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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)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

The board of directors (the “**Board**” or the “**Directors**”) of Beijing Capital Grand Limited (the “**Company**”) announces the unaudited interim consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024, together with unaudited comparative amounts for the corresponding period in the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2024

		Six months ended 30 June	
	Note	2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	4, 5	746,386	624,962
Cost of sales	6	<u>(408,867)</u>	<u>(416,824)</u>
Gross profit		337,519	208,138
Other gains – net	5	11,723	76,675
Other income	5	9,493	16,220
Selling and marketing expenses	6	(41,575)	(45,901)
Administrative expenses	6	<u>(121,411)</u>	<u>(119,136)</u>
Operating profit		195,749	135,996
Finance costs	7	(289,978)	(306,640)
Share of losses of investments accounted for using the equity method		<u>(9,660)</u>	<u>(5,395)</u>
Loss before income tax		(103,889)	(176,039)
Income tax	8	<u>(44,816)</u>	<u>(48,530)</u>
Loss from continuing operations		(148,705)	(224,569)
Profit from discontinued operation		<u>–</u>	<u>314,648</u>
(Loss)/profit for the period		<u>(148,705)</u>	<u>90,079</u>
(Loss)/profit attributable to:			
– Owners of the Company		(150,880)	87,135
– Non-controlling interests		2,175	2,944

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2024 (continued)

	<i>Note</i>	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Loss per share for loss from continuing operations attributable to ordinary equity holders of the Company during the period			
– Basic and diluted loss per share (RMB cents)	<i>10</i>	(5.92)	(8.84)
(Loss)/earnings per share attributable to ordinary equity holders of the Company during the period			
– Basic and diluted (loss)/earnings per share (RMB cents)	<i>10</i>	(5.92)	3.42

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	<u>(148,705)</u>	<u>90,079</u>
Other comprehensive income for the period		
Items that may be reclassified to profit or loss:		
Cash flow hedges	–	(12,780)
Cost of hedging	<u>–</u>	<u>36,222</u>
	<u>–</u>	<u>23,442</u>
Total comprehensive income for the period	<u><u>(148,705)</u></u>	<u><u>113,521</u></u>
(Loss)/profit attributable to:		
– Owners of the Company	(150,880)	110,577
– Non-controlling interests	2,175	2,944
Total comprehensive income for the period attributable to owners of the Company arises from:		
– Continuing operations	(150,880)	(201,688)
– Discontinued operations	–	312,265

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2024

	<i>Note</i>	30 June 2024	31 December 2023
		RMB'000	RMB'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property and equipment		165,201	169,475
Right-of-use assets		6,799	7,893
Long-term prepaid expenses		40,040	45,441
Investment properties		13,149,600	13,143,600
Intangible assets and lease prepayment		31,964	33,058
Investments accounted for using the equity method		285,958	307,618
Trade and other receivables and prepayments	11	<u>26,923</u>	<u>11,663</u>
Total non-current assets		<u>13,706,485</u>	<u>13,718,748</u>
Current assets			
Inventories		2,035,832	2,143,262
Incremental costs of obtaining a contract		3,989	3,989
Trade and other receivables and prepayments	11	438,655	573,557
Restricted cash		31,239	21,177
Cash and cash equivalents		<u>1,093,441</u>	<u>1,470,508</u>
Total current assets		<u>3,603,156</u>	<u>4,212,493</u>
Total assets		<u>17,309,641</u>	<u>17,931,241</u>
LIABILITIES			
Non-current liabilities			
Borrowings		3,413,386	2,643,815
Lease liabilities		5,263	6,439
Other payables and accruals	13	1,799,979	3,148,467
Deferred income tax liabilities		<u>831,870</u>	<u>807,155</u>
Total non-current liabilities		<u>6,050,498</u>	<u>6,605,876</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2024 (continued)

	<i>Note</i>	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
LIABILITIES			
Current liabilities			
Trade payables	12	1,627,823	1,933,782
Other payables and accruals	13	4,480,903	3,187,984
Contract liabilities		69,054	195,564
Borrowings		773,124	1,553,354
Lease liabilities		2,338	1,797
Current income tax liabilities		<u>55,429</u>	<u>53,707</u>
Total current liabilities		<u>7,008,671</u>	<u>6,926,188</u>
Total liabilities		<u>13,059,169</u>	<u>13,532,064</u>
Net current liabilities		<u>(3,405,515)</u>	<u>(2,713,694)</u>
Net assets		<u>4,250,472</u>	<u>4,399,177</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	17,692	16,732
Perpetual convertible bond securities		751,167	945,854
Reserves		3,427,701	3,234,069
(Accumulated losses)/retained earnings		<u>(3,056)</u>	<u>147,729</u>
		4,193,504	4,344,384
Non-controlling interests		<u>56,968</u>	<u>54,793</u>
Total equity		<u>4,250,472</u>	<u>4,399,177</u>
Total equity and liabilities		<u>17,309,641</u>	<u>17,931,241</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 22 August 2024.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 3.

