

CAPITAL GRAND

BEIJING CAPITAL GRAND LIMITED
首創鉅大有限公司

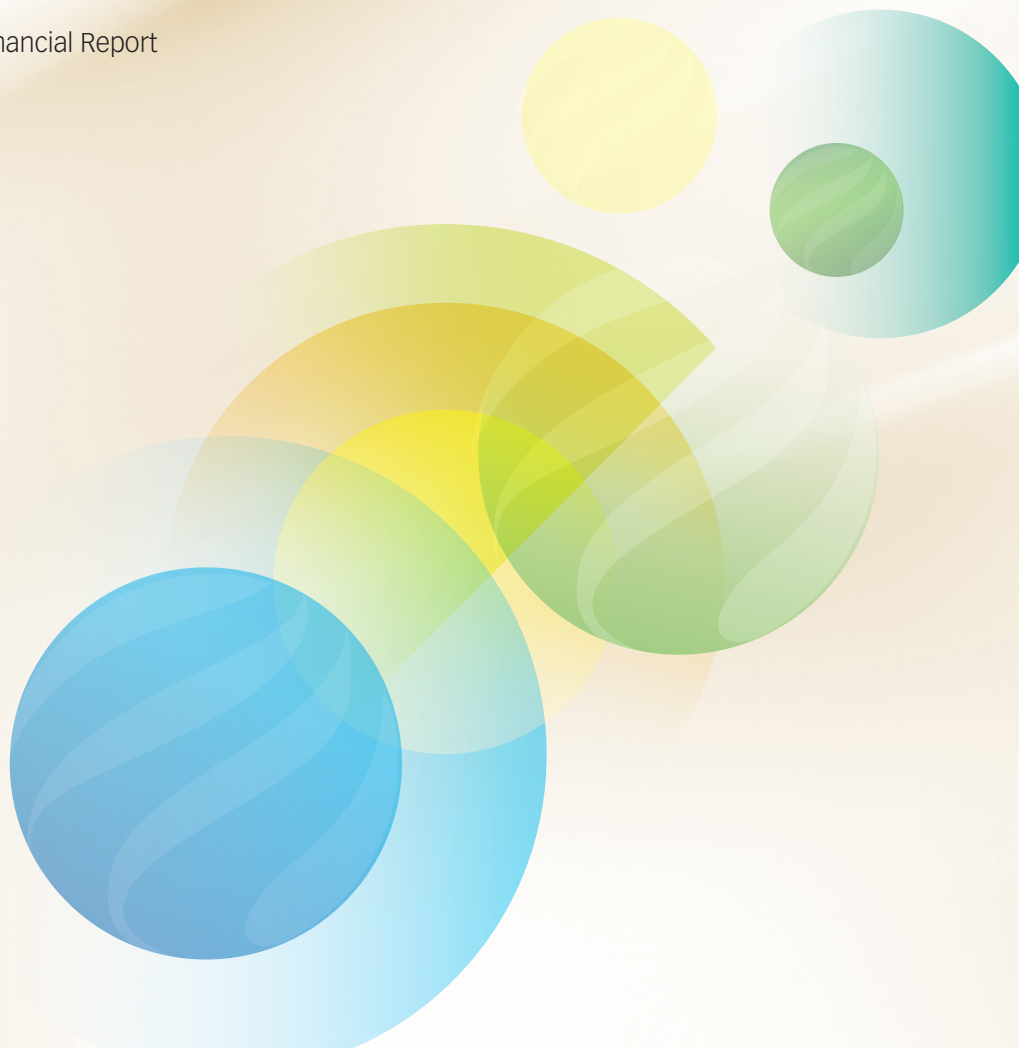
Incorporated in the Cayman Islands with limited liability
STOCK CODE : 1329



INTERIM
REPORT
2024

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Fan Shubin (*Chairman*)
Mr. Xie Hongyi (*Chief Executive Officer*)

NON-EXECUTIVE DIRECTORS

Mr. Wang Hao
Ms. Qin Yi
Mr. Zhai Senlin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Chi Tat
Dr. Huang Wei
Mr. Xu Weiguo

AUDIT COMMITTEE

Mr. Yeung Chi Tat (*Chairman*)
Dr. Huang Wei
Mr. Xu Weiguo

REMUNERATION COMMITTEE

Dr. Huang Wei (*Chairlady*)
Ms. Qin Yi
Mr. Yeung Chi Tat
Mr. Xu Weiguo

NOMINATION COMMITTEE

Mr. Fan Shubin (*Chairman*)
Mr. Zhai Senlin
Mr. Yeung Chi Tat
Dr. Huang Wei
Mr. Xu Weiguo

STRATEGIC INVESTMENT COMMITTEE

Mr. Xie Hongyi (*Chairman*)
Mr. Wang Hao
Mr. Zhai Senlin
Mr. Xu Weiguo

SECRETARY OF THE BOARD OF DIRECTORS

Ms. Wang Xia

JOINT COMPANY SECRETARIES

Ms. Wang Xia
Mr. Ng Lok Ming

AUTHORISED REPRESENTATIVES

Mr. Fan Shubin
Mr. Xie Hongyi

AUDITORS

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

LEGAL ADVISERS

AS TO HONG KONG LAWS:

Norton Rose Fulbright Hong Kong

AS TO CAYMAN ISLANDS LAWS:

Conyers Dill & Pearman

AS TO PRC LAWS:

Beijing Zhonglun W&D Law Firm

CORPORATE INFORMATION

REGISTERED OFFICE

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

PRC HEADQUARTERS

7/F., West Zone, Jing'an Centre
No. 8, North 3rd Ring East Road, Chaoyang District
Beijing, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

10/F., Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
China Merchants Bank
Bank of Communications
Bank of China
CITIC Bank
The Hongkong and Shanghai Banking Corporation Limited

CORPORATE WEBSITES

www.bcgrand.com
www.capitaloutlets.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

LISTING INFORMATION

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

| DEBT SECURITY LISTED ON THE SHENZHEN STOCK EXCHANGE | SECURITY CODE |
|--|------------------|
| RMB2,700,000,000 Senior Class ABS due 2024 | 119487 |
| RMB879,000,000 Subordinated Class ABS due 2024 | 119488 |

INVESTOR RELATIONS CONTACT

Email: comsec@bcgrand.com



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board of directors (the "Board") of Beijing Capital Grand Limited ("Capital Grand" or the "Company", together with its subsidiaries, the "Group"), I am pleased to present the interim results of the Group for the period ended 30 June 2024.

During the first half of 2024, the complexity, severity and uncertainty of the external environment increased, while domestic structural adjustments continued to deepen. The effects of macroeconomic policies continued to be released, external demand showed signs of recovery, and new quality productive forces accelerated its development, all of which formed new supports. During the period, the national economy continued to recover and improve, with GDP reaching approximately RMB61.7 trillion, representing an increase of 5.0% over the same period last year at constant prices, higher than the average level of the world's major economies, and China's economy has strong resilience and vitality.

During the period, with the effects of various pro-consumption policies, the potential of China's domestic demand market continued to be released. The total retail sales of consumer goods reached RMB23.6 trillion, representing an increase of 3.7% over the same period last year. Among which, the retail sales of services increased by 7.5% year on year, higher than the 3.2% year-on-year growth rate of retail sales of goods. In terms of the product categories, the retail sales of food products increased by 9.2% year on year, higher than the 1.3% for clothing and 2.3% for daily necessities. The demand for holiday travel is strong, and the consumption of catering, transportation, cultural tourism and other related services has grown well, of which the number of domestic tourists and trips during the "May Day" and Dragon Boat Festival holidays increased by 7.6% and 6.3% respectively over the same period last year, and the total travel expenditure increased by 12.7% and 8.1% respectively over the same period last year. China's consumption structure is changing, and the consumption of basic life, experience and services is growing rapidly.

