, provided that they may not exercise the conversion rights as to such number the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules.
- (iii) Each Class A CPS shall confer on the holder thereof the right to receive any dividend *pari passu* with holders of ordinary shares on the basis of the number of ordinary share(s) into which each Class A CPS may be converted on an as converted basis.
- (iv) The Class A CPS shall not confer on its holder thereof the right to vote at a general meeting of the Company, unless a resolution is to be proposed for winding-up the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the holders of Class A CPS.
- (v) On a distribution of assets on liquidation, winding-up or dissolution of the Company, the assets and funds of the Company shall, subject to applicable laws, firstly pay to the Class A and Class B CPS holders, *pari passu* as between themselves, an amount equal to the aggregate nominal amounts of the Class A and Class B CPS.

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

(b) Class B CPS

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

- (i) The Class B CPS is non-redeemable with no maturity.
- (ii) Each Class B CPS is convertible by its holders into one ordinary share of the Company of HK\$0.01 each at nil consideration, at any time after issuance, provided that they may not exercise the conversion rights as to such number the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules.
- (iii) Each Class B CPS shall confer on the holder thereof the right to receive any dividend *pari passu* with holders of ordinary shares on the basis of the number of ordinary share(s) into which each Class B CPS may be converted on an as converted basis.
- (iv) Each Class B CPS shall confer on its holder the right to receive a preferred distribution (“**Preferred Distribution**”) from the date of the issue at a rate of 0.01% per annum on the issue price, payable annually in arrears. The Preferred Distribution is non-cumulative, and the Company may, in its sole discretion, elect to defer or not to pay the Preferred Distribution. During the year, the Company did not pay any Preferred Distribution (2021: Nil). As at 31 December 2022, there was no Preferred Distribution deferred and payable by the Company (2021: Nil).

- (v) The Class B CPS shall not confer on its holder thereof the right to vote at a general meeting of the Company, unless a resolution is to be proposed for winding-up the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the holders of Class B CPS.
- (vi) On a distribution of assets on liquidation, winding-up or dissolution of the Company, the assets and funds of the Company shall, subject to applicable laws, firstly pay to the Class A and Class B CPS holders, pari passu as between themselves, an amount equal to the aggregate nominal amounts of the Class A and Class B CPS.

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

16 PCBS

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

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

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

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

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

17 COMMITMENTS

The Group had the following capital commitments:

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

18 FINANCIAL GUARANTEES

The Group had the following financial guarantees:

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

As at 31 December 2022 and 2021, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon occurrence default on mortgage repayments by these purchasers during the guarantee period, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interests and penalties due by the defaulted purchasers to the banks. At the same time, the Group is entitled to take over the legal title and possession of the related properties. The guarantee period of the Group commences on the grant date of the relevant mortgage and terminates on obtaining the "property title certificate" by the property purchasers.

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2022 have been agreed upon by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary results announcement.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year (year ended 31 December 2021: Nil).

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held on or about 9 May 2023 and the notice of 2022 AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

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

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

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

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

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

BUSINESS REVIEW

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

- In terms of both scope and duration, the impact of COVID-19 pandemic in 2022 was far greater than that of last year. A number of the Group's Outlets have experienced various degrees of store closures. In particular, the Outlets in Beijing, Kunshan, Zhengzhou, Nanchang and Qingdao were closed for more than 40 days, which seriously affected the visitor flow and sales of the Outlets, and the traditional sales cycle was frequently disrupted;
- For the year of 2022, there were 39.07 million store visits, representing a decrease of approximately 20% as compared to the same period last year. The Outlets of the Group proactively adopted measures to soften the adverse impact of the epidemic and, whilst implementing safety measures for the COVID-19 pandemic, strengthened marketing innovation, paid close attention to product and discount management, tapped the potential of in-store customers, increased the rate of consecutive orders and associated purchase, and, in particular, seized the opportunity arising from the stabilization of the pandemic and the reopening after pandemic, and strengthen the unified marketing. As a result, we achieved a phased recovery of sales results to a certain extent. The Group achieved sales of RMB8,198 million for the year, representing a decrease of approximately 18% as compared with the same period last year;
- During the period, the Group worked together with the tenants and stepped up efforts to assist operations, and boosted the cooperation and confidence of the tenants with a total rent reduction of approximately RMB35 million.