As at 30 June 2024, the Group had net current liabilities of RMB3,405,515,000 and incurred a net loss of RMB148,705,000 for the six months ended 30 June 2024. Included in the current liabilities repayable within one year from 30 June 2024 were other financial institution borrowings totalling RMB705,760,000 repayable in July 2024, other payables related to Outlets Scheme of RMB1,349,096,000 repayable in April 2025, and other payables related to Asset-backed Securities Scheme, senior class, of RMB2,699,593,000 wholly redeemable in December 2024.

The Directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfil its financial obligations and continue as a going concern. A number of considerations have been taken into account by the Group including:

- The Group currently plans to re-finance the redemption of the Asset-backed Securities Scheme, senior class, by a new loan facility of approximately RMB2,700,000,000 through pledge of certain of the Group’s investment properties. Management is in discussion with several financial institutions for the potential new loan facility. The Directors are of the opinion that the Group will be able to secure the required facility for the redemption; and

- BCCDG, an intermediate holding company of the Company, has confirmed its intention in writing to provide financial support to the Group as and when the debts fall due.

Management has prepared a cash flow projection, which covers a period of not less than twelve months from 30 June 2024. 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 30 June 2024. Accordingly, the Directors have prepared the condensed consolidated financial statements on a going concern basis.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2023, as described in the annual consolidated financial statements.

The group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants*
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*

The adoption of above did not have any material impact on the Group's results for the six months ended 30 June 2024 and the Group's financial position as at 30 June 2024. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards. The Group has not early adopted any of the new or amended standards which have been published but not yet effective for financial period commencing 1 January 2024.

4 OPERATING SEGMENT INFORMATION

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

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

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

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

Total segment assets exclude assets classified as held for sale, and cash and cash equivalents, restricted cash, amounts due from related parties, deferred income tax assets, investments accounted for using the equity method and derivative financial assets, all of which are managed on a central basis. Total segment liabilities exclude liabilities directly associated with assets classified as held for sale and borrowings, amounts due to non-controlling interests, deferred income tax liabilities, Outlets Scheme and Asset-backed Securities Scheme, senior class, all of which are managed on a central basis as well. These are part of the reconciliation to total assets and liabilities of the interim consolidated statement of financial position.

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

4 OPERATING SEGMENT INFORMATION (CONTINUED)

	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>
Six months ended 30 June 2024					
(Unaudited)					
Total revenue	157,205	511,979	77,803	–	746,987
Inter-segment revenue	–	(601)	–	–	(601)
Revenue (from external customers) (i)	<u>157,205</u>	<u>511,378</u>	<u>77,803</u>	<u>–</u>	<u>746,386</u>
Segment operating profit/(loss)	(6,682)	195,233	8,365	(8,976)	187,940
Depreciation and amortisation	–	(17,907)	(3,186)	–	(21,093)
Income tax credits/(expenses) (Note 8)	1,375	(45,384)	–	(807)	(44,816)
Six months ended 30 June 2023					
(Unaudited)					
Total revenue	49,891	464,228	111,685	–	625,804
Inter-segment revenue	–	(842)	–	–	(842)
Revenue (from external customers) (i)	<u>49,891</u>	<u>463,386</u>	<u>111,685</u>	<u>–</u>	<u>624,962</u>
Segment operating profit/(loss)	(102,068)	274,219	12,731	(7,609)	177,273
Depreciation and amortisation	–	(21,123)	(4,508)	–	(25,631)
Income tax expenses (Note 8)	(1,666)	(46,863)	–	(1)	(48,530)

(i) For the six months ended 30 June 2024 and 2023, 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	Investment property development and operation	Sale of merchandise inventories	Other segments	Total	Inter-segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2024							
(Unaudited)							
Total segment assets	<u>3,308,263</u>	<u>17,858,070</u>	<u>671,238</u>	<u>5,419,755</u>	<u>27,257,326</u>	<u>(11,433,153)</u>	<u>15,824,173</u>
Total segment liabilities	<u>(756,875)</u>	<u>(7,085,132)</u>	<u>(836,741)</u>	<u>(4,828,301)</u>	<u>(13,507,049)</u>	<u>11,433,153</u>	<u>(2,073,896)</u>
As at 31 December 2023							
(Audited)							
Total segment assets	<u>3,898,218</u>	<u>17,835,575</u>	<u>617,105</u>	<u>5,520,494</u>	<u>27,871,392</u>	<u>(11,813,991)</u>	<u>16,057,401</u>
Total segment liabilities	<u>(997,498)</u>	<u>(7,643,554)</u>	<u>(919,980)</u>	<u>(4,814,859)</u>	<u>(14,375,891)</u>	<u>11,813,991</u>	<u>(2,561,900)</u>

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Segment operating profit	187,940	177,273
Share of losses of investments accounted for using the equity method	(9,660)	(5,395)
Interest income (<i>Note 5</i>)	7,901	12,502
Foreign exchange losses — net (<i>Note 5</i>)	(92)	(53,779)
Finance costs (<i>Note 7</i>)	(289,978)	(306,640)
Loss before income tax from continuing operations	<u>(103,889)</u>	<u>(176,039)</u>