During the period, although the consumer market maintained an overall growth trend, it should be noted that consumer expectations are becoming more cautious, and the foundation for the recovery of the consumer market still needs to be consolidated. Against the backdrop of a fluctuating downward consumer confidence index, the Group proactively responded by closely following consumer trend changes. The Group introduced cinemas, RV camps, and other experiential business formats into some of its outlet projects to meet the emotional consumption needs of customers. The Group has created online celebrity landmarks, introduced online celebrity business formats, thus injecting new vitality into the business. In alignment with the new consumer trends, the Group has exerted efforts in both private and public domains, fully unlocking the consumption potential of over a thousand private WeChat groups. By leveraging social media platforms such as Tiktok and Xiaohongshu, we have comprehensively stimulated consumers' desire to visit stores. In the meantime, by strengthening brand-specific activities and creating a shopping atmosphere of more purchases with more discounts, the Group has provided consumers with an ultimate cost-effective consumption experience, thus achieving a win-win consumption transformation for all parties involved. During the period, the outlet business of the Group achieved a turnover of RMB5.18 billion, representing a decrease of approximately 2% as compared to the corresponding period last year, with a customer traffic of 27.44 million, representing an increase of approximately 1% as compared to the corresponding period last year.

During the period, the "Huaxia Capital Outlets REIT (華夏首創奧萊REIT)", with Wuhan Capital Outlets and Jinan Capital Outlets as the underlying assets was officially approved on 28 June 2024, becoming the first approved domestic consumer type real estate listed REITs with outlet properties as the underlying assets. The Group will serve as the operation manager for "Huaxia Capital Outlets REIT". This arrangement could not only enhance the market image of the Group and expand the brand influence of "Capital Outlets", but also boosted our revenue and profitability levels through our business management capabilities and the export of brand resources, and promoted the talent development, management improvement, and asset-light business transformation.

CHAIRMAN'S STATEMENT

During the review period, the Group achieved operating revenue of approximately RMB746 million, representing an increase of 19.43% as compared to the corresponding period last year. The net loss attributable to owners of the Company was approximately RMB151 million. The Board has resolved not to declare interim dividend for the six months ended 30 June 2024.

During the second half of 2024, the Group will keep pace with changes in consumption structure and demand, continuously enhance the scale of its top brands, and improve the international fashion atmosphere in the retail space. In the meantime, the Group will strengthen inventory management, continuously enhance the advantages of merchandise and price, and provide consumers with a more value-for-money shopping experience. In the second half of the year, the Group will accelerate the deployment of the online shopping mall, improve the level of member services and enhance member stickiness. We will strengthen the innovation in marketing methods and activity planning, and enhance the operation ability of new media. The Group will enhance the efficiency of product selection and inventory turnover in proprietary businesses, continue to promote the construction of digitalization, and enhance the support capabilities in terms of business insight, operational services, standard implementation, and management oversight.



CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to express our sincere gratitude to all our shareholders, partners and clients for their care and strong support to Capital Grand. The Group will continue to promote the spirit of “striving hard (拼到拼命)”, seek high-quality development through capacity building and structural adjustment, and carry out the management reform of “strengthening and consolidating the foundation (強基固本)”, by strengthening the construction of the operation system, improving the ability of lease promotion and operation, enhancing the service level of tenants, continuously improving the profitability of the project, and making unremitting efforts to “become the most valuable outlet operator in China which provides excellent experience for consumers”.

Mr. Fan Shubin

Chairman

Beijing, 22 August 2024

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

INVESTMENT PROPERTIES

| Project | Approximate Site Area (<i>m</i> ²) <i>(Note 1)</i> | Total Gross Floor Area (<i>m</i> ²) <i>(Note 2)</i> | Property Type (<i>m</i> ²) | Time of Launching/ Expected Time of Launching | Attributable Interests |
|---|---|--|--|---|------------------------|
| Beijing Capital Outlets (Changyang Town, Fangshan District, Beijing) | 90,770 ^(Note 3) | 108,720 | Outlets: 104,340 Parking space: 4,380 | 2013 | 100% |
| | 90,770 ^(Note 3) | 87,770 | Outlets: 39,540 Supermarket: 3,260 Parking space: 44,970 | 2019 | 100% |
| Kunshan Capital Outlets (Kunshan Development Zone) | 45,850 | 50,420 | Outlets: 50,420 | 2015 | 100% |
| | 46,260 | 50,110 | Outlets: 50,110 | 2017 | 100% |
| Huzhou Capital Outlets (Huzhou Taihu Lake Tourism Resort) ^(Note 4) | 109,940 | 97,530 | Outlets: 97,530 | 2013 | 100% |
| Nanchang Capital Outlets (Xinjian District, Nanchang) | 56,830 | 129,700 | Outlets: 85,240 Parking space: 44,460 | 2017 | 100% |
| | 30,150 ^(Note 5) | 29,660 | Cinema: 4,990 Supermarket: 7,660 Parking space: 17,010 | 2018 | 40% |
| Hangzhou Capital Outlets (Fuyang District, Hangzhou) | 101,690 | 112,270 | Outlets: 88,970 Parking space: 23,300 | 2017 | 100% |
| Xi’an Capital Outlets ^(Note 9) (Xi’an Hi-tech Industrial Development Zone) | 81,300 | 118,840 | Outlets: 78,160 Parking space: 40,680 | 2019 | 100% |
| Zhengzhou Capital Outlets (Xingyang City, Zhengzhou) | 80,790 | 96,580 | Outlets: 81,070 Parking space: 15,510 | 2018 | 100% |
| Hefei Capital Outlets (Binhu New District, Hefei) | 87,910 | 96,270 | Outlets: 75,230 Parking space: 21,040 | 2018 | 100% |

MANAGEMENT DISCUSSION AND ANALYSIS

| Project | Approximate Site Area (m ²) <i>(Note 1)</i> | Total Gross Floor Area (m ²) <i>(Note 2)</i> | Property Type (m ²) | Time of Launching/ Expected Time of Launching | Attributable Interests |
|--|---|--|---|---|------------------------|
| Chongqing Capital Outlets (Banan District, Chongqing) | 74,350 ^(Note 7) | 110,580 | Outlets: 79,260 Parking space: 31,320 | 2019 | 100% |
| Kunming Capital Outlets (Wuhua District, Kunming) | 67,920 | 136,040 | Outlets: 86,010 Parking space: 50,030 | 2020 | 85% |
| Qingdao Capital Outlets (Qingdao High-tech Zone) | 93,970 | 97,600 | Outlets: 80,280 Parking space: 17,320 | 2021 | 100% |
| Nanning Capital Outlets (Xingning District, Nanning) | 101,970 ^(Note 8) | 144,860 | Outlets: 117,760 Parking Facility and Parking space: 27,100 | 2021 | 100% |
| Xiamen Capital Outlets (Xiang'an District, Xiamen) | 55,660 | 123,610 | Outlets: 82,250 Parking space: 34,860 Supermarket: 6,500 | 2022 | 100% |

DEVELOPMENT PROPERTIES

| Project | Approximate Site Area (m ²) | Unsold Gross Floor Area (m ²) | Unsold Ground Floor Area (m ²) | Property Type | Attributable Interests |
|---|--|--|---|---|------------------------|
| Xi'an First City (Xi'an Economic Technology Development Zone) | 355,914 | 203,910 | 92,920 | Residential/ Commercial/ Office buildings/ Parking space | 100% |
| Nanchang Capital Outlets (Xinjian District, Nanchang) | 30,150 ^(Note 5) | 24,325 | 24,325 | Commercial | 40% |
| Jinan Capital Outlets (Tangye New Area, Jinan) | 114,930 ^(Note 6) | 0 | 0 | Commercial | 100% |
| Chongqing Capital Outlets (Banan District, Chongqing) | 74,350 ^(Note 7) | 261 | 261 | Commercial | 100% |
| Nanning Capital Outlets (Xingning District, Nanning) | 101,970 ^(Note 8) | 5,951 | 5,951 | Commercial | 100% |

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

- Note 5: The site area of Nanchang Capital Outlets Plot B is 30,200 m², of which 29,700 m² of the gross floor area is investment property and 31,300 m² is development property;
- Note 6: The site area of Jinan Capital Outlets is 114,900 m², of which 121,500 m² of the gross floor area is investment property and 63,000 m² is development property;
- Note 7: The site area of Chongqing Capital Outlets is 74,300 m², of which 110,600 m² of the gross floor area is investment property and 17,100 m² is development property;
- Note 8: The site area of Nanning Capital Outlets is 102,000 m², of which 145,600 m² of the gross floor area is investment property and 15,300 m² is development property.
- Note 9: According to the latest real estate certificate, the site area of the Xi'an Capital Outlets does not include the area of expropriated roads and Green area.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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% maturity on 27 April 2025. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 perpetual convertible bonds securities (the "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).

