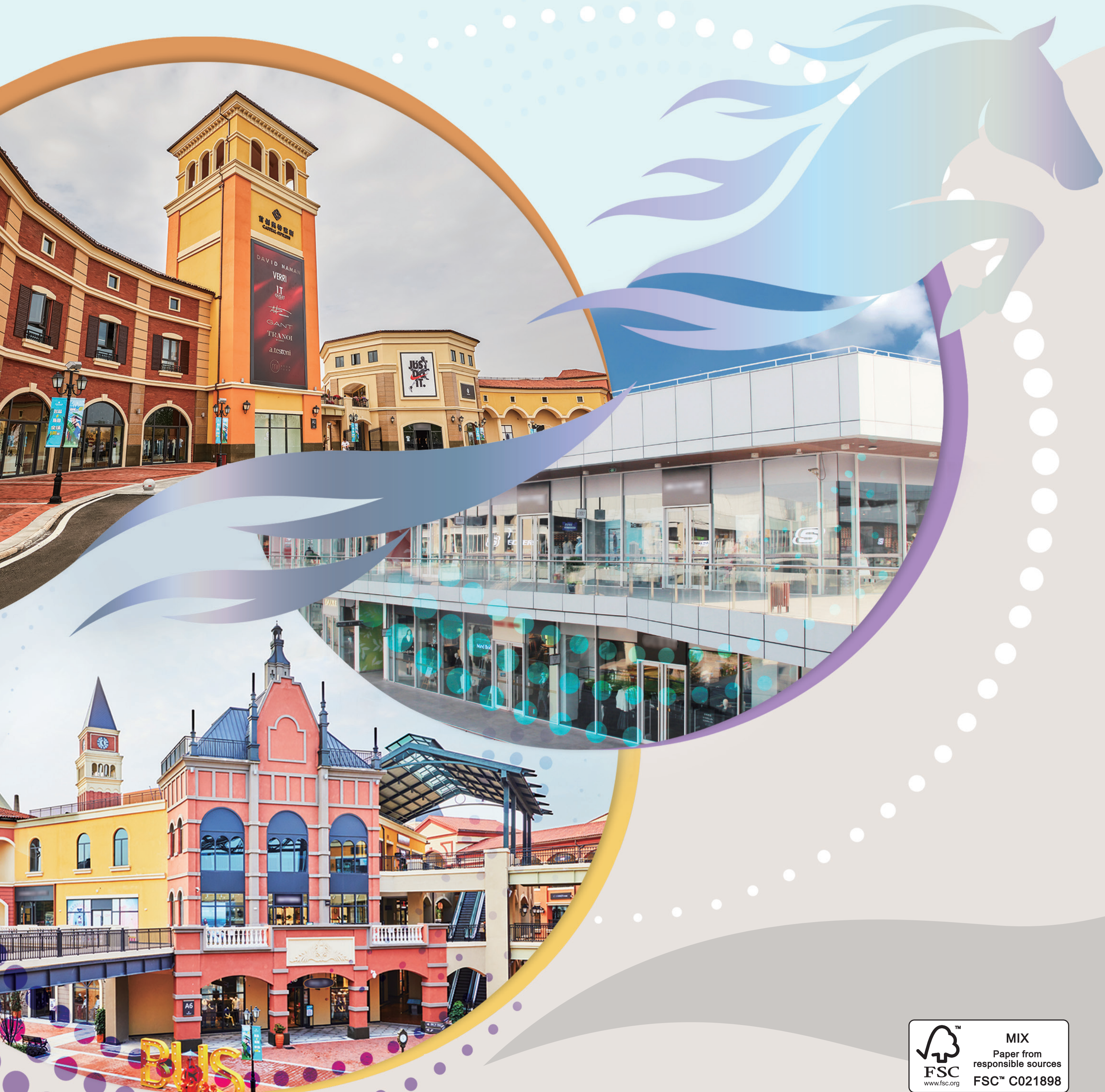
CAPITAL GRAND

BEIJING CAPITAL GRAND LIMITED
首創鉅大有限公司

Incorporated in the Cayman Islands with limited liability

STOCK CODE : **1329**

2021
ANNUAL REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Fan Shubin *(Chairman)*
Mr. Feng Yujian *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

STRATEGIC INVESTMENT COMMITTEE

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

SECRETARY OF THE BOARD OF DIRECTORS

Ms. Wang Xia

COMPANY SECRETARY

Ms. Peng Sisi

AUTHORISED REPRESENTATIVES

Mr. Feng Yujian
Ms. Peng Sisi

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISERS

AS TO HONG KONG LAWS:

Norton Rose Fulbright Hong Kong

AS TO CAYMAN ISLANDS LAWS:

Conyers Dill & Pearman

AS TO PRC LAWS:

Beijing Jingtian & Gongcheng
Beijing Zhonglun W&D

CORPORATE INFORMATION

REGISTERED OFFICE

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

PRC HEADQUARTERS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 4602-05
One Exchange Square
Central
Hong Kong

PRINCIPAL BANKERS

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

CORPORATE WEBSITE

www. bcgrand.com
www.capitaloutlets.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LISTING INFORMATION

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

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

INVESTOR RELATIONS CONTACT

Email: comsec@bcgrand.com

MAJOR EVENTS OF THE YEAR

MAJOR EVENTS OF THE YEAR 2021 OF CAPITAL GRAND

January

Kunming Capital Outlets has operated for one month since its opening, achieving monthly sales of more than RMB100 million as a new sales record of Capital Outlets in opening for business.

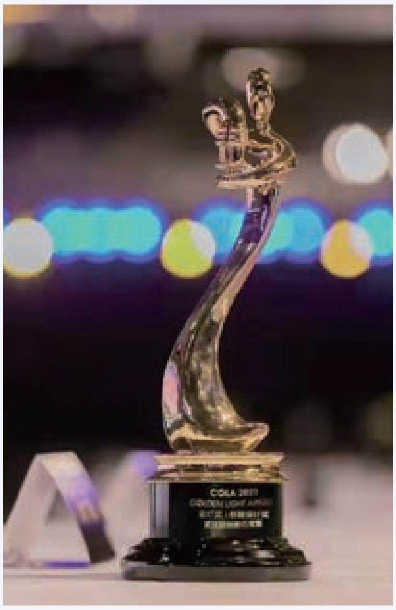
February

Actively in response to the "Staying Local for the Spring Festival (就地過年)" called for by the government, Capital Outlets welcomed a special "Spring Festival for consumers". During the Chinese New Year, Capital Outlets ramped up another spending scene. The total sales in thirteen cities throughout China exceeded RMB800 million with more than 2 million customers, representing a nearly 75% year-on-year growth of customer traffic from 2019.

MAJOR EVENTS OF THE YEAR

March

Wuhan Capital Outlets won the "2020 Fourth Golden Light Awards – Innovative Design Award".



April

Capital Grand has developed strategic collaboration with domestic leading sports brands such as QIAODAN, XTEP, ANTA and 361°. Through enhancing the sharing of resources multi-dimensionally with these business partners, mutual development opportunities were presented to us.

May

Capital Outlets won 27 major awards at the "8th China Outlets Industry Development Forum (第八屆中國奧特萊斯產業發展論壇)", hitting a historic high in terms of number of awards.

MAJOR EVENTS OF THE YEAR

May

Capital Grand issued the asset-backed securitization scheme with a size of RMB3.268 billion successfully.

June

Kunming Capital Outlets won the "Golden Lily Best Marketing Practice Five-star Case Award for Shopping Malls (金百合購物中心營銷最佳實踐五星案例大獎)" by China Chain Store & Franchise Association (CCFA).

MAJOR EVENTS OF THE YEAR

June

Capital Outlets entered into strategic cooperation with Bosideng, the No.1 down jacket brand in China, to develop outlets benchmark stores in concerted efforts, seeking a leapfrog development mutually.

July

Amidst the emergent crisis of the rare and extremely heavy rainfall in Zhengzhou, Zhengzhou outlets team responded rapidly to make preparation of prevention and control measures comprehensively. By early arranging the transfer of goods, it minimized the loss of goods of nearly 200 tenants, safeguarding the safety of life and property effectively.

MAJOR EVENTS OF THE YEAR

September

Nanning Capital Outlets, the 14th outlets project of Capital Grand, officially opened for business. As the first genuine outlet in Guangxi Province, it achieved customer traffic of almost 160 thousand on the first opening day with sales of nearly RMB14 million.

October

Capital Outlets organized a nationwide linked marketing covering fourteen cities to create the immersive experience and atmosphere during National Day Holiday of "1 October". Through IP marketing such as the 24-Hour marketing campaign, the Group achieved total sales of RMB0.5 billion, delivering another hot sales.

MAJOR EVENTS OF THE YEAR

October

Xi'an Capital Outlets was honored with the GBE HOPSCA Awards – Best Architectural Design Complex Award.

November

Capital Outlets launched the "100 Capital Outlets' Live Online Bid" campaign with recorded sales of nearly RMB1.2 million. Through the integrated marketing mode of community + live, accomplishing the three goals of marketing, two-way traffic flow and sales at the same time.

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 annual results of the Group for the year ended 31 December 2021.

During 2021, the COVID-19 pandemic continued to evolve, imposing daunting challenges globally. Coupled with the international political sophistication, more uncertainties were exposed in the development of global economy. Despite this, the Chinese economy has weathered various stresses successfully. The total GDP of China was worth RMB114 trillions in 2021, representing a year-on-year growth of 8.1%, which was much higher than market expectation; meanwhile, the GDP per capita in China reached RMB80,976, hitting a new high.