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Total segment assets	15,824,173	16,057,401
Cash and cash equivalents	1,093,441	1,470,508
Restricted cash	31,239	21,177
Investments accounted for using the equity method	285,958	307,618
Amounts due from related parties	74,830	74,537
	<u>17,309,641</u>	<u>17,931,241</u>
Total assets per consolidated statement of financial position		
Total segment liabilities	2,073,896	2,561,900
Borrowings	4,186,510	4,197,169
Amounts due to non-controlling interests (<i>Note 13</i>)	118,225	118,225
Deferred income tax liabilities	831,870	807,155
Outlets Scheme (<i>Note 13</i>)	3,149,075	3,148,467
Asset-backed Securities Scheme, senior class (<i>Note 13</i>)	2,699,593	2,699,148
	<u>13,059,169</u>	<u>13,532,064</u>
Total liabilities per consolidated statement of financial position		

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Sales commission for properties	3,989	3,989
	<u>3,989</u>	<u>3,989</u>
Total incremental costs of obtaining a contract		
Advances from sales of properties	69,054	195,564
	<u>69,054</u>	<u>195,564</u>
Total contract liabilities		

The Company was incorporated in the Cayman Islands, with most of its subsidiaries domiciled in Mainland China. Revenues from external customers of the Group are mainly derived in the Mainland China for the six months ended 30 June 2024 and 2023.

As at 30 June 2024, total non-current assets located in the Mainland China is RMB13,706,485,000 (31 December 2023: RMB13,718,748,000). As at 30 June 2024 and 31 December 2023, none of these non-current assets are located in Hong Kong.

For the six months ended 30 June 2024 and 2023, 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 2024, revenue of RMB135,124,000 (six months ended 30 June 2023: RMB30,273,000) was included in the contract liabilities at the beginning of the period.

5 REVENUE, OTHER GAINS – NET AND OTHER INCOME

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Rental revenue of investment properties	498,222	463,386
Sale of goods	77,803	111,685
Sale of properties	157,205	49,891
Operation and management services	13,156	–
	<u>746,386</u>	<u>624,962</u>
Other gains – net		
Fair value gains on investment properties	6,000	131,000
Government grants	8,002	180
Foreign exchange losses – net	(92)	(53,779)
Net impairment (losses)/reversal on financial and contract assets	(1,254)	597
Others	(933)	(1,323)
	<u>11,723</u>	<u>76,675</u>
Other income		
Interest income	7,901	12,502
Others	1,592	3,718
	<u>9,493</u>	<u>16,220</u>

6 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold	130,364	48,534
Direct operating expenses arising from property management and other property related services	131,388	120,211
Cost of goods sold	65,975	95,134
Employee benefit expense	96,915	86,083
– Wages, salaries and staff welfare	74,333	64,036
– Pension scheme contributions	9,591	8,529
– Other allowance and benefits	12,991	13,518
Business taxes and other surcharges	53,361	50,946
Depreciation and amortisation	19,999	23,935
Advertising and marketing	27,171	31,924
Office and traveling expenses	11,962	16,830
Consultancy fee	5,821	6,700
Depreciation charge of right-of-use assets	1,094	1,696
Impairment of inventories	21,517	92,512
Others	6,286	7,356
	<u>571,853</u>	<u>581,861</u>

7 FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on bank and other financial institution borrowings	125,225	203,555
Interest expense on Outlets Scheme	85,373	21,207
Interest expenses on Asset-backed Securities Scheme, senior class	79,180	150,563
Interest expenses on lease liabilities	200	239
Net fair value gains on derivative financial instruments		
– Reclassified from cash flow hedge reserve	–	(32,281)
– Reclassified from costs of hedging reserves	–	8,887
– Ineffectiveness of cash flow hedges	–	1,192
	<u>289,978</u>	<u>353,362</u>
Less: interests capitalised	<u>–</u>	<u>(46,722)</u>
	<u><u>289,978</u></u>	<u><u>306,640</u></u>

8 INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not derive any assessable profit in Hong Kong during the period (six months ended 30 June 2023: Nil).

Mainland China enterprise income tax has been provided at a rate of 25% (six months ended 30 June 2023: 25%) on the taxable profits of the Group's Mainland China subsidiaries during the period.

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

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
– Mainland China enterprise income tax	16,317	6,778
– Mainland China land appreciation tax	4,980	5,818
Deferred income tax	23,519	139,742
	<u>44,816</u>	<u>152,338</u>
Total tax charges for the period		
Income tax is attributable to:		
Profit from continuing operations	44,816	48,530
Profit from discontinued operation	–	103,808
	<u>44,816</u>	<u>152,338</u>

9 DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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

(a) Basic (loss)/earnings per share

The calculation of basic loss earnings per share is based on the loss attributable to ordinary equity holders of the Company of RMB57,936,000 (representing loss attributable to owners of the Company excluding loss attributable to the holders of convertible preference shares (the “CPS”) and perpetual convertible bonds securities (the “PCBS”), six months ended 30 June 2023: profit of RMB32,868,000) and the weighted average of 977,792,591 ordinary shares (2023: 961,538,462 shares) in issue during the interim period.