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

As at 30 June 2024, so far as is known to the Directors, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, or underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("SFO")) which were to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2024, so far as is known to the Directors, the following entities, not being a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of Shareholder | Capacity | Number of Shares | Approximate percentage of the issued share capital (%) | Number of ordinary shares can be converted from Class A Convertible Preference Shares, Class B Convertible Preference Shares and PCBS at initial conversion price of HK\$2.10 per share | Total Interest | Percentage of total interests to total issued shares |
|--|---|------------------|--|---|----------------|--|
| BECL Investment Holding Limited ("BECL") | Beneficial owner | 701,353,846 | 65.72% | 1,072,928,106 <i>(Note 5)</i> | 1,774,281,952 | 166.26% |
| BCL | Interests of controlled corporation <i>(Note 1)</i> | 701,353,846 | 65.72% | 1,072,928,106 <i>(Note 5)</i> | 1,774,281,952 | 166.26% |
| Beijing Capital City Development Group Co., Ltd. ("BCCDG") | Interests of controlled corporation <i>(Note 1)</i> | 701,353,846 | 65.72% | 1,072,928,106 <i>(Note 5)</i> | 1,774,281,952 | 166.26% |
| BCG Chinastar International Limited ("BCG Chinastar") | Beneficial owner | 19,800,000 | 1.86% | – | 19,800,000 | 1.86% |
| Capital Group | Interests of controlled corporation <i>(Note 2)</i> | 721,153,846 | 67.58% | 1,072,928,106 <i>(Note 5)</i> | 1,794,081,952 | 168.12% |
| Smart Win Group Limited | Beneficial owner | 95,192,308 | 8.92% | 313,140,124 | 408,332,432 | 38.26% |
| Sino-Ocean Land (Hong Kong) Limited | Interests of controlled corporation <i>(Note 3)</i> | 95,192,308 | 8.92% | 313,140,124 | 408,332,432 | 38.26% |
| Faith Ocean International Limited | Interests of controlled corporation <i>(Note 3)</i> | 95,192,308 | 8.92% | 313,140,124 | 408,332,432 | 38.26 |
| Shine Wind Development Limited | Interests of controlled corporation <i>(Note 3)</i> | 95,192,308 | 8.92% | 313,140,124 | 408,332,432 | 38.26 |
| Sino-Ocean Group Holding Limited | Interests of controlled corporation <i>(Note 3)</i> | 95,192,308 | 8.92% | 313,140,124 | 408,332,432 | 38.26 |
| KKR CG Judo Outlets | Beneficial owner <i>(Note 6)</i> | 93,551,840 | 8.77% | 94,393,947 | 187,945,787 | 17.61% |
| KKR CG Judo | Interests of controlled corporation <i>(Note 4 & Note 6)</i> | 93,551,840 | 8.77% | 94,393,947 | 187,945,787 | 17.61% |
| KKR China Growth Fund L.P. | Interests of controlled corporation <i>(Note 4 & Note 6)</i> | 93,551,840 | 8.77% | 94,393,947 | 187,945,787 | 17.61% |
| KKR Associates China Growth L.P. | Interests of controlled corporation <i>(Note 4 & Note 6)</i> | 93,551,840 | 8.77% | 94,393,947 | 187,945,787 | 17.61% |
| KKR China Growth Limited | Interests of controlled corporation <i>(Note 4 & Note 6)</i> | 93,551,840 | 8.77% | 94,393,947 | 187,945,787 | 17.61% |

MANAGEMENT DISCUSSION AND ANALYSIS

| Name of Shareholder | Capacity | Number of Shares | Approximate percentage of the issued share capital (%) | Number of ordinary shares can be converted from Class A Convertible Preference Shares, Class B Convertible Preference Shares and PCBS at initial conversion price of HK\$2.10 per share | Total Interest | Percentage of total interests to total issued shares |
|----------------------------|--|------------------|--|---|----------------|--|
| KKR Group Partnership L.P. | Interests of controlled corporation (Note 4 & Note 6) | 93,551,840 | 8.77% | 94,393,947 | 187,945,787 | 17.61% |
| KKR Group Holdings L.P. | Interests of controlled corporation (Note 4 & Note 6) | 93,551,840 | 8.77% | 94,393,947 | 187,945,787 | 17.61% |
| KKR Group Holdings Corp. | Interests of controlled corporation (Note 4 & Note 6) | 93,551,840 | 8.77% | 94,393,947 | 187,945,787 | 17.61% |
| KKR Group Co. Inc | Interests of controlled corporation (Note 4 & Note 6) | 93,551,840 | 8.77% | 94,393,947 | 187,945,787 | 17.61% |
| KKR & Co. Inc | Interests of controlled corporation (Note 4 & Note 6) | 93,551,840 | 8.77% | 94,393,947 | 187,945,787 | 17.61% |
| KKR Management LLP | Interests of controlled corporation (Note 4 & Note 6) | 93,551,840 | 8.77% | 94,393,947 | 187,945,787 | 17.61% |
| Henry Robert Kravis | Interests of controlled corporation (Note 4 & Note 6) | 93,551,840 | 8.77% | 94,393,947 | 187,945,787 | 17.61% |
| Roberts George R. | Interests of controlled corporation (Note 4 & Note 6) | 93,551,840 | 8.77% | 94,393,947 | 187,945,787 | 17.61% |

Notes:

- Total interests in 1,774,281,952 shares were deemed to be the corporation interest under the SFO
- Total interests in 1,794,081,952 shares were deemed to be the corporation interest under the SFO
- Total interests in 408,332,432 shares were deemed to be the corporation interest under the SFO
- Total interests in 187,945,787 shares were deemed to be the corporation interest under the SFO
- On 19 December 2016, the Company issued 905,951,470 Class B Convertible Preference Shares to BECL pursuant to the Class B Convertible Preference Share Subscription Agreement. On 28 December 2016, BECL converted 571,153,846 Class A Convertible Preference Shares into ordinary shares.
- On 3 June 2024, KKR CG Judo Outlets exercised its conversion right for conversion of a portion of the PCBS in the amount HK\$221,818,864 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 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.

Save as disclosed above, as at 30 June 2024, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

BOARD COMPOSITION

As at 30 June 2024, the Board consisted of a total of eight Directors, comprising two executive Directors, three non-executive Directors and three independent non-executive Directors.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company are set out below:

In April 2024, Mr. Yeung Chi Tat, an independent non-executive director of the Company, was appointed as an independent non-executive director of Sichuan Baicha Baidao Industrial Co., Ltd. (listed on the Stock Exchange, security code: 2555.HK). In May 2024, he was appointed as an independent non-executive director of Lingbao Gold Group Company Ltd. (listed on the Stock Exchange, security code: 3330.HK).

CODE ON CORPORATE GOVERNANCE PRACTICES

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

During the period from 1 January 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 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.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Yeung Chi Tat (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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB85,563,811.26 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.

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".