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

- Continuing to enrich its own IP unified marketing activities, relying on a series of IP activities such as “Come Together to Capital Outlets and Celebrate each Festival (來首創奧萊過節)”, “Members' Super Discount Day (會員超惠日)”, “BOSS Live-streaming (BOSS直播)”, “Come Together to Capital Outlets for the Mid-Autumn Festival (來首創奧萊過中秋好物節)”, “Super Joint Celebration (超級聯慶)”, “Shopping with Alacrity in 7-day National Day at Outlets (國慶7天萊爽購)” and “Double 11 Super Sold-Out with Fearless Price Comparison (雙十一超級售罄無懼比價)” to effectively increase the visitor flow;
- Making full use of private traffic to carry out the marketing campaign of “E-commerce and Livestreaming of Quality Goods in Twelve Capital Outlets (首創十二城 超品帶貨 全民直播)” to drive private traffic for purchases and drive online sales of partner brands; carrying out livestreaming promotion for various types of card coupons and pre-stocked sales to lock in customers in advance, promote the conversion of marketing campaigns and achieve the sales breakthrough;
- Innovating marketing methods and approaches, significantly reducing ineffective investment and fully mobilizing the enthusiasm and participation of tenants to realize the benefit sharing and cost sharing with brand tenants.

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

- During the period, the Group completed the renewal and upgrade of the membership system, established new member benefits, new member marketing and new member services, further improved its digitalization and precision marketing capabilities, built a full-scene customer service platform, and continued to optimize the member experience, enhance member stickiness and improve member value;
- As of the end of 2022, the Group’s total membership recorded a significant increase of 24% over the same period last year, which not only strengthened the base of the operation of the Outlets, but also created superior conditions for private traffic operation.

CONTINUE TO INCREASE THE INDUSTRY INFLUENCE WITH STRONG PERFORMANCE

- During the period, the Group was ranked on the list of China’s Top 100 Retailers, the list of “Quality China – Model Enterprises (品質中國•示範企業)”, the list of Top 100 Commercial Properties and the “2022 Case Studies on Enhancing Services in Beijing and Facilitating Quality Services of International Consumption (二零二二年度提升北京服務、助力國際消費優質服務案例集)”;
- At the “9th China Outlets Industry Development Forum (第九屆中國奧特萊斯產業發展論壇)”, the Group was honored with 18 major awards, including the “Urban Growth Driver of 20 Years Among China Outlets Award (中國奧萊20年•城市驅動力大獎)”, further strengthening its influence in the industry.

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

- In view of the epidemic control and the restriction of offline customers’ access to stores, we continued to optimize the functions of the online sales platform for proprietary business, and actively expanded online channels such as corporate WeChat account, bulk wholesale and mini program of shopping mall, realizing online sales of approximately RMB30 million, stabilizing the overall scale of our proprietary business and improving the efficiency of inventory turnover;
- We continued to carry out rich thematic marketing activities to expand the number of high-end members, and increased sales conversion through precise marketing and refined services, with the conversion ratio increased by 0.6 percentage points during the period as compared with the same period last year.

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

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

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

- During the period, in the face of the severe financing environment, the Group successfully established “China Life Investment – BCG Outlets First Stage Asset Support Scheme (國壽投資 – 首創鉅大奧特萊斯第一期資產支持計劃)” in collaboration with China Life Investment Holding Company Limited, which not only marked the launch of the first investment real-estate mortgage loan cum asset-backed plan (CMBS) in the inter-insurance market, and opened a new business channel for insurance capital to serve China's real economy and promote the internal circulation of consumption, but also demonstrated the high recognition of the operational capability, asset value and brand value of the Group's Outlets from the insurance company.

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

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

FUTURE DEVELOPMENT AND OUTLOOK

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

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

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

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

FINANCIAL REVIEW

1. REVENUE AND OPERATING RESULTS

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

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

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

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

2. LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

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

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

As at 31 December 2022, the Group's borrowings from banks, related parties and other financial institutions amounted to approximately RMB5,939,442,000 (31 December 2021: approximately RMB5,462,136,000). Of the total amount, bank borrowings of RMB1,370,963,000 (31 December 2021: RMB1,539,146,000) were secured by land use rights and buildings and guaranteed by BCL or the Group. Bank borrowings and related party borrowings of approximately RMB Nil (31 December 2021: approximately RMB164,940,000) were credit borrowings. Borrowings from other financial institutions of approximately RMB1,000,000,000 (31 December 2021: approximately RMB1,000,000,000) were guaranteed by BCL. Bank borrowings of approximately RMB1,368,479,000 (31 December 2021: approximately RMB1,258,050,000) were guaranteed by Capital Group. Borrowings from other financial institutions of approximately RMB2,200,000,000 (31 December 2021: approximately RMB1,500,000,000) were guaranteed by Capital Group.

On 9 December 2019, the Group issued an asset-backed securitization scheme known as Zhonglian Yichuang – Beijing Capital Grand Outlets No.1 Phase I Asset-backed Securities Scheme (中聯一創 – 首創鉅大奧特萊斯一號第一期資產支持專項計劃) for the purpose of securitizing the two properties held by the Group, namely the Beijing Capital Outlets and the Kunshan Capital Outlets. The total issuance of the scheme was RMB3,579,000,000 with a maturity term of five years, including: (i) the Senior Class ABS in the principal amount of RMB2,700,000,000 with a fixed coupon rate of 5.2% per annum, all of which were subscribed by qualified third party investors, and listed and traded on the Integrated Negotiated Trading Platform (綜合協議交易平台) of the Shenzhen Stock Exchange; and (ii) the Subordinated Class ABS in the principal amount of RMB879,000,000 with no fixed coupon rate, all of which were subscribed by Zhuhai Hengqin Hengsheng Huachuang Business Management Co., Ltd. (珠海橫琴恒盛華創商業管理有限公司) (“**Hengsheng Huachuang**”), a wholly-owned subsidiary of the Group. The Subordinated Class ABS will not be listed. Details are set out in the announcement of the Group dated 9 December 2019.