With the adverse factors such as the locally recurring pandemic and extreme weather, the customer traffic in China's physical retail industry was highly impacted. In 2021, the accumulated customer traffic flow of all shopping malls throughout China amounted to 28.7 billion visits, representing a year-on-year growth of 9.6% from 2020 and a year-on-year decrease of 25.2% from 2019. To enhance consumption, various local governments launched diverse policies of promoting consumption such as offering consumption vouchers, reducing tax liabilities, encouraging consumption in commercial areas and food and beverage successfully, thereby securing well-functioning of the consumer market. In the meantime, to accommodate with the up-to-date changes in the retail market, companies in retail industry continued to innovate their marketing approaches and develop the new and intelligent retail landscape, providing consumers with precise services and innovated shopping experience.

With the impact of the pandemic and extreme weather during the period, certain stores of the Group experienced temporary closure and major sales promotion events were affected to some extent accordingly. Amidst the hardship, the Group persisted its strict prevention and control measures to fight the pandemic to ensure "zero infection" of employees on one hand, and gave full play to the advantages of outlets in terms of counter economic cycles, chain operation and economies of scale on the other hand. The Group implemented precise policies oriented with the results growth of the projects to increase revenue and cost effectiveness at less expenses, resulting in significantly enhanced operating results of all projects in operation. With the strenuous efforts and dedication of all our employees, the Group recorded a customer traffic of 48.92 million throughout 2021, representing a year-on-year growth of 28% from 2020. The turnover in outlets operation attained a new high exceeding RMB10 billion for the first time, up 35% year-on-year from 2020, laying a new milestone for the development of the Group's outlets business.

During the period, the Group responded proactively to the retail market changes by strengthening the characteristic IP of "Come Together to Capital Outlets and Celebrate each Festival (來首創奧萊過節)". Based on offline operation, the Group fueled the development of digital outlets in full swing, improved the online and offline omni-channel sales network, enhanced the precise marketing capability, further explored the potential value of private traffic and developed the characteristic member operating system to provide consumers with precise services and innovated shopping experience. Meanwhile, the Group enhanced the integrated operation of seeking business partners and business operation to achieve win-win situation and collaborative creativity for the brand, increased comprehensive deduction rate and enhanced the quality of revenue. Through approaches such as collaboration with tenants and cross-industry cooperation, it transformed the outlets marketing platform from a cost-centre into a profit-centre gradually. In addition, the Group consolidated the refined operation to achieve more highly efficient and energy-saving operations of various equipment and facilities, thus reducing energy consumption effectively. Capitalizing on the business process reengineering and the management on the value of data assets, the online and digital full-business, full-process and full-dimension business management was accomplished. As such, the communication and assessment were based on data and indicators respectively, ensuring objective and comparable process control and management as well as added-value operation of its data assets.

CHAIRMAN'S STATEMENT

During the period under review, the Group achieved an operating revenue of RMB1,341,049,000, representing an increase of 31% over the same period of last year, and recorded a net loss attributable to the parent of RMB223,947,000. The Board has resolved not to declare an annual dividend for the year ended 31 December 2021.

Looking into 2022, the domestic macroeconomic policies will focus on "Prioritizing stability while pursuing progress, driving the steady qualitative growth and rational quantitative growth of the economy (穩字當頭、穩中求進，推動經濟實現質的穩步提升和量的合理增長)". Despite the fact that the pandemic containment remains critical and many uncertainties continue to exist in the recovery of consumer market, the consumption growth in China will tend to be supported in the long-term by the precise pandemic prevention and control, the formation of the new development landscape under the dual circulation economy at home and abroad, the further increase in the rate of urbanization, promotion of the common prosperity policy, launch of the double reduction policy, popularity of social welfare such as pension, medical care and insurance in China, thereby anticipating the further increase in consumption, which will be the main engine for the future economic growth of China.

In 2022, by pursuing the value increase of consumers and value creation of tenants, the Group will continue to actively embrace the changes in retail market landscape and the trend of changes in consumer demands, adjust and optimize the operation philosophy, strengthen the empowering ability of the headquarters office, continue to enhance its capability in lean operation and digital operation and implement the "store-oriented policy" in operation in a more scientific and effective manner. Furthermore, the Group will increase revenue and save costs, enhance quality and cost-effectiveness, continue to increase the flexibility and resilience of sales so as to boost the profitability of projects effectively.

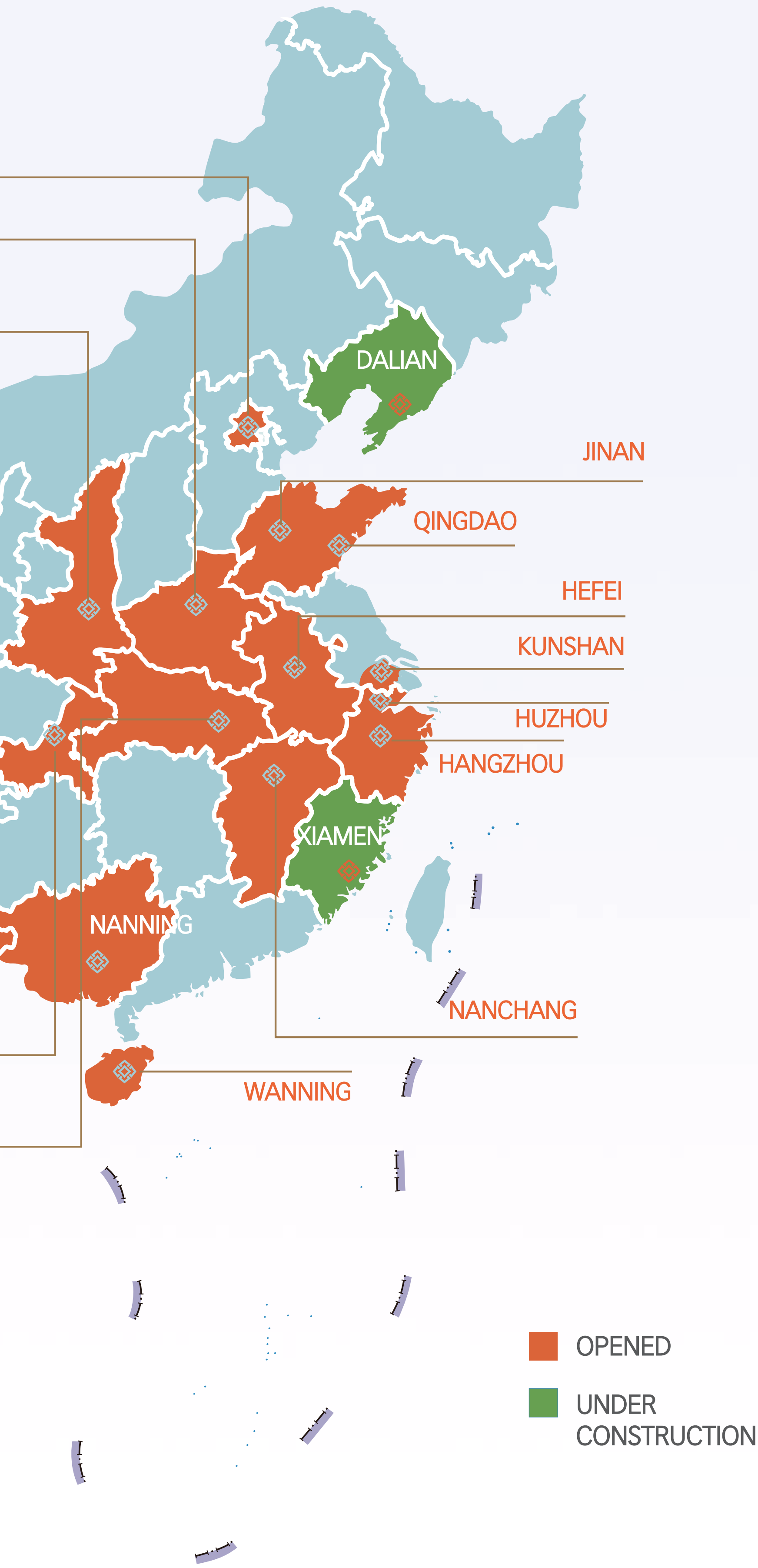
In 2022, with the launch of outlets projects in Qingdao and Xiamen, the strategic goal of the layout plan of business expansion based on self-ownership mode will then be basically fulfilled, thus further consolidating the economies of scale of the Group in the industry. On this basis, the Group will further integrate its brand resources and business operational capabilities and fully develop the two major system capabilities of business management and asset management with comprehensive outlets operation as its core. In addition, by active brand development and output management and promoting the orderly withdrawal from mature projects proactively, the Group expects to realize the transformation and upgrading planned in the corporate development strategy, while continuing to consolidate and enhance the connotation and value of the "most valuable comprehensive outlets operator in China".

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. Amidst the new market situation, making timely and precise responses and adjustments is the key to success of the retail enterprises. We believe only by gaining insights into the changes in consumer demand, precisely leveraging the rigid demand of consumers and the unique advantage of price-performance ratio of the business forms of outlets, lean operation and innovative development, making quick responses, enhancing quality and cost-effectiveness, the Group's outlets business will make further breakthroughs against the headwind, continuing to deliver operating results of steady growth. Persisting in efforts to promote the transformation and upgrading planned in the corporate development strategy, the Group will seek breakthroughs with qualitative changes from quantitative changes and seize the market opportunities arising therefrom based on its leading position and economies of scale in the industry. With the two-wheel drive of business management and asset management, we will capitalize on these opportunities to continuously create value for our shareholders, customers and partners!