Mr. Xie Hongyi
Chief Executive Officer
Beijing, 22 August 2024

REVIEW REPORT



To the Board of Directors of Beijing Capital Grand Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 20 to 62 which comprises the consolidated statement of financial position of Beijing Capital Grand Limited (the "Company") and its subsidiaries (together, the "Group") as of 30 June 2024 and the related consolidated statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim Financial Reporting.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

22 August 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024 (Expressed in Renminbi ("RMB"))

| | Note | Six months ended 30 June | |
|--|------|--------------------------------|--------------------------------|
| | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Continuing operations | | | |
| Revenue | 6, 7 | 746,386 | 624,962 |
| Cost of sales | 8 | (408,867) | (416,824) |
| Gross profit | | 337,519 | 208,138 |
| Other gains – net | 7 | 11,723 | 76,675 |
| Other income | 7 | 9,493 | 16,220 |
| Selling and marketing expenses | 8 | (41,575) | (45,901) |
| Administrative expenses | 8 | (121,411) | (119,136) |
| Operating profit | | 195,749 | 135,996 |
| Finance costs | 9 | (289,978) | (306,640) |
| Share of losses of investments accounted for using the equity method | 17 | (9,660) | (5,395) |
| Loss before income tax | | (103,889) | (176,039) |
| Income tax | 10 | (44,816) | (48,530) |
| Loss from continuing operations | | (148,705) | (224,569) |
| Profit from discontinued operation | | – | 314,648 |
| (Loss)/profit for the period | | (148,705) | 90,079 |
| (Loss)/profit attributable to: | | | |
| – Owners of the Company | | (150,880) | 87,135 |
| – Non-controlling interests | | 2,175 | 2,944 |
| Loss per share for loss from continuing operations attributable to ordinary equity holders of the Company during the period | 12 | | |
| – Basic and diluted loss per share (RMB cents) | | (5.92) | (8.84) |
| (Loss)/earnings per share attributable to ordinary equity holders of the Company during the period | 12 | | |
| – Basic and diluted (loss)/earnings per share (RMB cents) | | (5.92) | 3.42 |

The notes on pages 27 to 62 form part of this interim financial report. Details of dividends payable to owners of the Company are set out in note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024 (Expressed in Renminbi ("RMB"))

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| (Loss)/profit for the period | (148,705) | 90,079 |
| Other comprehensive income for the period | | |
| Items that may be reclassified to profit or loss: | | |
| Cash flow hedges | – | (12,780) |
| Cost of hedging | – | 36,222 |
| | – | 23,442 |
| Total comprehensive income for the period | (148,705) | 113,521 |
| (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 |

The notes on pages 27 to 62 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024 (Expressed in Renminbi ("RMB"))

| | Note | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---|------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 13 | 165,201 | 169,475 |
| Right-of-use assets | | 6,799 | 7,893 |
| Long-term prepaid expenses | 14 | 40,040 | 45,441 |
| Investment properties | 15 | 13,149,600 | 13,143,600 |
| Intangible assets and lease prepayment | 16 | 31,964 | 33,058 |
| Investments accounted for using the equity method | 17 | 285,958 | 307,618 |
| Trade and other receivables and prepayments | 18 | 26,923 | 11,663 |
| Total non-current assets | | 13,706,485 | 13,718,748 |
| Current assets | | | |
| Inventories | 19 | 2,035,832 | 2,143,262 |
| Incremental costs of obtaining a contract | | 3,989 | 3,989 |
| Trade and other receivables and prepayments | 18 | 438,655 | 573,557 |
| Restricted cash | | 31,239 | 21,177 |
| Cash and cash equivalents | | 1,093,441 | 1,470,508 |
| Total current assets | | 3,603,156 | 4,212,493 |
| Total assets | | 17,309,641 | 17,931,241 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 20 | 3,413,386 | 2,643,815 |
| Lease liabilities | | 5,263 | 6,439 |
| Other payables and accruals | 21 | 1,799,979 | 3,148,467 |
| Deferred income tax liabilities | | 831,870 | 807,155 |
| Total non-current liabilities | | 6,050,498 | 6,605,876 |

The notes on pages 27 to 62 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024 (Expressed in Renminbi ("RMB"))

| | <i>Note</i> | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---|-------------|---|---|
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade payables | 22 | 1,627,823 | 1,933,782 |
| Other payables and accruals | 21 | 4,480,903 | 3,187,984 |
| Contract liabilities | 6 | 69,054 | 195,564 |
| Borrowings | 20 | 773,124 | 1,553,354 |
| Lease liabilities | | 2,338 | 1,797 |
| Current income tax liabilities | | 55,429 | 53,707 |
| Total current liabilities | | 7,008,671 | 6,926,188 |
| Total liabilities | | 13,059,169 | 13,532,064 |
| Net current liabilities | | (3,405,515) | (2,713,694) |
| Net assets | | 4,250,472 | 4,399,177 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 23 | 17,692 | 16,732 |
| Perpetual convertible bond securities | 25 | 751,167 | 945,854 |
| Reserves | | 3,427,701 | 3,234,069 |
| (Accumulated losses)/retained earnings | | (3,056) | 147,729 |
| | | 4,193,504 | 4,344,384 |
| Non-controlling interests | | 56,968 | 54,793 |
| Total equity | | 4,250,472 | 4,399,177 |
| Total equity and liabilities | | 17,309,641 | 17,931,241 |

The notes on pages 27 to 62 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 (Expressed in Renminbi ("RMB"))

| Attributable to owners of the Company | | | | | | | | | | | |
|---|----------------------------|--|--|---|--|----------------------------------|---------------------------|---|---------------------|--------------------------------------|------------------|
| | Issued capital | | | | | Share premium account RMB'000 | Other reserves RMB'000 | Retained earnings/ accumulated losses RMB'000 | Subtotal RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| | Ordinary shares RMB'000 | Class A convertible preference shares RMB'000 | Class B convertible preference shares RMB'000 | Perpetual convertible securities RMB'000 | Perpetual convertible bond securities RMB'000 | | | | | | |
| (Unaudited) | | | | | | | | | | | |
| At 1 January 2024 | 7,828 | 1,329 | 7,575 | 945,854 | 3,169,418 | 64,651 | 147,729 | 4,344,384 | 54,793 | 4,399,177 | |
| Total comprehensive loss for the period | - | - | - | - | - | - | (150,880) | (150,880) | 2,175 | (148,705) | |
| Transactions with owners | | | | | | | | | | | |
| Dividends withdraw by perpetual convertible bond securities holders | - | - | - | (95) | - | - | 95 | - | - | - | |
| Perpetual convertible bond securities converted to ordinary shares | 960 | - | - | (194,592) | 193,632 | - | - | - | - | - | |
| Total transactions with owners | 960 | - | - | (194,687) | 193,632 | - | 95 | - | - | - | |
| At 30 June 2024 | 8,788 | 1,329 | 7,575 | 751,167 | 3,363,050 | 64,651 | (3,056) | 4,193,504 | 56,968 | 4,250,472 | |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 (Expressed in Renminbi ("RMB"))

| Attributable to owners of the Company | | | | | | | | | | |
|--|-------------------------------|---|---|---|--|------------------------------|---------------------------------|---------------------|---|------------------|
| | Issued capital | | | | | | | Subtotal RMB'000 | Non- controlling interests RMB'000 | Total RMB'000 |
| | Ordinary shares RMB'000 | Class A convertible preference shares RMB'000 | Class B convertible preference shares RMB'000 | Perpetual convertible bond securities RMB'000 | Share premium account RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | | | |
| (Unaudited) | | | | | | | | | | |
| At 1 January 2023 | 7,828 | 1,329 | 7,575 | 945,755 | 3,169,418 | 68,125 | 139,094 | 4,339,124 | 54,351 | 4,393,475 |
| Profit for the period | - | - | - | - | - | - | 87,135 | 87,135 | 2,944 | 90,079 |
| Other comprehensive income for the period | - | - | - | - | - | 23,442 | - | 23,442 | - | 23,442 |
| Total comprehensive income for the period | - | - | - | - | - | 23,442 | 87,135 | 110,577 | 2,944 | 113,521 |
| Transactions with owners | | | | | | | | | | |
| Dividends payable to perpetual convertible bond securities holders | - | - | - | 50 | - | - | (50) | - | - | - |
| Transactions with non- controlling interests | - | - | - | - | - | 1,853 | - | 1,853 | (4,585) | (2,732) |
| Total transactions with owners | - | - | - | 50 | - | 1,853 | (50) | 1,853 | (4,585) | (2,732) |
| At 30 June 2023 | 7,828 | 1,329 | 7,575 | 945,805 | 3,169,418 | 93,420 | 226,179 | 4,451,554 | 52,710 | 4,504,264 |