(b) Diluted (loss)/earnings per share

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

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables from contracts with customers	144,050	238,012
Less: provision for impairment of trade receivables	<u>(679)</u>	<u>(1,539)</u>
	143,371	236,473
Prepayments to related parties	24	347
Prepayments of merchandise inventories	18,029	36,675
Other prepayments	59,436	74,457
Input value-added tax to be deducted and prepaid other taxes	121,490	105,188
Other deposits	6,539	6,957
Amounts due from related parties	74,830	74,537
Other receivables	52,729	59,334
Less: provision for impairment of other receivables	<u>(10,870)</u>	<u>(8,748)</u>
	465,578	585,220
Less: non-current portion		
– Input value added tax to be deducted	<u>(26,923)</u>	<u>(11,663)</u>
Current portion	<u>438,655</u>	<u>573,557</u>

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	<u>144,050</u>	<u>238,012</u>

As at 30 June 2024, there were no trade receivables due from related parties (31 December 2023: RMB846,000).

12 TRADE PAYABLES

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

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	1,276,300	1,693,890
1 to 2 years	170,798	221,860
2 to 3 years	180,520	17,086
over 3 years	205	946
	<u>1,627,823</u>	<u>1,933,782</u>

As at 30 June 2024, there were no trade payables due to related parties (As at 31 December 2023: Nil).

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

13 OTHER PAYABLES AND ACCRUALS

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Other taxes payables	36,838	70,176
Employee benefits payable	3,880	2,480
Other payables and accruals due to related parties	33,094	28,906
Amounts due to non-controlling interests	118,225	118,225
Asset-backed Securities Scheme, senior class (i)	2,699,593	2,699,148
Outlets Scheme (ii)	3,149,075	3,148,467
Deposits received	110,250	110,193
Collect and remit payment on behalf of customers	4,418	5,162
Prepaid rental income from tenants	52,724	74,727
Others	72,785	78,967
	6,280,882	6,336,451
Less: non-current portion		
– Outlets Scheme	<u>(1,799,979)</u>	<u>(3,148,467)</u>
Current portion	<u>4,480,903</u>	<u>3,187,984</u>

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

- (i) On 9 December 2019, the Group issued an asset-backed securities Scheme, senior class, known as Phase I Asset-backed Securities Scheme. The issuance of the Asset-backed Securities Scheme, senior class, was for securitisation of the properties held by the Group, namely Beijing Capital Outlets and 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 RMB 879,000,000 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.

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

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

On 6 July 2023, the Group issued an asset-backed securitised product known as China Life Investment BCG Outlets Second Stage Asset Support Scheme. For the purpose of issuing beneficiary certificates with a total principal amount of not more than RMB1,800,000,000. Under the Outlets Scheme, Hengsheng Huachuang (as the Scheme's originator) will provide loans to Xi'an Capital Outlets, Nanning Capital Outlets, and Huzhou Capital Outlets and the rights such as the creditor's right and interests that Hengsheng Huachuang is entitled thereto will be used as the underlying assets for securitisation under the Outlets Scheme for the purpose of funding the Group's operations and development.

As at 31 December 2023, the issuance of the Outlets Scheme was RMB1,800,000,000, including: (a) a principal of RMB820,000,000 at a fixed coupon rate of 4.60% per annum with a maturity term of three years maturing on 5 July 2026; (b) a principal of RMB750,000,000 at a fixed coupon rate of 4.60% per annum with a maturity term of three years maturing on 5 July 2026; and (c) a principal of RMB230,000,000 at a fixed coupon rate of 4.60% per annum with a maturity term of three years maturing on 5 July 2026. All the borrowings were held by China Life Investment Management Company Limited.

14 SHARE CAPITAL

	30 June 2024	31 December 2023	30 June 2024	31 December 2023
	Number of shares	Number of shares	RMB'000 (Unaudited)	<i>RMB'000 (Audited)</i>
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	1,067,190,302	961,538,462	8,788	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>2,140,118,408</u>	<u>2,034,466,568</u>	<u>17,692</u>	<u>16,732</u>

15 CONVERTIBLE PREFERENCE SHARES (“CPS”)

Class A CPS

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

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

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

Class B CPS

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

- (i) The Class B CPS is non-redeemable with no maturity.
- (ii) Each Class B CPS is convertible by its holders into one ordinary share of the Company of HK\$0.01 each at nil consideration, at any time after issuance, provided that they may not exercise the conversion rights as to such number the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules.
- (iii) Each Class B CPS shall confer on the holder thereof the right to receive any dividend *pari passu* with holders of ordinary shares on the basis of the number of ordinary share(s) into which each Class B CPS may be converted on an as converted basis.
- (iv) Each Class B CPS shall confer on its holder the right to receive a preferred distribution (“**Preferred Distribution**”) from the date of the issue at a rate of 0.01% per annum on the issue price, payable annually in arrears. The Preferred Distribution is non-cumulative, and the Company may, in its sole discretion, elect to defer or not to pay the Preferred Distribution. During the period, the Company did not pay any Preferred Distribution (six months ended 30 June 2023: Nil). As at 30 June 2024, there was no Preferred Distribution deferred and payable by the Company (31 December 2023: 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 PERPETUAL CONVERTIBLE BOND SECURITIES (“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.