Mr. Fan Shubin
Chairman
8 March 2022

STRATEGIC MAP OF CAPITAL GRAND

STRATEGIC MAP OF CAPITAL GRAND



MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT PROPERTIES

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

Project	Approximate Site Area (m^2) (Note 1)	Total Gross Floor Area (m^2) (Note 2)	Property Type (m^2)	Expected Time of Launching	Attributable Interests
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	145,590	Outlets: 113,740 Parking Facility and Parking Space: 31,850	2021	100%
Xiamen Capital Outlets (Xiang'an District, Xiamen)	55,660	124,870	Outlets: 83,480 Parking space: 34,890 Supermarket: 6,500	2022	100%

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)	355,900	324,949	205,551	Residential/ Commercial/Office buildings/Parking space	100%
Nanchang Capital Outlets (Xinjian District, Nanchang)	30,150 (Note 5)	24,397	24,397	Commercial	40%
Jinan Capital Outlets (Tangye New Area, Jinan)	114,930 (Note 6)	2,154	2,154	Commercial	100%
Chongqing Capital Outlets (Banan District, Chongqing)	74,350 (Note 7)	5,523	5,523	Commercial	100%
Nanning Capital Outlets (Xingning District, Nanning)	101,970 (Note 8)	6,595	6,595	Commercial	100%

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

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

Note 3: The site area of Fangshan Capital Outlets is 90,800 m^2, of which the gross floor areas of Phase I and Phase II are 108,700 m^2 and 87,800 m^2, respectively;

Note 4: The total site area of Huzhou Capital Outlets is 214,300 m^2, of which the site areas of Phase I and Phase II are 109,900 m^2 and 104,400 m^2, respectively;

MANAGEMENT DISCUSSION AND ANALYSIS

Note 5: The site area of Nanchang Capital Outlets Plot B is 30,200 m^2, of which 29,700 m^2 of the gross floor area is investment property and 31,300 m^2 is development property;

Note 6: The site area of Jinan Capital Outlets is 114,900 m^2, of which 121,500 m^2 of the gross floor area is investment property and 63,000 m^2 is development property;

Note 7: The site area of Chongqing Capital Outlets is 74,300 m^2, of which 110,600 m^2 of the gross floor area is investment property and 17,100 m^2 is development property;

Note 8: The site area of Nanning Capital Outlets is 102,000 m^2, of which 145,600 m^2 of the gross floor area is investment property and 15,300 m^2 is development property.

INDUSTRY OVERVIEW

– In 2021, the world has entered into a new stage of pandemic prevention and control under the normalization of the COVID-19. Whilst the number of local COVID-19 cases in certain regions fluctuated, the pandemic was generally under control in China and economic development remained stable. According to the data of the Chinese economy for 2021 issued by the National Bureau of Statistics, the preliminary calculation suggested that the total gross domestic product for the whole year amounted to RMB114 trillion, representing a growth rate of 8.1% over last year at constant price and an average biennial growth rate of 5.1%. With a significantly higher growth rate than most of other major economies around the globe, the Chinese economy exhibited strong resilience, huge potential and abundant momentum for development.

– As affected by the locally recurring pandemic, the growth of certain consumption sectors has slowed down, and the consumption has yet to recover to pre-pandemic level. In 2021, the total retail sales of consumer goods in China for the whole year were approximately RMB44 trillion, representing an increase of 12.5% over last year and an average biennial growth rate of 3.9%, which was lower than the growth rate of 8.0% for the same period in 2019. In 2021, the customer traffic and revenue of the physical retail industry in China were highly impacted. According to the monitoring results of the China National Commercial Information Center over the sales of 100 large-scale major retail enterprises nationwide during different festivals, the retail sales of sample enterprises during the National Day holiday in 2021 recorded year-on-year decreases of 9.2% and 0.1% over 2020 and 2019, respectively.

– During the period, in order to stimulate consumption and build "a new development pattern with domestic circulation as the main body and mutual promotion of both domestic and international circulations", five cities, namely Shanghai, Beijing, Guangzhou, Tianjin and Chongqing, took the lead in the development and fostering of international consumption center cities. Being the clusters of consumption resources, these international consumption center cities will be the pinnacle of the Chinese and global consumption market, which played a strong leading and driving role for consumption and were the major driver of development of the Chinese consumption market. Meanwhile, various local governments launched diverse policies of promoting consumption such as offering consumption vouchers, reducing tax liabilities, encouraging consumption in commercial areas and food and beverage successively, thereby securing well-functioning of the consumer market.

BUSINESS REVIEW

BREAKTHROUGH IN RESULTS BENEFITTED FROM DEDICATION OF ALL STAFF MEMBERS

– During the period, with the adverse factors such as the locally recurring pandemic and extreme weather, certain stores of the Group experienced temporary closure and major sales promotion events were affected to some extent accordingly. Nonetheless, with the strenuous efforts and dedication of all our employees, the Group has effectively enhanced the flexibility and resilience of sales under the normalization of pandemic, thereby realize quick improvement of the overall results. In 2021, the accumulated customer traffic flow amounted to 48.92 million visits, representing a year-on-year growth of 28% as compared with 2020. The turnover attained a new high exceeding RMB10 billion for the first time, up 35% year-on-year from 2020, marking a new milestone of the Group.

CREATION OF THE "COME TOGETHER TO CAPITAL OUTLETS AND CELEBRATE EACH FESTIVAL (來首創奧萊過節)" IP

– During the Spring Festival of 2021, in response to the pandemic containment policy of "Staying Local for the Spring Festival (就地過年)", the Capital Outlets projects nationwide carried out unified marketing campaign under the theme of "Come Together to Capital Outlets and Celebrate each Festival (來首創奧萊過節)". The Group launched the "Come to Thirteen Capital Outlets to Celebrate the Festival and Catch Overnight Hot Sales at Chinese New Year Eve (來首創奧萊十三城過節、通宵燃爆小年夜)" to kick off the peak sales season during the Spring Festival, which has facilitated the quick recovery of the projects from the impact of the pandemic. During the Spring Festival from 11 to 17 February 2021 (from Lunar New Year's Eve to the sixth day of the Lunar New Year), the projects recorded a sales of RMB330 million and a customer traffic of 1.381 million visits, up 64% and 75% year-on-year from the corresponding period of 2020, respectively.

– Capitalizing on opportunities arising from each festival and festive occasion, and leveraging the synergy of unified marketing campaign nationwide, the Group continued to strengthen the "Come Together to Capital Outlets and Celebrate each Festival (來首創奧萊過節)" IP and launched a series of activities such as "National Tide of Chinese Flavor for Labor Day on 1 May (五一國潮國味勞動節)", "Super Sold-out Day of Six Strategic Brands on 6 June (66節-六大戰聯品牌超級售罄)", "618 Online Carnival (618線上狂歡)", "Super Joint Celebration Activities at Mid-autumn Festival (中秋超級聯慶)" and "National Flag Dance for Prosperity cum Space Travel Journal (國慶旗舞盛世舞蹈及太空環遊記)", successfully creating various "Capital Outlets Impression". On the other hand, the Group has broadened the marketing channels through innovative linked-marketing online and offline with greater efforts made in marketing among different social groups. Private traffic platform has been established to consolidate traffic flow from third party platforms, thereby forming the "loyal fans" base of Capital Outlets to benefit the ordinary offline projects in return and boost the sales of all projects in full swing.

MANAGEMENT DISCUSSION AND ANALYSIS

GRAND OPENING OF OUR FIRST STORE IN GUANGXI

– On 19 September 2021, the Capital Outlets in Nanning officially opened for business. Integrating Outlets Town, Outlets Mall and Share Time Open Block, the project is the first authentic European-style outlets complex in Guangxi, targeting customers from all over Guangxi Province.

– During the three-day opening campaign from 19 to 21 September 2021, the grand opening of Nanning Capital Outlets achieved phenomenal success and attracted a huge crowd of customers from the city. The customer traffic exceeded 400,000 visits with a sales of over 34.86 million within 3 days, breaking the sales record of the opening of commercial projects in Nanning and that of Capital Outlets. Multiple brands have become the best-selling brand within China and Guangxi region.

– The project achieved a sales of over RMB100 million within 28 days after its opening, which set a new record for opening of Capital Outlets and become a new commercial landmark in Nanning city and Guangxi Province.

DEVELOPING DIGITAL OUTLETS THROUGH TECHNOLOGICAL INNOVATION

– During the period, in response to changes in the retail market under the new landscape, the Group fueled the development of digital outlets in full swing and enhanced the precise marketing capability through technological means. Capitalizing on the business process reengineering and the management over the value of data assets, the online and digital full-business, full-process and full-dimension business management was accomplished. As such, the communication and assessment was based on data and indicators respectively, thus ensuring objective and comparable process control and management as well as added-value operation of its data assets.

– Building on its offline operation, the Group established the e-commerce platform for outlets business during the period. Through the omni-channel model such as the use of mini programs, official accounts and livestreaming e-commerce, the Group has realized the integrated development of online and offline business, further explored the potential value of private traffic and developed the characteristic member operating system, which will become the one-stop quality consumption chain platform with outlets products as the main entrance.

ENHANCE COST EFFECTIVENESS AT LESS EXPENSES WITH IMPROVEMENT OF EFFICIENCY

– During the period, oriented with the results growth of projects, the Group strengthened systematic and standardized development with a focus on enhancing the efficiency of individual staff and the organization. It has also intensified its efforts in increasing revenue at less expenses, reducing costs while ensuring quality and improving efficiency with reduction of consumption, with an aim to enhance the profitability of projects.