The notes on pages 27 to 62 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024 (Expressed in Renminbi (“RMB”))

| | Note | Six months ended 30 June | |
|--|-------|--------------------------------|--------------------------------|
| | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Cash flows from operating activities | | | |
| Cash (used in)/generated from operations | | (18,840) | 392,022 |
| Income tax paid | | (18,379) | (23,379) |
| Net cash flows (used in)/generated from operating activities | | (37,219) | 368,643 |
| Cash flows from investing activities | | | |
| Interest income | | 7,901 | 12,763 |
| Purchases of property and equipment | 13 | (2,314) | (7,453) |
| Additions of long-term prepaid expenses | | (6,177) | (16,349) |
| Additions of investment properties | | (50,088) | (85,145) |
| Purchases of intangible assets | | (837) | (1,010) |
| Proceeds from sale of investment properties | | – | 3,211 |
| Proceeds from sale of property and equipment | | 7 | – |
| Capital reduction/(injection) in a joint venture | | 12,000 | (9,650) |
| Amounts provided to an associate | 28(d) | (82) | (354) |
| Net cash flows used in investing activities | | (39,590) | (103,987) |
| Cash flows from financing activities | | | |
| New bank and other financial institutions borrowings | | 6,127 | 300,000 |
| Repayments of bank borrowings | | (16,011) | (160,247) |
| Interests paid on bank and other financial institution borrowings | | (126,000) | (207,235) |
| Cash received for hedging instrument | | – | 22,231 |
| Principal elements of lease payments | | (835) | (2,218) |
| Issue of China Life Investment-BCG Outlets First Stage Asset Support Scheme (“Outlets Scheme”) | | – | 680,000 |
| Issuance cost paid on Outlets Scheme | | – | (3,250) |
| Interest expenses and management fees on Asset-backed Securities Scheme, senior class | | (78,735) | (145,451) |
| Interest expenses and management fees on Outlets Scheme | | (84,765) | (21,536) |
| Payment for acquisition of non-controlling interests | | – | (2,732) |
| Net cash flows (used in)/generated from financing activities | | (300,219) | 459,562 |
| Net (decrease)/increase in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of the period | | 1,470,508 | 1,137,660 |
| Exchange (losses)/gains on cash and cash equivalents | | (39) | 35 |
| Classified as held for sale | | – | (47,158) |
| Cash and cash equivalents at end of the period | | 1,093,441 | 1,814,755 |

The notes on pages 27 to 62 form part of this interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION

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

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

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSS.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

2 BASIS OF PREPARATION (CONTINUED)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 19.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2023 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 February 2024.

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 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.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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 ESTIMATES

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

In preparing the consolidated interim financial report, significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

5 FINANCIAL RISK MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other financial institution borrowings, Asset-backed Securities Scheme, senior class, Outlets Scheme and cash and cash equivalents.

The main purpose of these financial instruments is to fund the Group's operations. The Group has other financial assets and liabilities such as financial assets included in trade and other receivables, financial liabilities included in other payables and accruals (excluding Asset-backed Securities Scheme, senior class, Outlets Scheme), which arise directly from its operations.

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

The Directors review and approve policies for managing each of these risks and they are summarised below.

(a) Foreign exchange risk

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

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---------------|---|---|
| Assets | | |
| HK\$ | 96 | 117 |
| US\$ | 192 | 455 |
| | 288 | 572 |

The Group considers that it is not exposed to any significant foreign exchange rate risk as there are no significant financial assets or liabilities of the Group denominated in the currencies other than the respective functional currencies of the Group's entities. No sensitivity analysis is thus presented.

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

| | Six months ended 30 June 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
|---|--|--------------------------------|
| Net foreign exchange losses included in other gains recognised in loss before income tax for the period | 92 | 53,779 |

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest rate risk

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

As at 30 June 2024, if interest rates on bank borrowings had been 50 basis points higher/lower with all other variables held constant, loss before tax for the period would have been RMB4,216,000 higher/lower, mainly as a result of higher/lower interest expenses on floating rate borrowings.

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

| | 30 June 2024 RMB'000 (Unaudited) | % of total loans | 31 December 2023 RMB'000 (Audited) | % of total loans |
|--|---|-----------------------------|---|---------------------|
| Variable rate borrowings | 1,686,510 | 40% | 1,697,169 | 40% |
| Fixed rate borrowings – maturity dates: | | | | |
| Less than 1 year | 1,500,000 | 36% | 1,500,000 | 36% |
| 1 to 5 years | 1,000,000 | 24% | 1,000,000 | 24% |
| | 4,186,510 | 100% | 4,197,169 | 100% |

(c) Credit risk

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

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

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Cash and cash equivalents

The Group expects that there is no significant credit risk associated with cash and cash equivalent since they are deposited at state-owned banks and other medium or large size listed banks.

Trade and other receivables (excluding prepayments)

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade, lease receivables and contract assets (excluding prepayments). To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the aging. The expected credit loss also incorporates forward looking information.

As at 30 June 2024, the loss allowance for trade receivables was determined as follows:

| | Within 1 year |
|---|----------------------|
| | <i>RMB'000</i> |
| | (Unaudited) |
| Expected loss rate | 0.5% |
| Gross carrying amount – trade receivables | 144,050 |
| Loss allowance | 679 |

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for trade receivables during the period ended 30 June 2024 (31 December 2023: Nil).

The Group uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

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

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

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

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

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

| | Individual provision for impairment | Group provision for impairment | Total |
|--------------------------------------|--|---|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| Carrying amount of other receivables | 8,224 | 125,874 | 134,098 |
| Expected credit loss rate | 100% | 2.10% | 8.11% |
| Loss allowance | (8,224) | (2,646) | (10,870) |
| Other receivables, net | – | 123,228 | 123,228 |

(d) Liquidity risk

The Group's policies are to maintain sufficient cash and cash equivalents and to have available funding through Asset-backed Securities Scheme, senior class, Outlets Scheme, bank and other financial institution borrowings to meet its working capital requirements.

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

| | Within 1 year | 1 to 5 years | Over 5 years | Total contractual cash flows | Carrying amount |
|--|--------------------------|-------------------------|-------------------------|---|----------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At 30 June 2024 (Unaudited) | | | | | |
| Trade payables | 1,627,823 | – | – | 1,627,823 | 1,627,823 |
| Other payables and accruals (including interest) | 4,681,233 | 1,890,967 | – | 6,572,200 | 6,280,882 |
| Borrowings (including interest) | 1,686,800 | 1,688,556 | 1,255,565 | 4,630,921 | 4,186,510 |
| Lease liabilities | 2,650 | 5,511 | – | 8,161 | 7,601 |
| | 7,998,506 | 3,585,034 | 1,255,565 | 12,839,105 | 12,102,816 |
| At 31 December 2023 (Audited) | | | | | |
| Trade payables | 1,933,782 | – | – | 1,933,782 | 1,933,782 |
| Other payables and accruals (including interest) | 3,321,158 | 3,483,451 | – | 6,804,609 | 6,336,451 |
| Borrowings (including interest) | 1,717,801 | 1,747,492 | 1,304,049 | 4,769,342 | 4,197,169 |
| Lease liabilities | 2,668 | 6,826 | – | 9,494 | 8,236 |
| | 6,975,409 | 5,237,769 | 1,304,049 | 13,517,227 | 12,475,638 |

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) *Liquidity risk (Continued)*

The amounts have not included financial guarantee contracts:

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

Based on expectations at the end of the reporting period, the Group considers that it is insignificant that amount will be payable by providing above guarantees.