On 3 June 2024, KKR CG Judo Outlets exercise its conversion right for the conversion of a portion of the PCBS in the amount HK\$221,868,864 into 105,651,840 shares at conversion price of HK\$2.10 per conversion share. As at 30 June 2024, KKR CG Judo Outlets held PCBS in amount of HK\$198,227,289. Subsequently, on 29 July 2024, KKR CG Judo Outlets transferred such remaining PCBS to Unichow Capital Co., Ltd.

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 2024, the Group has accrued interest amounting to RMB561,855 (31 December 2023: RMB657,000).

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

As at 30 June 2024, there was no outstanding capital commitments (31 December 2023: Nil).

18 FINANCIAL GUARANTEES

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

	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Mortgage facilities for certain purchasers of the Group's properties	<u>433,381</u>	<u>540,074</u>

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default in the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group's guarantee period commences from the dates of grants of the relevant mortgage loans and ends after the purchasers obtain the individual property ownership certificates of the properties purchased.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2024, the Chinese government adhered to the principles of seeking progress in stability, promoting stability through progress, and establishing the new before replacing the old, effectively implementing various macro policies. The national economy made steady progress, demand continued to recover, new momentum accelerated growth, and high-quality development made new progress. The preliminary calculation suggested that the gross domestic product (GDP) in the first half of the year reached approximately RMB61.7 trillion, representing a growth of 5.0% as compared to the corresponding period last year if calculated at constant prices. In the first half of the year, China's economy operation was generally stable, and the transformation and upgrading progressed steadily. However, it is also noticeable that as the current external environment was complicated, domestic effective demand was still insufficient, and the foundation for economic recovery needs to be consolidated.

Domestic demand continued to recover. During the period, all regions solidly promoted the implementation and refinement of policies to expand domestic demand and promote consumption, and the scale of the consumer market continued to grow; new consumption continued to develop, new forms of entity business showed well growth, service consumption grew well, and consumer demand continued to recover. In the first half of the year, the total retail sales of consumer goods reached approximately RMB23.6 trillion, representing an increase of 3.7% as compared to the corresponding period last year. The final consumption spending contributed to 60.5% of economic growth, driving GDP growth by 3 percentage points and becoming the main driving force for economic growth.

From the perspective of consumption type segmentation, in the first half of the year, the total retail sales of goods reached approximately RMB21 trillion, representing a year-on-year increase of 3.2%. Its proportion in the total retail sales of consumer goods was close to 90%, which was still the ballast of consumer demand. Since the beginning of this year, with the gradual implementation of policies to promote service consumption, the continuous optimization of market supply, and the continuous release of consumer demand, the service consumption market has grown rapidly. In the first half of the year, the retail sales of services increased by 7.5% year-on-year, which was 4.3 percentage points higher than the growth rate of retail sales of goods in the corresponding period. Among them, the catering revenue maintained a high growth rate, representing an increase of 7.9% as compared to the corresponding period last year, indicating the continuous service demand.

From the perspective of different categories, the performance of consumer goods was increasingly divergent. The growth of essential consumer goods was fair, while the sales growth of non-essential consumer goods was hindered. In the first half of the year, basic living goods maintained a growth trend. Among them, the retail sales of grain, oil and food products and beverage products above the designated size increased by 9.6% and 5.6%, while the sales growth of non-essential consumer goods such as clothing, jewelry, cosmetics, and other goods decreased. The retail sales of department stores and brand stores in retail units above designated size decreased by 3.0% and 1.8% respectively. Although the consumer market generally maintains a growth trend, the foundation of the consumer market recovery needs to be consolidated, and the consumption ability of residents needs to be further improved.

From the perspective of commercial real estate, the growth rate of commercial existing area slowed down to 6.3% in the first half of the year. Among them, the growth rate of shopping center area was 6.9% as compared to the corresponding period last year, and the growth rate of outlet area was 11.8%. Compared with shopping centers, the existing area of outlets increased rapidly, mainly attributable to the increasing attention of consumers to cost performance, outlets, as a representative of discount retail mode, have attracted significant attention. Meanwhile, the competition in the outlet market is becoming increasingly fierce. After more than 20 years of rapid development, the concentration of China's outlet industry has further increased. The outlet industry has basically completed its layout in first- and second-tier cities, and some cities have already reached saturation. Coupled with the overall maturity of clothing retail brands, both the market and supply chain sides have seen intensified competition, which will put higher demands on the core operational capabilities, business innovation capabilities, and digitalisation capabilities of outlet operators.