– During the period, the Group enhanced the integrated operation of seeking business partners and business operation to achieve win-win situation and collaborative creativity for the brand, increased comprehensive deduction rate and enhanced the quality of revenue. Besides, it has devoted greater resources to collaborative creativity and sharing of expenses with tenants. Through approaches such as collaboration with tenants and cross-industry cooperation, the Group has gradually transformed the outlets marketing platform from a cost-centre into a profit-centre.

– During the period, the Group consolidated the refined operation and ensured sound implementation of energy saving and consumption reduction measures. Through the enforcement of various measures, including the adoption of sprinkling/drip irrigation, less frequent change of water for water systems and water landscapes, stringent control over operating hours of elevators, avoid idle lighting of logistics passageways and parking facilities, etc., so as to achieve more highly efficient and energy-saving operations of various equipment and facilities, thus reducing energy consumption effectively.

FINANCIAL REVIEW

1. REVENUE AND OPERATING RESULTS

In 2021, the revenue of the Group was approximately RMB1,341,049,000 (2020: RMB1,024,035,000), representing an increase of 31% as compared to that of 2020. The increase in revenue was mainly attributable to the increase in rental income as a result of the growth of sales performance from outlets during the year; while the rental income for last year was relatively low as affected by the outbreak of COVID-19 pandemic.

In 2021, the gross profit margin of the Group was approximately 48%, representing an increase of 14 percentage points from 34% in 2020. The increase in gross profit margin was mainly attributable to the fact that 1) the rental income from outlets has increased compared with that of last year, and in the meantime, the Group has carried out effective cost control, resulting in a significant improvement in the gross profit margin of investment properties as compared to last year; 2) despite that the sale of properties only accounted for a small proportion, the increase in gross profit from the sale of properties during the year over last year has contributed to the slight increase in overall gross profit margin.

In 2021, the operating profit of the Group was approximately RMB462,771,000 (2020: RMB266,531,000), representing an increase of 74% as compared to that of 2020. Such increase was mainly attributable to the increase in revenue and the control over expenditure.

In 2021, the loss for the year of the Group was approximately RMB223,947,000 (2020: RMB317,689,000), representing a decrease of 30% as compared to that of 2020. Such decrease in loss was mainly attributable to the increase in operating profit.

2. LIQUIDITY AND FINANCIAL RESOURCES

The Group has sufficient capital to meet the operational requirements. As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately RMB719,349,000 (31 December 2020: approximately RMB840,441,000), approximately 99.8% (31 December 2020: approximately 99.7%) of which were denominated in RMB and the remaining in HK$ and US$. The majority of the Group's cash and cash equivalents are deposited with creditworthy banks with no recent history of default.

As at 31 December 2021, the Group's current ratio was 1.26 (31 December 2020: 0.55).

As at 31 December 2021, the principal amount of the Group's interest-bearing debts totaled approximately RMB10,748,710,000 (31 December 2020: approximately RMB9,599,890,000), approximately 96.3% (31 December 2020: 55.0%) of which were non-current portion. The main purpose of the interest-bearing debt is to meet the capital requirements for property development and construction, operation and business development.

As at 31 December 2021, the Group's net gearing ratio was 208% (31 December 2020: 176%), based on the division of net debt by total equity. Net debt is total interest-bearing debts (including bank borrowings and borrowings from other financial institutions, loans from a related party, guaranteed notes, the Senior Class Asset-backed Securities Scheme) 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 2021.

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

As at 31 December 2021, the Group's borrowings from banks, related parties and other financial institutions totaled approximately RMB5,462,136,000 (31 December 2020: approximately RMB4,304,436,000). Of the total amount, approximately RMB1,539,146,000 (31 December 2020: approximately RMB1,639,496,000) was secured by land use rights or investment properties; of the total amount, approximately RMB5,297,196,000 (31 December 2020: approximately RMB3,822,696,000) was guaranteed by BCL or Capital Group.

In August 2018, the Group issued the three-year floating-rate guaranteed notes with a nominal value of US$400,000,000. The notes were repaid in full in August 2021.

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

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

4. FOREIGN EXCHANGE EXPOSURE

Major subsidiaries of the Group operate in the PRC and most of the transactions are denominated in RMB. As at 31 December 2021, the Group had US$-denominated bank borrowings amounting to US$198,000,000 (31 December 2020: guaranteed notes amounting to US$400,000,000). Accordingly, the Group has entered into the cross currency interest rate swap agreements to manage the risk of US$ exchange rate fluctuations. In addition, certain of the Group's assets and liabilities are denominated in HK$ and US$, the amount of which is not significant. Hence, it is expected that exchange rate fluctuations will have no significant impact on the finance of the Group.

5. FINANCIAL GUARANTEES

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to purchasers of properties. As at 31 December 2021, the financial guarantees amounted to approximately RMB603,605,000 (31 December 2020: RMB1,008,045,000).

6. CAPITAL COMMITMENTS

As at 31 December 2021, the Group had capital commitments relating to the development properties under construction of approximately RMB423,204,000 (31 December 2020: RMB86,981,000), and had capital commitments relating to the investment properties under construction of approximately RMB51,977,000 (31 December 2020: RMB476,489,000).

COST OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed 1,181 employees, of which 614 were male and 567 were female (as of 31 December 2020, the Group employed 1,234 employees, of which 654 were male and 580 were female). For the year ended 31 December 2021, employee benefit expenses (excluding remunerations of Directors and the chief executive officer) of the Group amounted to approximately RMB211,450,000. 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 provided trainings, including professional skill training, and development programmes on an ongoing basis.

FUTURE DEVELOPMENT AND PROSPECTS

With the fact that pandemic containment remains critical, coupled with triple pressure from the shrink of demand, reduction of supply and the expectation of weaker growth, it is expected that many uncertainties will continue to exist in the recovery of the Chinese consumer market in 2022. However, with the implementation of more precise and effective pandemic containment measures in the future, and under the guidance of the macro policy of "Prioritizing stability while pursuing progress, driving the steady qualitative growth and rational quantitative growth of the economy (穩字當頭、穩中求進，推動經濟實現質的穩步提升和量的合理增長)", it is estimated that the market will be able to strike a better balance between pandemic prevention and control and economic development.

Driven by the change in global consumption concept and pattern, retail enterprises will further implement innovative transformation and accelerate the integrated development of "Internet+" and physical retail business. Amidst the new market situation, shopping experience will be reshaped constantly and making timely and precise responses and adjustments will be the key to success of the retail enterprises.

In 2022, with the launch of the outlets projects in Qingdao and Xiamen, the strategic goal of the layout plan of business expansion based on self-ownership mode will then be basically fulfilled, thus consolidating the economies of scale of the Group in the industry. Upholding the corporate vision of becoming the "most valuable comprehensive outlets operator in China", the Group will gain keen insights into the new demand and changes of consumer in pursuit of value increase for consumers and value creation for tenants. It will also adjust and optimize the operation philosophy, strengthen the empowering ability of the headquarters office, continue to enhance its capability in lean operation and digital operation and implement the "store-oriented policy" in operation in a more scientific and effective manner. Furthermore, the Group will further consolidate the foundation of project operation and continue to increase the flexibility and resilience of sales so as to improve the results of projects on an ongoing basis through measures such as increase revenue and reduce costs, control over expenses and enhance efficiency. Meanwhile, the Group will fully develop the two major system capabilities of business management and asset management with comprehensive outlets operation as its core. In addition, by active brand development and output management and promoting the orderly asset withdrawal from mature projects proactively, the Group will make persistent efforts in promoting the transformation and upgrade as planned in the corporate development strategy, and continue to consolidate and enhance the connotation of the "most valuable comprehensive outlets operator in China" with a view to maximizing the value for the shareholders!

Mr. Feng Yujian
Chief Executive Officer
Beijing, 8 March 2022

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Fan Shubin (范書斌), aged 53, a senior accountant, was appointed as an executive Director, the chairman of the Board and the chairman of the nomination committee of the Company in October 2021. He served as the head of the Accounting Department of China Nonferrous Metals Industry Technology Development Company Limited from August 1992 to February 1995. He also served as the manager of the Financial Department of China Rare Earth Development Company from March 1995 to April 2002. Mr. Fan joined Beijing Capital Group Co., Ltd. (the "Capital Group") in May 2002 and served as the deputy general manager and the general manager of the Financial Management Department of Beijing Capital Eco-environment Protection Group Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600008, formerly known as Beijing Capital Co., Ltd.), the deputy general manager of the Planning and Financial Department and the general manager of the Financial Management Department of Capital Group. He served as a supervisor of Beijing Capital Land Co., Ltd. ("BCL", formerly known as Beijing Capital Land Ltd.) from December 2011 to October 2016. He served as deputy general manager, chief financial officer and general accountant (chief financial officer) of BCL from October 2016 to October 2021. He served as an executive director of BCL from April 2018 to October 2021. Mr. Fan was appointed as director and general manager of Beijing Capital City Development Group Co., Ltd. (the "Capital City Development") in October 2021 and at the same time he was appointed as a director and general manager of BCL. He obtained a Bachelor's degree in Accounting of Industrial Enterprises from North China University of Technology in July 1991 and an MBA degree from Guanghua School of Management, Peking University in July 2000.