(e) *Capital management*

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

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

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

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---|---|---|
| Total borrowings (including accrued interests payables) (Note 20) | 4,186,510 | 4,197,169 |
| Asset-backed Securities Scheme, senior class (including accrued interests payables) (Note 21) | 2,699,593 | 2,699,148 |
| Outlets Scheme (including accrued interests payables) (Note 21) | 3,149,075 | 3,148,467 |
| Lease liabilities | 7,601 | 8,236 |
| | 10,042,779 | 10,053,020 |
| Less: Cash and cash equivalents | (1,093,441) | (1,470,508) |
| Restricted cash | (31,239) | (21,177) |
| Net debt | 8,918,099 | 8,561,335 |
| Total equity | 4,250,472 | 4,399,177 |
| Gearing ratio | 210% | 195% |

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) *Capital management (Continued)*

The change of net gearing ratio was primarily due to the increase in net debt and decrease in total equity of the Group for the period ended 30 June 2024.

5.2 FAIR VALUE ESTIMATION

The table below analyses the Group's assets and liabilities carried at fair value as at 30 June 2024 and 31 December 2023, by valuation method. The different levels have been defined as follows:

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

As at 30 June 2024, the fair value of investment properties are measured at level 3 which amounted to RMB13,149,600,000 (31 December 2023: RMB13,143,600,000).

There were no transfers between level 1 and level 2, or transfer into or out of level 3 during the period.

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

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

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

| | Carrying amounts | | Fair values | |
|---|---|---|---|---|
| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
| Financial liabilities | | | | |
| Other financial institution borrowings | 2,505,760 | 2,502,521 | 2,573,342 | 2,519,937 |
| Asset-backed Securities Scheme, senior class | 2,699,593 | 2,699,148 | 2,621,692 | 2,524,701 |
| Outlets Scheme | 3,149,075 | 3,148,467 | 2,804,970 | 2,686,823 |

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

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

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

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

6 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.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

6 OPERATING SEGMENT INFORMATION (CONTINUED)

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.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

6 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) | 157,205 | 511,378 | 77,803 | – | 746,386 |
| Segment operating profit/(loss) | (6,682) | 195,233 | 8,365 | (8,976) | 187,940 |
| Depreciation and amortisation (Note 8) | – | (17,907) | (3,186) | – | (21,093) |
| Income tax credits/(expenses) (Note 10) | 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) | 49,891 | 463,386 | 111,685 | – | 624,962 |
| Segment operating profit/(loss) | (102,068) | 274,219 | 12,731 | (7,609) | 177,273 |
| Depreciation and amortisation (Note 8) | – | (21,123) | (4,508) | – | (25,631) |
| Income tax expenses (Note 10) | (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 <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> | Inter- segment elimination <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|---|--|---|-------------------------------------|-------------------------|--|-------------------------|
| As at 30 June 2024 (Unaudited) | | | | | | | |
| Total segment assets | 3,308,263 | 17,858,070 | 671,238 | 5,419,755 | 27,257,326 | (11,433,153) | 15,824,173 |
| Total segment liabilities | (756,875) | (7,085,132) | (836,741) | (4,828,301) | (13,507,049) | 11,433,153 | (2,073,896) |
| As at 31 December 2023 (Audited) | | | | | | | |
| Total segment assets | 3,898,218 | 17,835,575 | 617,105 | 5,520,494 | 27,871,392 | (11,813,991) | 16,057,401 |
| Total segment liabilities | (997,498) | (7,643,554) | (919,980) | (4,814,859) | (14,375,891) | 11,813,991 | (2,561,900) |

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

6 OPERATING SEGMENT INFORMATION (CONTINUED)

- (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 (Note 17) | (9,660) | (5,395) |
| Interest income (Note 7) | 7,901 | 12,502 |
| Foreign exchange losses – net (Note 7) | (92) | (53,779) |
| Finance costs (Note 9) | (289,978) | (306,640) |
| Loss before income tax from continuing operations | (103,889) | (176,039) |

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

| | 30 June | 31 December |
|---|--------------------|-------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (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 (Note 17) | 285,958 | 307,618 |
| Amounts due from related parties (Note 28(g)) | 74,830 | 74,537 |
| Total assets per consolidated statement of financial position | 17,309,641 | 17,931,241 |
| Total segment liabilities | 2,073,896 | 2,561,900 |
| Borrowings (Note 20) | 4,186,510 | 4,197,169 |
| Amounts due to non-controlling interests (Note 21) | 118,225 | 118,225 |
| Deferred income tax liabilities | 831,870 | 807,155 |
| Outlets Scheme (Note 21) | 3,149,075 | 3,148,467 |
| Asset-backed Securities Scheme, senior class (Note 21) | 2,699,593 | 2,699,148 |
| Total liabilities per consolidated statement of financial position | 13,059,169 | 13,532,064 |

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

6 OPERATING SEGMENT INFORMATION (CONTINUED)

(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 |
| Total incremental costs of obtaining a contract | 3,989 | 3,989 |
| Advances from sales of properties | 69,054 | 195,564 |
| Total contract liabilities | 69,054 | 195,564 |

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.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

7 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 RMB'000 (Unaudited) | 2023 RMB'000 (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 | – |
| | 746,386 | 624,962 |
| 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) |
| | 11,723 | 76,675 |
| Other income | | |
| Interest income | 7,901 | 12,502 |
| Others | 1,592 | 3,718 |
| | 9,493 | 16,220 |

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

8 EXPENSES BY NATURE

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

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 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 |
| – <i>Wages, salaries and staff welfare</i> | 74,333 | 64,036 |
| – <i>Pension scheme contributions</i> | 9,591 | 8,529 |
| – <i>Other allowance and benefits</i> | 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 |
| | 571,853 | 581,861 |

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

9 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 |
| | 289,978 | 353,362 |
| Less: interests capitalised | – | (46,722) |
| | 289,978 | 306,640 |

10 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.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

10 INCOME TAX (CONTINUED)

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

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (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 |
| Total tax charges for the period | 44,816 | 152,338 |
| Income tax is attributable to: | | |
| Profit from continuing operations | 44,816 | 48,530 |
| Profit from discontinued operation | – | 103,808 |
| | 44,816 | 152,338 |

11 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).