On 28 May 2021, the Group issued Zhonglian BCG – Capital Outlets Phase II Asset-backed Securities Scheme (中聯首創證券 – 首創鉅大奧特萊斯二期資產支持專項計劃) for the purpose of securitizing the four properties held by the Group, namely the Hefei Capital Outlets, the Hangzhou Capital Outlets, the Jinan Capital Outlets and the Jiangxi Capital Outlets. The total issuance of the scheme was RMB3,268,000,000 with a maturity term of three years, including: (i) the Senior Class ABS in the principal amount of RMB2,600,000,000 with a fixed coupon rate of 5.05% per annum, all of which were subscribed by qualified third party investors and are listed and traded on the Integrated Negotiated Trading Platform (綜合協議交易平台) of the Shenzhen Stock Exchange; and (ii) the Subordinated Class ABS in the principal amount of RMB668,000,000 with no fixed coupon rate, all of which were subscribed by Hengsheng Huachuang. The Subordinated Class ABS will not be listed. Details are set out in the announcement of the Group dated 28 May 2021.

On 27 April 2022, the Group issued an asset-backed securitized product known as China Life Investment – BCG Outlets First Stage Asset Support Scheme (國壽投資 – 首創鉅大奧特萊斯第一期資產支持計劃) for the purpose of issuing beneficiary certificates with a total principal amount of not more than RMB1,350,000,000. Under the Scheme, Hengsheng Huachuang (as the Scheme’s originator) will provide loans to Chongqing BCG Outlets Properties Co., Ltd. (an indirect wholly-owned subsidiary of the Company) and Kunming Beijing Capital Outlets Commercial Operation Management Co., Ltd. (an indirect non wholly-owned subsidiary of the Company). The creditor’s right and interests that Hengsheng Huachuang is entitled thereto will be used as the underlying assets for securitization under the Scheme for the purpose of raising funds for the Group’s operation and development. As at 31 December 2022, the Group had issued asset-backed securities in the principal amount of RMB670,000,000 with a fixed coupon rate of 4.85% and a maturity term of three years. Details are set out in the announcement of the Group dated 27 April 2022.

5. FOREIGN EXCHANGE EXPOSURE

Major subsidiaries of the Group operate in the PRC and most of the transactions are denominated in RMB. As at 31 December 2022, the Group had US\$-denominated bank borrowings amounting to US\$197,700,000 (31 December 2021: US\$197,900,000). Accordingly, the Group has entered into the cross currency interest rate swap agreements to manage the risk of US\$ exchange rate fluctuations. In addition, certain of the Group’s assets and liabilities are denominated in HK\$ and US\$, the amount of which is not significant. Hence, it is expected that exchange rate fluctuations will have no significant impact on the finance of the Group.

6. FINANCIAL GUARANTEES

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to purchasers of properties. As at 31 December 2022, the financial guarantees amounted to approximately RMB700,763,000 (31 December 2021: RMB603,605,000).

7. CAPITAL COMMITMENTS

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

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

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

9. PLEDGE OF ASSETS

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

10. CONTINGENT LIABILITIES

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

11. SUBSEQUENT EVENTS

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

COST OF EMPLOYEES AND REMUNERATION POLICY

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

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

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

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”), comprising Dr. Ngai Wai Fung as chairman as well as Ms. Zhao Yuhong and Mr. He Xiaofeng as members, has reviewed, together with the participation of the management, the accounting principles and practices adopted by the Group and discussed the auditing and financial reporting matters including the review of the audited financial statements of the Group for the year ended 31 December 2022.

CORPORATE GOVERNANCE CODE

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

For the year ended 31 December 2022, the Company complied with the requirements under the code provisions (the “**Code Provision**”) set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and the continuing obligations requirements of a listed issuer pursuant to the Listing Rules, except for the following deviations:

- (a) Under the Code Provision F.2.2, the chairman of the board should attend the annual general meetings of the company. The chairman of the Board was unable to attend the 2021 annual general meeting because of the COVID-19 pandemic measures. Instead, the 2021 annual general meeting was chaired by the chairman of the Audit Committee who, together with the management of the Company, answered the questions from shareholders.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bcgrand.com). The annual report of the Company for the year ended 31 December 2022 containing all information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

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

Beijing, 21 March 2023

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