Mr. Feng Yujian (馮瑜堅), aged 48, was appointed as an executive Director and the chief executive officer of the Company in January 2017, the chairman of the strategic investment committee of the Company in February 2018, and the assistant president of BCL in October 2018. He is also a director in certain subsidiaries of the Company. He was the vice-president of the Company from March 2015 to January 2017. He joined BCL and served as the securities business manager in the Business Development Department in March 2003, the assistant to general manager and deputy general manager of the Strategic Development Centre from January 2007 to January 2010, the general manager of the Capital Management Centre from January 2010 to July 2014, as well as the general manager and investment relationship director of BCL Hong Kong Office from August 2014 to February 2017. Prior to joining BCL, Mr. Feng served as a senior analyst in Foshan Securities Co., Ltd., an analyst in Beijing Xinminsheng Financial Advisory Co., Ltd. and a securities trader in Zhejiang Jinma Property Development Co., Ltd.. Mr. Feng obtained a bachelor's degree in Economics from Renmin University of China in July 1994 and a master's degree in Business Administration from Beijing International MBA (BiMBA) in February 2003.

NON-EXECUTIVE DIRECTORS

Mr. Wang Hao (王昊), aged 39, was appointed as a non-executive Director and a member of the strategic investment committee of the Company in May 2018. Mr. Wang served as an employee of the Investment Banking Department of CITIC Securities Co., Ltd. from June 2007 to August 2010. Mr. Wang served as an assistant to the chairman of BCL from August 2010 to January 2014 and served as the deputy general manager of the Synergy Development Department of the Capital Group from October 2015 to February 2017, and also served as the deputy general manager of the Real Estate Department of the Capital Group since February 2017. Mr. Wang obtained a bachelor's degree in Electrical Engineering from University of Bristol in the United Kingdom in August 2006.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Ms. Qin Yi (秦怡), aged 43, was appointed as a non-executive Director and a member of the remuneration committee of the Company in December 2018. Ms. Qin served in the financial department of Beijing Saike Pharmaceutical Co., Ltd. from 2000 to 2001. Ms. Qin joined BCL in July 2004 and served as a professional supervisor of the Business Development Department, a senior manager of the Strategic Development Centre, as well as the assistant general manager, deputy general manager and general manager of the Capital Management Centre successively. Ms. Qin was appointed as the secretary of the board of directors of BCL in March 2016. She was appointed as the secretary of the board of directors of Capital City Development in November 2021, and served as the general manager (director) of the capital operation department (the office of the board of directors) of Capital City Development since January 2022. Ms. Qin obtained a bachelor's degree in Economics from China Institute of Finance and Banking in 2000 and a master's degree in Economics from the School of Economics of Peking University in 2004.

Mr. Zhou Yue (周岳), aged 44, was appointed as a non-executive Director, a member of the nomination committee and a member of the strategic investment committee of the Company in October 2020. He was the general manager of the investment and finance business center of Sino-Ocean Group. Mr. Zhou joined the Sino-Ocean Group since April 2015 and served as the person-in-charge for strategic investment and deputy general manager of the CEO Management Centre and the executive deputy general manager of Sino-Ocean Capital. He previously held positions at Mapletree Investments of Temasek Holdings, Singapore, HSBC Holdings and Bank of China Investment. Mr. Zhou graduated from Xi'an University of Architecture and Technology in 2000 and obtained a bachelor's degree in Civil Engineering, and also graduated from Tsinghua University in 2007 and received a master's degree in Business Administration.

Mr. Yang, Paul Chunyao (楊文鈞), aged 53, was appointed as a non-executive Director, a member of the remuneration committee and the strategic investment committee of the Company in February 2018. He joined KKR as a member and head of Greater China in 2017. Prior to joining KKR, Mr. Yang was the president and CEO (where he led a team of more than 7,000 employees, with operations in Taipei, Hong Kong, Shanghai, Seoul, Singapore, Bangkok and Jakarta) of China Development Financial Holding Corporation ("CDFC", a company listed on the Taiwan Stock Exchange, stock code: 2883.TW) (one of the oldest and largest commercial banking groups in Asia, with more than US$20 billion in assets under management). Prior to joining CDFC, Mr. Yang was the managing director and head of private equity and mezzanine finance at DBS Bank in Hong Kong. Mr. Yang also held positions at the branches of ICG Asia, Goldman Sachs, General Atlantic and Boston Consulting Group in the U.S. and Asia. He is currently a director of CDFC. He received his BS and MS in Mechanical Engineering at MIT and his MBA at Harvard.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. NGAI Wai Fung (魏偉峰), aged 60, was appointed as an independent non-executive Director, the chairman of the audit committee and a member of the remuneration committee and nomination committee of the Company in December 2013.

Dr. Ngai is a director and the group chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited, a specialty company secretarial, corporate governance and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. Dr. Ngai has over 30 years of professional practice and senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and regulatory compliance, corporate governance and company secretarial work for listed issuers including major red chips companies. Dr. Ngai led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities.

Dr. Ngai is currently a member of the General Committee and the Chairman of Membership Services of Sub-Committees of the Chamber of Hong Kong Listed Companies. He was the president of the Hong Kong Institute of Chartered Secretaries (currently known as the Hong Kong Chartered Governance Institute) (2014-2015), a non-official member of the Working Group on Professional Services under the Economic Development Commission of the Hong Kong Special Administrative Region (2013-2018), a member of the Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants (2013-2018) and the first batch of Finance Expert Consultants of Ministry of Finance of the People's Republic of China (2016-2021). Dr. Ngai is a fellow of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Chartered Governance Institute, a fellow of the Hong Kong Chartered Governance Institute, a fellow of the Hong Kong Institute of Directors, a member of the Hong Kong Securities and Investment Institute and a member of the Chartered Institute of Arbitrators.

Dr. Ngai obtained a Doctoral Degree in Finance at Shanghai University of Finance and Economics, a Master's Degree in Corporate Finance from Hong Kong Polytechnic University, a Master's Degree in Business Administration from Andrews University of Michigan and a Bachelor's Degree in Law at University of Wolverhampton.

Dr. Ngai is currently the independent non-executive director of the following companies, namely Bosideng International Holdings Limited (SEHK Stock Code: 03998), Powerlong Real Estate Holdings Limited (SEHK Stock Code: 01238), BaWang International (Group) Holding Limited (SEHK Stock Code: 01338), TravelSky Technology Limited (SEHK Stock Code: 00696) and China Energy Engineering Corporation Limited (SEHK Stock Code: 03996). Dr. Ngai is also the independent director of SPI Energy Co., Ltd. (Nasdaq: SPI). Dr. Ngai was the independent non-executive director of Renco Holdings Group Limited from March 2016 to April 2018, Yangtze Optical Fibre and Cable Joint Stock Limited Company from September 2014 to January 2020, Health and Happiness (H&H) International Holdings Limited from July 2010 to May 2020, SITC International Holdings Company Limited from September 2010 to October 2020, BBMG Corporation from November 2015 to May 2021 and China Communications Construction Company Limited from November 2017 to February 2022. He was the independent director of LDK Solar Co., Limited from July 2011 to April 2020.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Ms. Zhao Yuhong (趙宇紅), aged 53, was appointed as an independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company in December 2013. Ms. Zhao has worked as an associate professor of Faculty of Law, The Chinese University of Hong Kong ("CUHK") since August 2008. Ms. Zhao was the assistant dean (UG student affairs) and associate dean (undergraduate studies) of Faculty of Law at CUHK from September 2008 to August 2010 and from September 2010 to July 2013, respectively. Ms. Zhao was a lecturer and subsequently assistant professor of School of Law at City University of Hong Kong from January 1996 to June 2002 and from July 2002 to August 2006, respectively. From September 2006 to July 2008, Ms. Zhao served as an assistant professor of School of Law at CUHK. Ms. Zhao obtained her Bachelor of Arts degree in English Language and Literature and Bachelor of Laws degree from Peking University in July 1991. Ms. Zhao obtained her Master of Studies in Law degree with Magna Cum Laude from Vermont Law School, the USA in February 1993 and her PhD degree in Law from City University of Hong Kong in November 2000.

Mr. He Xiaofeng (何小鋒), aged 66, was appointed as an independent non-executive Director and a member of each of the audit committee and the strategic investment committee of the Company in December 2013, and was appointed as a member of the remuneration committee and the nomination committee of the Company in December 2016. Mr. He obtained a bachelor's degree and a master's degree in Economics in 1982 and 1984 from Peking University, respectively. He is currently a professor of the Department of Finance, School of Economics of Peking University (北京大學經濟學院金融學系) since August 2000, and has been a doctoral supervisor since August 2001 and a director of the Research Center of Financial and Industrial Development of Peking University (北京大學金融與產業發展研究中心) from August 2005 to January 2020. He has taught in the School of Economics of Peking University (北京大學經濟學院) since 1984. Mr. He has also has served as a council member of China Enterprises Investment Association (中國企業投資協會) and the deputy director of Financial Enterprises Investment Committee (金融企業投資委員會) since 2006, the vice chairman of Beijing Private Equity Association (北京股權投資基金協會) since 2008, a director of Beijing FOF Capital Co., Ltd. (Stock Code: 833962.NEEQ) since 2015, an independent non-executive director of Hanergy Thin Film Power Group Limited (SEHK Stock Code: 566) from September 2017 to June 2019, and an independent director of Beijing Life Insurance Co., Ltd. (北京人壽保險有限公司) since March 2018.