12 (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.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

13 PROPERTY AND EQUIPMENT

| | Buildings <i>RMB'000</i> | Furniture fixtures and equipment <i>RMB'000</i> | Motor vehicles and Others <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|-----------------------------|--|---|-------------------------|
| For the six months ended 30 June 2024 (Unaudited) | | | | |
| At 1 January 2024 | 118,710 | 18,089 | 32,676 | 169,475 |
| Additions | – | 1,936 | 378 | 2,314 |
| Disposals | – | (2) | (96) | (98) |
| Depreciation | (2,035) | (2,771) | (1,684) | (6,490) |
| At 30 June 2024 | 116,675 | 17,252 | 31,274 | 165,201 |
| For the six months ended 30 June 2023 (Unaudited) | | | | |
| At 1 January 2023 | 141,068 | 18,047 | 23,712 | 182,827 |
| Additions | – | 857 | 6,596 | 7,453 |
| Transfer to investment property Classified as held for sale | (6,639) | – | – | (6,639) |
| Classified as held for sale | (17,408) | (639) | (55) | (18,102) |
| Depreciation | (2,332) | (2,832) | (33) | (5,197) |
| At 30 June 2023 | 114,689 | 15,433 | 30,220 | 160,342 |

14 LONG-TERM PREPAID EXPENSES

| | Prepaid decoration expenses <i>RMB'000</i> | Others <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|--------------------------|-------------------------|
| Six months ended 30 June 2024 (Unaudited) | | | |
| At 1 January 2024 | 22,754 | 22,687 | 45,441 |
| Additions | 797 | 5,380 | 6,177 |
| Amortisation | (3,397) | (8,181) | (11,578) |
| At 30 June 2024 | 20,154 | 19,886 | 40,040 |
| Six months ended 30 June 2023 (Unaudited) | | | |
| At 1 January 2023 | 29,847 | 35,857 | 65,704 |
| Additions | 5,975 | 10,374 | 16,349 |
| Classified as held for sale | (1,263) | (5,429) | (6,692) |
| Amortisation | (11,030) | (7,813) | (18,843) |
| At 30 June 2023 | 23,529 | 32,989 | 56,518 |

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

15 INVESTMENT PROPERTIES

(A) INVESTMENT PROPERTIES IN OPERATION

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| At 1 January | 13,143,600 | 14,725,509 |
| Disposals | – | (2,726) |
| Transfer from property, plant and equipment | – | 6,639 |
| Classified as held for sale | – | (2,016,592) |
| Net gains from fair value adjustment | 6,000 | 436,725 |
| At 30 June | 13,149,600 | 13,149,555 |

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

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

| | Six months ended 30 June | |
|--------------------------------------|--------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Net gains from fair value adjustment | 6,000 | 436,725 |
| Rental income from leases | 498,222 | 590,101 |

The Directors are in charge of assets' valuation and employ the independent professional valuer to evaluate the fair value of investment properties. The Directors verify all valuation results, are responsible for the relative accounting treatments and prepares disclosure information of fair values according to the verified valuation results.

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

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

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

15 INVESTMENT PROPERTIES (CONTINUED)

Information about fair value measurements using significant unobservable inputs:

| Investment Properties | Fair value as at 30 June 2024 (Unaudited) RMB'000 | Valuation techniques | Unobservable inputs | | |
|-----------------------|---|--------------------------------|---------------------|--|---|
| | | | Title | Range | Relationship of unobservable inputs to fair value |
| Central region | 6,413,383 | Income capitalisation approach | Discount rate | 4.00% to 7.00% | The higher discount rate, the lower fair value |
| | | | Market rental price | RMB29 to RMB225 per square meter per month | The higher market rental price, the higher fair value |
| North region | 3,910,440 | Income capitalisation approach | Discount rate | 5.50% to 6.50% | The higher discount rate, the lower fair value |
| | | | Market rental price | RMB62 to RMB297 per square meter per month | The higher market rental price, the higher fair value |
| South region | 2,825,777 | Income capitalisation approach | Discount rate | 5.50% to 6.50% | The higher discount rate, the lower fair value |
| | | | Market rental price | RMB44 to RMB128 per square meter per month | The higher market rental price, the higher fair value |
| Total | 13,149,600 | | | | |

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

15 INVESTMENT PROPERTIES (CONTINUED)

| Investment Properties | Fair value as at 31 December 2023 (Audited) RMB'000 | Valuation techniques | Title | Unobservable inputs | |
|-----------------------|--|--------------------------------|---------------------|--|---|
| | | | | Range | Relationship of unobservable inputs to fair value |
| Central region | 6,447,383 | Income capitalisation approach | Discount rate | 4.00% to 7.00% | The higher discount rate, the lower fair value |
| | | | Market rental price | RMB30 to RMB220 per square meter per month | The higher market rental price, the higher fair value |
| North region | 3,870,440 | Income capitalisation approach | Discount rate | 5.50% to 6.50% | The higher discount rate, the lower fair value |
| | | | Market rental price | RMB62 to RMB293 per square meter per month | The higher market rental price, the higher fair value |
| South region | 2,825,777 | Income capitalisation approach | Discount rate | 5.50% to 6.50% | The higher discount rate, the lower fair value |
| | | | Market rental price | RMB44 to RMB128 per square meter per month | The higher market rental price, the higher fair value |
| Total | 13,143,600 | | | | |

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

16 INTANGIBLE ASSETS AND LEASE PREPAYMENT

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| At 1 January | 33,058 | 34,555 |
| Additions | 837 | 1,010 |
| Classified as held for sale or disposals | – | (515) |
| Amortisation | (1,931) | (1,855) |
| At 30 June | 31,964 | 33,195 |

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

17.1 INVESTMENTS IN JOINT VENTURES

| | Six months ended 30 June | |
|-------------------|--------------------------|-------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| At 1 January | 281,146 | 273,806 |
| Capital injection | – | 9,650 |
| Capital reduction | (12,000) | – |
| Share of losses | (6,350) | (4,528) |
| At 30 June | 262,796 | 278,928 |

17.2 INVESTMENTS IN AN ASSOCIATE

| | Six months ended 30 June | |
|---------------|--------------------------|-------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| At 1 January | 26,472 | 25,379 |
| Share of loss | (3,310) | (867) |
| At 30 June | 23,162 | 24,512 |

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

18 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 (<i>Note 5.1(c)</i>) | (679) | (1,539) |
| | 143,371 | 236,473 |
| Prepayments to related parties (<i>Note 28(g)</i>) | 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 (<i>Note 28(g)</i>) | 74,830 | 74,537 |
| Other receivables | 52,729 | 59,334 |
| Less: provision for impairment of other receivables | (10,870) | (8,748) |
| | 465,578 | 585,220 |
| Less: non-current portion | | |
| – Input value added tax to be deducted | (26,923) | (11,663) |
| Current portion | 438,655 | 573,557 |

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 | 144,050 | 238,012 |

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

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

19 INVENTORIES

| | 30 June 2024 | 31 December 2023 |
|------------------------------------|-------------------------|---------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Completed properties held for sale | 1,828,564 | 1,957,649 |
| Merchandise inventories | 354,655 | 333,588 |
| Less: impairment for inventories | (147,387) | (147,975) |
| | 2,035,832 | 2,143,262 |

20 BORROWINGS

| | 30 June 2024 | 31 December 2023 |
|---|-------------------------|---------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Non-current | | |
| Bank borrowings | 1,613,386 | 1,643,815 |
| Other financial institution borrowings | 1,800,000 | 1,000,000 |
| | 3,413,386 | 2,643,815 |
| Current | | |
| Current portion of long-term bank borrowings | 67,364 | 50,833 |
| Current portion of long-term other financial institution borrowings | 705,760 | 1,502,521 |
| | 773,124 | 1,553,354 |
| | 4,186,510 | 4,197,169 |

As at 30 June 2024, bank borrowings amounting to RMB512,350,000 (31 December 2023: RMB525,248,000) were secured by the investment property and building with carrying amount of RMB956,000,000 (31 December 2023: RMB956,000,000) and guaranteed by BCL.

As at 30 June 2024, bank borrowings amounting to RMB1,168,400,000 (31 December 2023: RMB1,169,400,000) were secured by the investment properties and buildings with carrying amount of RMB2,299,000,000 (31 December 2023: Nil) and guaranteed by BCCDG.