BUSINESS REVIEW

WITHSTANDING THE PRESSURE, THE OUTLET BUSINESS HAS BASICALLY ACHIEVED ITS PERFORMANCE TARGET

- The domestic consumer market has seen sluggish growth, and consumer expectations have become more cautious. Against the backdrop of a fluctuating downward consumer confidence index, the Group has responded proactively. During the period, all projects seized the marketing nodes of the Spring Festival, Qingming Festival, May Day and other long weekends, and made a push for sales during the peak consumption period, driving sales growth. However, affected by the sluggish growth of the consumer market, the Group achieved a turnover of approximately RMB5.18 billion and a customer traffic of 27.44 million in the first half of the year, representing a decrease of approximately 2% and an increase of approximately 1% as compared to the corresponding period last year.

OBTAINING APPROVAL FOR REITS AND CAPITAL GRAND SERVING AS THE OPERATION MANAGER FOR “HUAXIA CAPITAL OUTLETS REIT”

- Huaxia Capital Outlets REIT was officially approved by the China Securities Regulatory Commission for registration and obtained a no-objection letter from the Shanghai Stock Exchange on 28 June 2024, becoming the first domestic consumer type real estate listed REITs with the outlet projects as the underlying assets. Leveraging the years of operational management experience in the outlet sector, the Group served as the operation manager for “Huaxia Capital Outlets REIT”. Such arrangement could not only enhance the market image of the Group and expanded the brand influence of “Capital Outlets”, but also boost our revenue and profitability levels through our business management capabilities and the export of brand resources, and promoted the talent development, management improvement, and business transformation.

PERSISTING IN METICULOUS RESEARCH IN TECHNOLOGY, STRENGTHENING DIGITAL CONSTRUCTION, AND PROMOTING IN-DEPTH DEVELOPMENT

- The online shopping system of Capital Outlets began its internal testing at Beijing Capital Outlets in late March, providing customers with the multiple options to place orders anywhere at any time, receive direct delivery, or pick-up items offline, opening up a new shopping experience of online “cloud shopping (雲逛街)” + offline “real experience (實體驗)” exclusive to members of Capital Outlets. As the online shopping system is gradually promoted in other Capital Outlets, the efficiency of online business will be effectively improved, the member benefits system will be fully improved, and the marketing network will achieve full coverage both online and offline.
- As an important measure to improve operational efficiency, reduce operating costs, and enhance the security of contract management, the Group has completed optimization and upgrading of the leasing promotion system. During the period, the Group also completed the updating of the data analysis platform, and the friendliness, applicability, and convenience of the interactive interface have been significantly improved.

CAPITAL GRAND HAS BEEN LISTED AMONG THE TOP 100 RETAILERS IN CHINA FOR THREE CONSECUTIVE YEARS AND WON MAJOR AWARDS AT THE OUTLETS LEADERSHIP SUMMIT (奧萊領秀峰會)

- According to the 2023 annual China’s top 100 retailers list released by the China General Chamber of Commerce and the China National Business Information Center, Capital Grand has been listed for three consecutive years, with its ranking rising from 48 to 45.
- In the “Top 100 Outstanding Businesses in China (《中國卓越商業100強》)” list released by China Business Data in conjunction with several authoritative institutions, Beijing Capital Outlets and Wuhan Capital Outlets stood out from 812 shopping centers, commercial districts, and high-quality department store projects in 337 cities across the country, and were ranked 58th and 65th respectively, making Capital Grand the enterprise with the largest number of projects selected in the outlet industry.

- With its outstanding performance in 2023 and the beginning of 2024, Capital Grand won 25 industry awards at the 11th Outlet Leadership Summit and 2024 Outlet Industry Forum, further enhancing its brand influence.

FUTURE DEVELOPMENT AND PROSPECTS

In the second half of this year, it is expected that the structural recovery characteristics of China's economy will continue. From the perspective of growth momentum, against the backdrop of the global manufacturing industry's improved prosperity, annual exports are expected to achieve further growth and remain an important force driving economic growth. Exports boost manufacturing investment, the issuance of special bonds accelerates to support infrastructure investment growth, and the effect of real estate market support policies is expected to continue to emerge. At the policy level, there is ample room for proactive fiscal policies to be implemented in the second half of the year, and with the help of innovative liquidity management tools, the People's Bank of China will also guide the mechanism for reducing the financing costs of the real economy more flexibly at the right time. With the continuous improvement of the economy and the boost of positive policies, the growth of consumer spending can be expected.

In the second half of 2024, the Group will focus on the main business of outlet operations, strengthening the construction of operational and professional competence systems. We will closely follow national policies and changes in the consumer market, update and optimise our brand library, strengthen the expansion of international boutique and emerging brands, and enrich lease promotion configurations in the fields of international brands and experience business. We will strengthen customer research and new media operations to enhance our perception and interaction capabilities with customers. We will strengthen the construction of the membership system, realize the online points-based purchases in the member mall, improve member stickiness, and steadily increase the proportion of sales to members. In terms of proprietary business, we will adhere to the transformation towards refined management, improve the whole-chain capabilities of products, operation and sales, and improve inventory turnover efficiency. We will continue to improve the systematicness and professionalism of digital construction, and enhance its support capabilities in business insight, operational services, standard implementation, and management monitoring.