SENIOR MANAGEMENT

Mr. Fang Yonggao (方永高), aged 58, was appointed as party committee secretary of the Company in January 2022. He was appointed as the assistant president of BCL in June 2016. Mr. Fang served as the general manager of Beijing Company of BCL from May 2016 to January 2022, the general manager of Chongqing Company of BCL from May 2008 to May 2016, the deputy general manager of Beijing Capital Land (Chengdu) Management Co., Ltd. (首創置業(成都)管理有限公司) from January 2008 to April 2008, the executive general manager of Chengdu Capital Xinzi Real Estate Development Ltd. from May 2006 to December 2007, the general manager of the Sydney Coast Project of BCL from April 2001 to April 2006, and the professional supervisor for land construction price of the contract department of Beijing Sunshine Real Estate Comprehensive Development Company (北京陽光房地產綜合開發公司) from July 1997 to March 2001. Prior to joining BCL, Mr. Fang served as the land construction/budget supervisor and contract budget manager of Beijing Shougang Construction Group Co., Ltd. (北京首鋼建設集團有限公司) from July 1988 to July 1997. Mr. Fang obtained a master's degree in property from Renmin University of China in July 2006, and a bachelor's degree in civil engineering from Hefei University of Technology in June 1988.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Gao Baofeng (高寶豐), aged 47, was appointed as the secretary to the Disciplinary Committee and vice president of the Company in September 2020. He served in the PLA Air Force from July 1995 to December 2007 and acted as a teacher, assistant lecturer, deputy instructor, party branch secretary, and officer of the political office. From December 2007 to October 2013, he served successively as the deputy chief clerk and chief clerk of the disciplinary inspection and supervision division of the Beijing Municipal SASAC (北京市國資委); from October 2013 to October 2014, he served as the senior manager of the disciplinary inspection and supervision office of Beijing Enterprises Group Co., Ltd. (北京控股集團有限公司); from October 2014 to December 2015, he successively served as the deputy general manager (as a temporary post) of the first branch of Beijing Gas Group Co., Ltd.(北京市燃氣集團有限責任公司) and the discipline inspection supervisor (deputy division-level) of the Disciplinary Committee. He served as the director of the Discipline Inspection and Supervision Office of Beijing Capital Co., Ltd. (stock code: 600008) and the secretary of the third party branch of the headquarters from December 2015 to May 2019. He joined BCL in August 2020 as the deputy director of the Party Committee Office. Mr. Gao obtained a diploma in cryptography and information security from the Air Force Telecommunications Engineering Institute in July 1995, and an undergraduate diploma in economics and management from the Air Force Political Institute in July 1999.

Mr. Yuan Zelu (袁澤路), aged 54, is a senior business operator and senior marketing specialist, and was appointed as the executive vice president of the Company in January 2022. He served as an assistant manager of Beijing Wangfujing Department Store (北京王府井百貨大樓) from September 1987 to April 1992, the head and department manager of the operation department of Beijing Jianguomen Scitech Plaza (北京建國門賽特購物中心) from April 1992 to May 2003, and the deputy general manager of Oriental Kenzo (Beijing) Company Limited (東方銀座商業(北京)有限公司) from June 2003 to March 2007. Later, Mr. Yuan worked as the general manager of the Beijing Project and Tianjin Project of Capital Commercial Jia Mao Shopping Mall (凱德商用嘉茂購物中心) from April 2007 to September 2009. He was the deputy director of the commercial property business department of Beijing Glory Group (北京國瑞集團) and the general manager of Beijing Glory Commercial Management Co., Ltd. (北京國瑞商業管理有限公司) from October 2009 to July 2010. He also served as the business executive director of the property asset management department of China Ping An Trust (中國平安信託) and the general manager of Beijing City Mall (北京都匯天地購物中心) from July 2010 to May 2012. He joined the business department for commercial property development of BCL in June 2012 as the senior professional manager for project development. He severed as the general manager of the Beijing Capital Outlets of the Company since December 2012, concurrently served as the general manager of the Nanchang Capital Outlets from January 2019 to November 2020 and the general manager of the Kunming Capital Outlets from December 2020 to February 2022. Mr. Yuan obtained a diploma in Commercial Economics (Corporate) Management (商業經濟(企業)管理專業大專文憑) from the School of Continuing Education, Beijing Normal University in March 2000, a bachelor's degree in Business Administration from Beijing Municipal Party Committee School (北京市委黨校) in July 2006, and an MBA degree from the International Business University of Beijing in August 2012.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Yuan Qinghua (袁慶華), aged 54, was appointed as a vice president of the Company in August 2019. He served as the chief project engineer of 5th Construction Company of China Construction First Building (Group) Corporation Limited (中國建築一局(集團)有限公司第五建築公司) from July 1989 to December 2002. He joined BCL in December 2002. He served as the department manager of Beijing Heng Yang Huarong Real Estate Co. Ltd. (北京恒陽華隆房地產有限公司) from December 2002 to May 2006, an assistant general manager of Operation Management Department of BCL from June 2006 to December 2006, an assistant general manager of Cost Management Center of BCL from January 2007 to April 2008, a deputy general manager of the Chongqing Company of BCL from May 2008 to January 2011, a deputy general manager and a general manager of Innovation and Research Center of BCL respectively from January 2011 to July 2014, the general manager of Customer Service Development Platform of BCL from July 2014 to October 2017. He joined the Company in October 2017 and served as the general manager of the Jinan Capital Outlets. He concurrently served as the general manager of the Chongqing Capital Outlets from March 2020 to February 2022, and concurrently served as the general manager of the Qingdao Capital Outlets since February 2021. Mr. Yuan obtained a bachelor's degree in civil engineering from Chongqing University (formerly known as "Chongqing Institute of Architectural Engineering, Chongqing Jianzhu University") in July 1989, and an EMBA degree from Beijing Institute of Technology in March 2001

Mr. Chi Chao (遲超), aged 43, was appointed as the deputy chief accountant (chief financial officer) of the Company in September 2021. He joined the Company in October 2017 as the senior professional manager of the Financial Management Centre, and was appointed as the chief financial officer of the Company in November 2017. He was the general manager of the financial department of Yang Guang Co., Ltd. (陽光新業地產股份有限公司) (Listed on the Shenzhen Stock Exchange, Stock Code: 000608) from August 2014 to October 2017. He successively served as the financial director and deputy general manager of the BCL Qingdao office from January 2012 to August 2014, the manager of the financial department of Beijing Chaoyang Jindu Company (北京朝陽金都公司) of BCL from March 2011 to December 2011, and the senior professional manager of the Financial Management Centre of BCL from September 2007 to March 2011. In addition, he worked as deputy manager of the customer management department in China Construction Bank (sales department of Anhui branch, Beijing) from August 2001 to July 2007. Mr. Chi obtained a bachelor's degree in Accounting from North China Electric Power University in July 2001.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

SECRETARY OF THE BOARD OF DIRECTORS

Ms. Wang Xia (汪霞), aged 46, was appointed as the secretary of the Board in October 2018. She served as the manager of the president's office of Dalian Hanfeng Group Company (大連漢楓集團公司) and the general manager of its Dalian company from January 2000 to April 2002, as well as a member of the preparatory office, the executive secretary of the general manager's office, the manager of the strategic planning department, and the manager of the process planning and customer relationship management department of ING Capital Life Insurance Co. Ltd (首創安泰人壽保險有限公司) from May 2002 to November 2006. Ms. Wang was the communication and special project manager of the strategy and business development department of Pfizer Investment Limited (輝瑞投資有限公司) from December 2009 to March 2010. She joined BCL in July 2010 and served as the professional manager, senior manager for corporate governance and senior manager of the Capital Management Centre. She joined the Company in May 2015 as the general manager of the Capital Management Centre. Ms. Wang obtained a bachelor's degree and a master's degree in Engineering from Shaanxi University of Science and Technology (formerly known as "Northwest Institute of Light Industry") in July 1997 and April 2000 respectively, and earned her master's degree in Business Administration from Tsinghua University (Tsinghua-MIT Global MBA Program) in July 2009.

COMPANY SECRETARY

Ms. Peng Sisi (彭思思), aged 35, was appointed as the company secretary of the Company on 25 June 2021. She worked in the company secretarial department of BCL from May 2015 to September 2020 and was the company secretary of the Company from August 2019 to September 2020. She is a member of The Chartered Governance Institute in the United Kingdom and the Hong Kong Chartered Governance Institute. She obtained a master's degree in Science in Information Technology in Education from the University of Hong Kong in 2011, and a master's degree in Corporate Governance from the Open University of Hong Kong in 2017.

REPORT OF DIRECTORS

The board of directors (the "Board" or the "Directors") of Beijing Capital Grand Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") hereby presents its report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Group is 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 PRC, the details of which have been disclosed in the circular of the Company dated 14 November 2018. The activities of its principal subsidiaries are set out in Note 20 to the Consolidated Financial Statements of this report.

BUSINESS REVIEW

Pursuant to the requirements of the Schedule 5 to the Hong Kong Companies Ordinance, an indication of likely future development in the Company's business, a fair review of the business of the Group, a discussion and analysis of the Group's performance during the year including analysis using financial key performance indicators, particulars of important events affecting the Group that have occurred since the end of the year and the Group's compliance with relevant laws and regulations that have a significant impact on the Group are disclosed throughout this report, particularly in the sections headed "Five-Year Financial Summary", "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report". A discussion of the Company's environmental policies and performance and an account of the Company's relationship with its key stakeholders will be disclosed in detail in the 2021 Environmental, Social and Corporate Governance Report to be published by the Company, which will be available for shareholders' inspection at the websites of the Company (www.bcgrand.com) and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk). A description of the key risks and uncertainties faced by the Company is set out below:

KEY RISK FACTORS

The key risks and uncertainties faced by the Group are as follows. As it is a non-exhaustive list, there may be other risks and uncertainties other than those disclosed below. Besides, this report does not constitute any recommendation or advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgment or consult professionals before making any investment in the securities of the Company.