As at 30 June 2024, other financial institution borrowings amounting to RMB2,505,760,000 (31 December 2023: RMB2,502,521,000) were guaranteed by Capital Group. 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.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

20 BORROWINGS (CONTINUED)

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

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|-------------------------|---|---|
| Total borrowings | | |
| – Within 1 year | 1,573,124 | 1,553,354 |
| – Between 1 and 2 years | 1,088,652 | 778,881 |
| – Between 2 and 5 years | 271,083 | 565,956 |
| – Over 5 years | 1,253,651 | 1,298,978 |
| | 4,186,510 | 4,197,169 |

- (b) The carrying amounts of the Group's borrowings and loans are all denominated in RMB currencies.
- (c) The weighted average effective interest rates for the six months ended 30 June 2024 and 2023 are set out as follows:

| | Six months ended 30 June 2024 (Unaudited) | 2023 (Unaudited) |
|---|--|---------------------|
| Bank and other financial institution borrowings | 4.83% | 5.12% |

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

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

21 OTHER PAYABLES AND ACCRUALS

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|--|---|---|
| Other taxes payables | 36,838 | 70,176 |
| Employee benefits payable | 3,880 | 2,480 |
| Other payables and accruals due to related parties <i>(Note 28(g))</i> | 33,094 | 28,906 |
| Amounts due to non-controlling interests | 118,225 | 118,225 |
| Asset-backed Securities Scheme, senior class <i>(i)</i> | 2,699,593 | 2,699,148 |
| Outlets Scheme <i>(ii)</i> | 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 | (1,799,979) | (3,148,467) |
| Current portion | 4,480,903 | 3,187,984 |

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 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.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

21 OTHER PAYABLES AND ACCRUALS (CONTINUED)

- (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.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

22 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 | <i>RMB'000</i> |
| | (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 |
| | 1,627,823 | 1,933,782 |

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.

23 SHARE CAPITAL

| | 30 June 2024 | 31 December 2023 | 30 June 2024 | 31 December 2023 |
|--------------------------------|-----------------------------|-----------------------------|-------------------------|---------------------|
| | Number of shares | <i>Number of shares</i> | RMB'000 | <i>RMB'000</i> |
| | | | (Unaudited) | (Audited) |
| 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 |
| | 20,000,000,000 | 20,000,000,000 | 173,459 | 173,459 |
| 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 |
| | 2,140,118,408 | 2,034,466,568 | 17,692 | 16,732 |

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

24 CONVERTIBLE PREFERENCE SHARES

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.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

24 CONVERTIBLE PREFERENCE SHARES (CONTINUED)

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.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

25 PERPETUAL CONVERTIBLE BOND SECURITIES

On 28 December 2016, the Company issued PCBS in the principal amounts of HK\$657,594,260 to Smart Win Group Limited and in the principal amounts of HK\$420,096,153 to KKR CG Judo Outlets, respectively, resulting in credits to PCBS of RMB 945,197,000 after deducting the direct professional fee of 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 RMB562,000 (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.

26 COMMITMENTS

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

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

27 FINANCIAL GUARANTEES

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

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

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.

28 RELATED PARTY TRANSACTIONS

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

(A) PROVISION OF SERVICES

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Provision of services | | |
| – Project management services for a subsidiary of BCL | 2,684 | – |
| – Project management services for a subsidiary of BCCDG | 10,472 | – |
| | 13,156 | – |

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

28 RELATED PARTY TRANSACTIONS (CONTINUED)

(B) PURCHASES OF SERVICES

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Purchases of services | | |
| – Management fees on Asset-backed Securities Scheme, senior classes deed to fellow subsidiaries | – | 2,107 |
| – Service fees to: | | |
| – BCL | – | 992 |
| – Fellow subsidiaries | – | 97 |
| – Guarantee fees relating to: | | |
| – Asset-backed Securities Scheme | 9,398 | – |
| – Outlets Scheme (i) | 10,965 | 2,338 |
| – bank and other financial institution borrowing deed to Capital Group (ii) | 8,702 | 11,966 |
| – bank loan and other financial institution borrowing deed to BCL (iii) | 235 | 759 |
| – bank loan and other financial institution borrowing deed to BCCDG (iv) | 4,069 | – |
| | 33,369 | 18,259 |

(i) Capital Group issued a guarantee to China Life Investment Management Company Limited (“China Life”) for Outlets Scheme with a total principal amount of not exceeding RMB3,150,000,000. In accordance with the Outlets Scheme, the Group is required to pay an amount of 0.7% per annum on the outstanding principal to Capital Group as guarantee fee.

(ii) Capital Group issued a guarantee to China Life for a borrowing of the Group of RMB1,500,000,000. The Group is required to pay 0.7% per annum on the outstanding principal as guarantee fee to Capital Group.

Capital Group issued a guarantee to China Life with a principal of not exceeding RMB1,000,000,000. The Group is required to pay 0.7% per annum on the outstanding principal to Capital Group as guarantee fee.

(iii) BCL issued a guarantee to Agricultural Bank of China for a borrowing of the Group of RMB538,993,000. The Group is required to pay 0.1% per annum on the outstanding principal to BCL as guarantee fee.

(iv) BCCDG issued a guarantee to CITIC Bank with a principal of not exceeding RMB1,169,000,000. The Group is required to pay 0.7% per annum on the outstanding principal to BCCDG as guarantee fee.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

28 RELATED PARTY TRANSACTIONS (CONTINUED)

(C) GUARANTEE FROM RELATED PARTIES

As at 30 June 2024, BCL provided irrevocable guarantee to the Group in respect of the bank and other financial institution borrowings of the Group amounted to RMB512,350,000 (31 December 2023: RMB525,248,000) (Note 20).

As at 30 June 2024, BCCDG provided irrevocable guarantee to the Group in respect of the bank borrowings of the Group amounted to RMB1,168,400,000 (31 December 2023: RMB1,169,400,000) (Note 20).

As at 30 June 2024, Capital Group provided irrevocable guarantee to the Group in respect of the other financial institution borrowings of the Group amounted to RMB2,505,760,000 (31 December 2023: RMB2,502,921,000) (Note 20).

(D) ADVANCES TO AN ASSOCIATE

| | Six months ended 30 June | |
|---------------|--------------------------|-------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| At 1 January | 69,191 | 68,398 |
| Funds granted | 82 | 354 |
| At 30 June | 69,273 | 68,752 |

The advances to the associate are unsecured, interest-free and have no fixed repayment terms.

(E) FUNDS GRANTED TO A JOINT VENTURE

| | Six months ended 30 June | |
|--------------------------------|--------------------------|-------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| At 1 January | 2,117 | 2,117 |
| Interest income accrued | – | 150 |
| Less: provision for impairment | (2,117) | – |
| At 30 June | – | 2,267 |

The funds are unsecured, bear interests at 5% per annum, and have no fixed repayment terms.

(F) KEY MANAGEMENT COMPENSATION

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Salaries, allowances and benefits in kinds | 2,838 | 2,876 |
| Pension scheme contributions | 190 | 214 |
| | 3,028 | 3,090 |

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

28 RELATED PARTY TRANSACTIONS (CONTINUED)

(G) PERIOD-END BALANCES

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|----------------------------------|---|---|
| Trade receivables | | |
| – a fellow subsidiary | – | 846 |
| Prepayments to related parties | | |
| – Fellow subsidiaries | 24 | 347 |
| Amounts due from related parties | | |
| – An associate of the Group | 69,273 | 69,191 |
| – A joint venture of the Group | 2,117 | 2,117 |
| – A subsidiary of BCCDG | – | 3 |
| – Fellow subsidiaries | 1,040 | 1,040 |
| – An associate of BCL | – | 193 |
| – A joint venture of BCL | 2,400 | 1,993 |
| | 74,830 | 74,537 |
| Other payables and accruals | | |
| – Capital Group | 16,789 | 20,382 |
| – BCCDG | 13,853 | 1,554 |
| – BCL | 2,452 | 4,005 |
| – A fellow subsidiary | – | 467 |
| – A Subsidiary of BCCDG | – | 2,498 |
| | 33,094 | 28,906 |

(H) LEASE FROM RELATED PARTIES

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---------------------|---|---|
| Right-of-use rights | 172 | 262 |
| Lease liabilities | 197 | 246 |

Hengsheng Huaxing rents office space from a related party. Right-of-use rights amounted to RMB172,000 (31 December 2023: RMB262,000) and lease liabilities amounted to RMB197,000 (31 December 2023: RMB246,000) are recognised, respectively.

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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.