In the second half of 2024, all employees of the Group will maintain an enterprising attitude, work hard and make progress, be diligent and proactive, focus on daily operations and basic business skills, continue to carry out management reforms to strengthen the foundation, adhere to the goal of creating value for Shareholders, and strive to “become the most valuable outlet operator in China which provides excellent experience for consumers”.

FINANCIAL REVIEW

1. Revenue and Operating Results

For the six months ended 30 June 2024, the revenue of the Group was approximately RMB746,386,000, representing an increase of 19% as compared with RMB624,962,000 for the same period in 2023. The increase in revenue was mainly attributable to a significant increase in property sales revenue in the first half of 2024 as compared to the same period in 2023, as well as the continuous increase in revenue from outlets business.

For the six months ended 30 June 2024, the Group's gross profit margin was approximately 45%, representing an increase of 12 percentage points as compared with 33% for the same period in 2023. Among these, the gross profit margins of the investment property development and operation, the property development and the sale of merchandise inventories during the period were 62%, 1% and 19%, respectively, representing an increase of 2 percentage points, an increase of 186 percentage points and an increase of 1 percentage point, respectively, as compared with 60%, -185% and 18% for the corresponding period in 2023. The increase in the gross profit margin of the Group was mainly attributable to the increase in the gross profit margin of property development.

For the six months ended 30 June 2024, the Group's operating profit was approximately RMB195,749,000, representing an increase of 44% as compared with RMB135,996,000 for the corresponding period in 2023. Such increase was mainly attributable to a significant increase in the revenue of property development of the Group and growth in gross margin, as well as the increase in rental revenue of the investment properties.

For the six months ended 30 June 2024, the Group's loss for the period amounted to approximately RMB148,705,000, representing a decrease of 265% as compared with the profit for the period of RMB90,079,000 for the same period in 2023. During the first half of 2024, the Group's outlet business exhibited a slight increase in both revenue and gross profit as compared to the same period last year. The net loss recorded during the reporting period was primarily due to a decrease in the valuation appreciation amount of the Group's investment properties as compared to the previous year, with valuation appreciation of investment properties contributed approximately RMB349 million to the net profit for the same period in 2023, which was largely attributable to the valuation appreciation of the properties relating to projects in Wuhan and Jinan that were disposed of by the Group in 2023. The contribution to net profit from the valuation appreciation of investment properties is RMB4.5 million in the first half of 2024.

2. Liquidity and Financial Resources

The Group has sufficient capital to meet the operational requirements. As at 30 June 2024, the Group's total cash and cash equivalents and restricted cash amounted to approximately RMB1,124,680,000 (31 December 2023: approximately RMB1,491,685,000), of which approximately RMB1,124,392,000 (31 December 2023: approximately RMB1,491,113,000), approximately RMB96,000 (31 December 2023: approximately RMB117,000) and approximately RMB192,000 (31 December 2023: approximately RMB455,000) were denominated in RMB, Hong Kong Dollar and US Dollar, respectively. The majority of the Group's cash and cash equivalents and restricted cash are deposited with creditworthy banks with no recent history of default.

As at 30 June 2024, the Group's current ratio was 0.51 (31 December 2023: 0.61).

As at 30 June 2024, the principal amount of interest-bearing debts of the Group amounted to approximately RMB10,035,178,000 (31 December 2023: approximately RMB10,053,019,000), of which approximately 65% was non-current portion (31 December 2023: 58%). The main purpose of the interest-bearing debt was to meet the funding requirements for property development and construction, operation and business development.

As at 30 June 2024, the Group's net gearing ratio was 210% (31 December 2023: 195%), based on the division of net debt by total equity. Net debt includes total bank and other borrowings, guaranteed notes (including current and non-current portions), the Asset-backed Securities Scheme, senior class (including current and non-current portions) and lease liabilities, less cash and cash equivalents and restricted cash. The change of net gearing ratio was primarily due to the increase in net debt of the Group in the first half of 2024.

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

The Group had no significant changes in principal subsidiaries and major non-controlling interests for the six months ended 30 June 2024.

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

As at 30 June 2024, the Group's borrowings from banks and other financial institutions amounted to approximately RMB4,183,503,000 (31 December 2023: approximately RMB4,193,381,000). Of the total amount, bank borrowings of RMB508,976,000 (31 December 2023: RMB523,981,000) were secured by land use rights and buildings and guaranteed by BCL. Bank borrowings of approximately RMB1,168,400,000 (31 December 2023: approximately RMB1,169,400,000) secured by investment properties and buildings and guaranteed by BCCDG. Borrowings from other financial institutions of approximately RMB2,500,000,000 (31 December 2023: approximately RMB2,500,000,000) 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. (“**Hengsheng Huachuang**”), a wholly-owned subsidiary of the Group. The Subordinated Class ABS will not be listed. Details are set out in the announcement of the Company dated 9 December 2019.