During the development process, the Company has taken into full consideration the changes in the market and political environment, and complied with the regulatory requirements of the Stock Exchange, while aligning with the relevant environmental, social and corporate governance ("ESG") factors. The Company also recognized the existing strategic risks, operation risks, financial risks, legal risks and market risks, etc., of which:

(1) Strategic risks are mainly attributable to domestic and overseas macro-economies, the overall trend of the industrial structure and the commensurate level of the scientific and sustainable standards of strategy establishment of the Company;

(2) Market risks are mainly attributable to changes to internal and external environment, such as domestic policies on real estate and commercial market, outbreak of COVID-19, market supply and demand, market competition and business partnership, as well as the risk of unexpected potential losses in value in the stock market due to changes of stock prices, interest rates and exchange rates;

(3) Operation risks are mainly attributable to the supervision and control procedures of each business segment involved in the daily operation and management process of the Company;

(4) Financial risks are mainly attributable to the supervision and control procedures of the financial system of the Company as a whole, including fund raising, investment management and revenue accounting;

(5) Legal risks are mainly attributable to the ongoing changes to domestic and overseas policies and regulations, and the internal contract management ability of the Company and the occurrence of relevant legal disputes.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2021, prepared in accordance with the Chinese Accounting Standards for Business Enterprises, are set out in the Consolidated Statement of Profit or Loss on page 65 of this report.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2021.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for each of the last five financial years is set out in the Five-Year Financial Summary on page 160 of this report. The summary does not form a part of the audited financial statements. The results published may not be comparable to the balance sheet.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the review period are set out in Note 15 to the Consolidated Financial Statements on pages 122 of this report.

INVESTMENT PROPERTY

Details of movements in the investment property of the Group during the review period are set out in Note 18 to the Consolidated Financial Statements on pages 124 to 127 of this report.

ISSUED SHARES

During the year, the Company did not issue any shares. Details of movements in the Company's share capital are set out in Note 32 to the Consolidated Financial Statements on page 150 of this report.

ISSUE OF THE CONVERTIBLE BOND SECURITIES

During the year, the Company did not issue or grant any convertible bond securities. Details of the convertible bond securities of the Company during the review period are set out in Note 33 and Note 34 to the Consolidated Financial Statements on pages 151 to 152 of this report.

DEBT SECURITIES

Details of movements in the debt securities of the Company are set out in Note 27 to the Consolidated Financial Statements on page 142 of this report.

PRE-EMPTIVE RIGHTS

There are no provisions on pre-emptive rights under the Company's Articles of Association (the "Articles") or the Companies Law which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 39 to the Consolidated Financial Statements on page 159 of this report as well as in the Consolidated Statement of Changes in Equity on page 69 of this report.

As at 31 December 2021, the distributable reserves of the Company amounted to approximately RMB3.989 billion.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, sales to the Group's largest customer and five largest customers accounted for approximately 4.25% and 10.04%, respectively, of the total sales of the Group for the review period. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 8.34% and 25.04%, respectively, of the Group's total purchases for the year. None of the Directors, their close associates or any shareholders who owned more than 5% of the Company's share capital had any interest in the five largest customers or five largest suppliers at any time during the year.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2021 are set out in Note 26 to the Consolidated Financial Statements on pages 140 to 142 of this report.

DIRECTORS

The Directors during the year and up to the date of this report are:

EXECUTIVE DIRECTORS:
Mr. Fan Shubin *(Chairman)* (Appointed on 29 October 2021)
Mr. Zhong Beichen *(Chairman)* (Resigned on 29 October 2021)
Mr. Feng Yujian *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS:
Mr. Wang Hao
Ms. Qin Yi
Mr. Zhou Yue
Mr. Yang, Paul Chunyao

INDEPENDENT NON-EXECUTIVE DIRECTORS:
Dr. Ngai Wai Fung
Ms. Zhao Yuhong
Mr. He Xiaofeng

In accordance with Article 83(3) of the Articles, any Director appointed by the Board to fill a temporary vacancy shall have a term of office until the first general meeting of the Company after the appointment, and will be re-elected at the meeting. Mr. Fan Shubin was appointed as an executive Director in October 2021 and shall be re-elected at the forthcoming annual general meeting in accordance with the Articles.

In accordance with Articles 84(1) and (2) of the Articles, at each annual general meeting, one third of the Directors for the time being (or, if such number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation, provided that every Director shall be subject to retirement at least once every three years at the annual general meeting. Accordingly, Mr. Feng Yujian, Dr. Ngai Wai Fung and Ms. Zhao Yuhong will offer themselves for re-election at the forthcoming annual general meeting.

CHANGES OF DIRECTORS' INFORMATION

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

In February 2022, Dr. Ngai Wai Fung, the independent non-executive Director of the Company, has resigned from the position of independent non-executive director of China Communications Construction Company Limited.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors are set out on pages 23 to 29 of this report.

DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

During the year, no Director entered into a service agreement with the Company which was not terminable by the Company within one year without payment of compensation (other than statutory compensation).

The Directors' remuneration policy and package shall be determined by the Board with the recommendation of the remuneration committee of the Company with reference to the market rate, individual qualifications as well as contribution and commitments to the Company. The details of Directors' remuneration are set out in Note 10 to the Consolidated Financial Statements on pages 116 to 118 of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" on pages 41 to 42 of this report, none of the Directors or their connected entities had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or its subsidiaries was a party during the year.

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

As at 31 December 2021, to the knowledge of the Directors, none of the Directors and chief executives of the Company and their associates had interests and short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following Directors are also directors and/or officers of Capital City Development and/or BCL (the controlling shareholders of the Company).

Name of Director	Position held in Capital City Development and/or BCL
Mr. Fan Shubin (appointed on 29 October 2021)	director
Mr. Zhong Beichen (resigned on 29 October 2021)	director
Ms. Qin Yi	secretary of the board

BCL is a leading large integrated real estate developer in the PRC, focusing primarily on developing the four core business streams of residential property development, integrated outlets, urban core integrated complex and primary land development, complemented by innovative business areas such as high-tech industry properties, cultural and creative industries and rental housing. Capital City Development is an offeror of BCL privatization, and BCL completed privatization and withdrawal of listing of the H shares on 30 September 2021. As at the date of this report, Capital City Development owns all shares of BCL and is a controlling shareholder of the Company.

On 10 October 2018, the Company entered into the second amended non-competition deed (the "Second Amended Non-Competition Deed") with BCL to delineate the respective businesses of the Company and BCL according to (i) usage of the land and properties to be developed and (ii) the business models, the details of which are set out in the circular of the Company dated 14 November 2018, and the Second Amended Non-Competition Deed has come into effect on 30 November 2018.

In December 2021, the Company received a notification letter from BCL (the "Invitation"), stating its intention to sell and requesting the Company to confirm whether it is willing to acquire the Hainan Integrated Outlets Project (the "Hainan Outlets Project") in accordance with certain conditions of transfer.

The Board (including independent non-executive Directors) considered factors such as the Company's strategic position, the overall capital position and the financial impact to the Company on acquisition of Hainan Outlets Project. After several rounds of discussion, it was considered that the acquisition, if proceeded with, will further increase the scale of interest-bearing liabilities of the Company, and will have negative impact on the financial position of the Company.

REPORT OF DIRECTORS

All members of the Board (except for Directors who are concurrently serving as directors of BCL or the relevant management have abstained from voting in the relevant board meeting) unanimously believed that it is neither suitable nor justified for the Company to acquire the Hainan Outlets Project at this stage and hence decided to reject the Invitation. Upon the transfer of all the equity interests in the Hainan Outlets Project to external parties by BCL, the entrusted management service agreement for the Hainan Outlets Project previously signed by BCL and the Company and the transactions thereunder will be terminated simultaneously.

In addition, BCL has confirmed that during the year, it has complied with the non-competition undertaking under the Second Amended Non-Competition Deed. Therefore, none of the Directors or their respective associates had interests in such business that competes or may compete with the business of the Group.

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

As at 31 December 2021, to the knowledge of 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 shall be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Capacity	Number of shares	Approximate percentage of the issued share capital (%)	Total number of ordinary shares convertible from Class A Convertible Preference Shares, Class B Convertible Preference Shares and Perpetual Convertible Bond Securities (at the initial conversion price of HK$2.10 per share)	Total interests	Percentage of total interests to total issued shares
BECL Investment Holding Limited ("BECL")	Beneficial owner	701,353,846	72.94%	1,072,928,106 *(Note 5)*	1,774,281,952	184.53%
BCL	Interests of controlled corporation *(Note 1)*	701,353,846	72.94%	1,072,928,106 *(Note 5)*	1,774,281,952	184.53%
BCG Chinastar International Limited	Beneficial owner	19,800,000	2.06%	–	19,800,000	2.06%
Capital Group	Interests of controlled corporation *(Note 2)*	721,153,846	75%	1,072,928,106 *(Note 5)*	1,794,081,952	186.58%
Smart Win Group Limited	Beneficial owner	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Sino-Ocean Land (Hong Kong) Limited	Interests of controlled corporation *(Note 3)*	95,192,308	9.9%	313,140,124	408,332,432	42.47%