On 27 April 2022, the Group issued an asset-backed securitized product known as China Life Investment — BCG Outlets First Stage Asset Support Scheme (國壽投資—首創鉅大奧特萊斯第一期資產支持計劃), under which beneficiary certificates in an aggregate principal amount of not more than RMB1,350,000,000 will be issued. Under the scheme, Hengsheng Huachuang (as the Scheme’s originator) will provide loans to Chongqing Capital Outlets (重慶首創奧特萊斯) (an indirect wholly-owned subsidiary of the Company) and Kunming Capital Outlets (an indirect non wholly-owned subsidiary of the Company). The creditor’s right and interests that Hengsheng Huachuang is entitled thereto will be used as the underlying assets for securitization under the scheme for the purpose of raising funds for the Group’s operation and development. As at 30 June 2024, the Group has issued asset-backed securities in the principal amount of RMB1,350,000,000 with a fixed coupon rate of 4.85% and a maturity term of three years. Details are set out in the announcement of the Company dated 27 April 2022.

On 6 July 2023, the Group issued an asset-backed securitized product known as China Life Investment — BCG Outlets Second Stage Asset Support Scheme (國壽投資—首創鉅大奧特萊斯第二期資產支持計劃) for the purpose of issuing beneficiary certificates with a total principal amount of not more than RMB1,800,000,000. Under the Scheme, Hengsheng Huachuang (as the Scheme’s originator) will provide loans to Xi’an Capital Outlets (an indirect wholly-owned subsidiary of the Company), Nanning Capital Outlets (an indirect wholly-owned subsidiary of the Company) and Huzhou Capital Outlets (an indirect wholly-owned subsidiary of the Company). The creditor’s right and interests that Hengsheng Huachuang is entitled thereto will be used as the underlying assets for securitization under the Scheme for the purpose of raising funds for the Group’s operation and development. As at 30 June 2024, the Group had issued asset-backed securities in the principal amount of RMB1,800,000,000 with a fixed coupon rate of 4.60% and a maturity term of three years. Details are set out in the announcement of the Group dated 6 July 2023.

5. Foreign Exchange Exposure

Major subsidiaries of the Group operate in the PRC and most of the transactions are denominated in RMB. As at 30 June 2024, certain of the Group's assets and liabilities are denominated in HK\$ and US\$, the amount of which is not significant. Hence, it is expected that exchange rate fluctuations will have no significant impact on the finance of the Group.

6. Financial Guarantees

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to purchasers of properties. As at 30 June 2024, the financial guarantees amounted to approximately RMB433,381,000 (31 December 2023: RMB540,074,000).

7. Capital Commitments

As at 30 June 2024, the Group had no outstanding capital commitments (31 December 2023: Nil).

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

During the six months ended 30 June 2024, the Group did not make any material acquisitions and disposals of subsidiaries, associates and joint ventures, and the Company did not have any specific plans for material investments or acquisitions of capital assets.

9. Pledge of Asset

As at 30 June 2024, the total amount of the Group's pledge of investment properties and buildings arising from borrowings were RMB3,255,000,000 (31 December 2023: RMB956,000,000).

10. Contingent Liabilities

As at 30 June 2024, the Group did not have any material contingent liabilities.

11. Subsequent Events

As at 30 June 2024, KKR CG Judo Outlets held PCBS in the amount of HK\$198,227,289. Subsequently, on 29 July 2024, KKR CG Judo Outlets transferred such remaining PCBS to Unichow Capital Co., Ltd.

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).

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

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

CORPORATE GOVERNANCE CODE

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

During the period from 1 January 2024 to 30 June 2024, the Company complied with the requirements under the code provisions (the “**Code Provision**”) set out in the Corporate Governance Code contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the continuing obligations requirements of a listed issuer pursuant to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 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 2024.

COST OF EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group employed 674 employees, of which 352 were male and 322 were female (as at 30 June 2023: the Group employed 703 employees, of which 345 were male and 358 were female). Employee benefit expense (excluding Directors' and chief executive's remuneration) of the Group incurred was approximately RMB85,563,811 as at 30 June 2024.

The remuneration policy and package of the Group's employees are structured in accordance to market terms, individual employee performance, qualifications and experience and statutory requirements where appropriate. The Group also provides other staff benefits such as pension scheme, medical insurance scheme, unemployment insurance scheme and housing provident fund to motivate and reward employees at all levels to achieve the Group's business performance targets. In addition, the Group continues to provide training (including professional skills training) and development plans.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (“**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Yeung Chi Tat as chairman, Dr. Huang Wei and Mr. Xu Weiguo. The Audit Committee, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bcgrand.com). The interim report of the Company for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be dispatched to the Company’s shareholders and available on the above websites in due course.

By Order of the Board
Beijing Capital Grand Limited
Xie Hongyi
Executive Director

Beijing, 22 August 2024

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