Name of shareholder	Capacity	Number of shares	Approximate percentage of the issued share capital (%)	Total number of ordinary shares convertible from Class A Convertible Preference Shares, Class B Convertible Preference Shares and Perpetual Convertible Bond Securities (at the initial conversion price of HK$2.10 per share)	Total interests	Percentage of total interests to total issued shares
Faith Ocean International Limited	Interests of controlled corporation *(Note 3)*	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Shine Wind Development Limited	Interests of controlled corporation *(Note 3)*	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Sino-Ocean Group Holding Limited	Interests of controlled corporation *(Note 3)*	95,192,308	9.9%	313,140,124	408,332,432	42.47%
KKR CG Judo Outlets	Beneficial owner	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR CG Judo	Interests of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR China Growth Fund L.P.	Interests of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Associates China Growth L.P.	Interests of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR China Growth Limited	Interests of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Group Partnership L.P.	Interests of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Group Holdings Corp.	Interests of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR & Co. Inc	Interests of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
KKR Management LLP	Interests of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
Henry Robert Kravis	Interests of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%
Roberts George R.	Interests of controlled corporation *(Note 4)*	95,192,308	9.9%	200,045,787	295,238,095	30.70%

REPORT OF DIRECTORS

Notes:

1. Total interests in 1,774,281,952 shares were deemed to be corporation interest under the SFO.

2. Total interests in 1,794,081,952 shares were deemed to be corporation interest under the SFO.

3. Total interests in 408,332,432 shares were deemed to be corporation interest under the SFO.

4. Total interests in 295,238,095 shares were deemed to be corporation interest under the SFO.

5. On 19 December 2016, the Company issued a total of 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.

After 31 December 2021, the Company received a form of disclosure of interest. Long positions in shares and underlying shares of the Company as stated below:

Name of shareholder	Capacity	Number of shares	Approximate percentage of the issued share capital (%)	Total number of ordinary shares convertible from Class A Convertible Preference Shares, Class B Convertible Preference Shares and Perpetual Convertible Bond Securities (at the initial conversion price of HK$2.10 per share)	Total interests	Percentage of total interests to total issued shares
Capital City Development	Interests of controlled corporation *(Note 6)*	701,353,846	72.94%	1,072,928,106	1,774,281,952	184.53%

Note:

6. Total interests in 1,774,281,952 shares were deemed to be corporation interest under the SFO.

Save as disclosed above, as of the date of this report, as recorded in the register of interests 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 shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company adopted the share option scheme (the "Share Option Scheme") on 14 March 2012 (the "Adoption Date") which would remain in force for a period of 10 years from the Adoption Date.

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

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

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

During the year ended 31 December 2021, no share option was granted, exercised, expired or lapsed, and there was no outstanding share option under the Share Option Scheme.

MANAGEMENT CONTRACTS

During the year, no contracts were entered into or subsisted that concerned the management and administration of the whole or any substantial part of the business of the Company.

EQUITY-LINKED AGREEMENTS

Other than the Class A Convertible Preference Share Subscription Agreement entered into on 15 August 2014, the Class B Convertible Preference Share Subscription Agreement entered into on 8 June 2016 and the Subscription Agreement entered into on 25 November 2016 by the Company, and the share option scheme of the Company, during the year ended 31 December 2021, no equity-linked agreements were entered into by the Company or subsisted that would or may result in the Company issuing shares or require the Company to enter into any agreements that would or may result in the Company issuing shares.

CONVERTIBLE PREFERENCE SHARES

On 15 August 2014, the Group entered into an acquisition agreement with a subsidiary of BCL to acquire all of its 100% equity interests in Xi'an Capital Xin Kai Real Estate Ltd.. In order to finance the payment of the consideration, the Company issued 738,130,482 Class A Convertible Preference Shares to a wholly-owned subsidiary of BCL, the details of which are set out in the announcements dated 15 August 2014 and 22 January 2015, the circular dated 26 November 2014 and Note 33 to the Consolidated Financial Statements on page 151 of this report.

On 8 June 2016, the Group entered into an acquisition agreement with BCL and its subsidiary to acquire all of its equity interests in Beijing Chuangxin Jianye Real Estate Investment Ltd. and Zhejiang Outlets Property Real Estate Co., Ltd.. In order to finance part of the payment of the consideration, the Company issued 905,951,470 Class B Convertible Preference Shares to a wholly-owned subsidiary of BCL, the details of which are set out in the announcements dated 8 June 2016 and 14 December 2016, the circular dated 30 June 2016 and Note 33 to the Consolidated Financial Statements on page 151 of this report.

PERPETUAL CONVERTIBLE BOND SECURITIES

On 25 November 2016, in order to raise capital and introduce two reputable investors to the Group, the Company entered into a subscription agreement with each of Smart Win Group Limited ("Smart Win") and KKR CG Judo Outlets ("KKR"), and issued 313,140,124 perpetual convertible bond securities to Smart Win and 200,045,787 perpetual convertible bond securities to KKR, respectively, the details of which are set out in the announcements dated 25 November 2016 and 28 December 2016, the circular dated 2 December 2016 and Note 34 to the Consolidated Financial Statements on page 152 of this report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Except for the Share Option Scheme adopted by the Company, at the end of the year and at no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries as a party to any arrangements to enable the Directors or chief executives of the Company or their spouses or children under 18 years of age to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the connected transactions and continuing connected transactions are set out in Note 38 to the Consolidated Financial Statements of this report.

RECEIPT OF PROPERTY MANAGEMENT SERVICES

On 1 June 2020, the Company and Beijing Capital Property Management Limited ("BC Property Management") entered into the Property Management Framework Agreement for a term of three years, pursuant to which, BC Property Management will provide property management services to the Company and its subsidiaries. As BC Property Management is a subsidiary of BCL, the controlling shareholder of the Company, and BC Property Management is therefore a connected person of the Company within the meaning of the Listing Rules, the entering into of the Property Management Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. Details are set out in the announcement of the Company dated 1 June 2020. The cap for 2021 was agreed to be RMB40,500,000, and the actual total amount incurred was RMB26,848,000, which did not exceed the annual cap.

ESTABLISHMENT OF THE ASSET-BACKED SECURITIES SCHEME

The Company has arranged for the establishment of the Zhonglian BCG – Capital Outlets Phase II Asset-backed Securities Scheme (the "Scheme") with an issue size of not more than RMB3,268,000,000 (the "Issuance"). On 28 May 2021, a wholly-owned subsidiary of the Company entered into a project cooperation agreement for a term of three years with Capital Securities Company Limited ("Capital Securities", as the manager of the Scheme), pursuant to which it will provide services as an underwriter and manager of the Scheme and receive an one-off underwriting fee of RMB2,340,000 and an annual management fee of the Scheme of RMB1,470,600 from the Company. On 28 May 2021, a wholly-owned subsidiary of the Company entered into a fund contract for a term of three years with Shouzheng Desheng Capital Management Co., Ltd. ("Shouzheng Desheng", as the fund manager of the Scheme), pursuant to which it will provide services as the fund manager of the Scheme and receive an annual fund management fee of RMB2,777,800 from the Company. Since Capital Securities and Shouzheng Desheng are subsidiaries of Capital Group, the indirect controlling shareholder of the Company, and Capital Securities and Shouzheng Desheng are therefore both connected persons of the Company within the meaning of the Listing Rules, the entering into of the project cooperation agreement and fund contract and the transactions contemplated thereunder constitute connected transactions and continuing connected transactions of the Company. Details are set out in the announcement of the Company dated 28 May 2021. The cap for 2021 was agreed to be RMB4,248,000, and the total actual amount incurred was RMB2,537,000 which did not exceed the annual cap.

PROVISION OF GUARANTEE

(1) On 30 June 2021, Xi'an Shouchuang Xinkai Development Co., Ltd ("Xi'an Xinkai", a wholly-owned subsidiary of the Company) entered into an entrustment guarantee agreement for a term of three years with Capital Group in relation to the guarantee provided by Capital Group, on behalf of Xi'an Xinkai, in favour of China Life Investment Management Company Limited ("China Life Investment") as stipulated under the cooperation agreement, and Xi'an Xinkai shall pay a guarantee fee to Capital Group calculated based on 0.7% per annum of the total principal amount of the guarantee liability assumed by Capital Group as stipulated under the cooperation agreement. As Capital Group is the indirect controlling shareholder of the Company, and therefore Capital Group is a connected person of the Company within the meaning of the Listing Rules, the entering into of the entrustment guarantee agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. Details are set out in the announcement of the Company dated 30 June 2021. The cap for 2021 was agreed to be RMB5,250,000, and the total actual amount incurred was RMB5,186,000, which did not exceed the annual cap.

(2) On 29 July 2021, Trade Horizon Global Limited ("Trade Horizon", a wholly-owned subsidiary of the Company) entered into an entrustment guarantee agreement for a term of three years with Capital Group in relation to the guarantee provided by Capital Group in favour of Ping An Bank Co., Ltd. ("Ping An Bank") by way of a letter of guarantee issued by Bank of Hangzhou for Capital Group in favour of Ping An Bank, and Trade Horizon shall pay a guarantee fee to Capital Group calculated based on 0.7% per annum of the total principal amount of the guarantee liability assumed by Capital Group as stipulated under the guarantee agreement. As Capital Group is the indirect controlling shareholder of the Company, and therefore Capital Group is a connected person of the Company within the meaning of the Listing Rules, the entering into of the entrustment guarantee agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. Details are set out in the announcement of the Company dated 29 July 2021. The cap for 2021 was agreed to be RMB4,550,000, and the total actual amount incurred was RMB3,754,000, which did not exceed the annual cap.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions conducted during the year and confirmed that such transactions (a) were entered into in the ordinary and usual course of business of the Group; (b) were on normal commercial terms or better terms; and that (c) the agreements governing the transactions were entered into in a fair and reasonable manner and in the interests of the shareholders of the Company as a whole, and such transactions have been carried out in accordance with the agreements governing the transactions.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditors of the Company to conduct an audit of the above continuing connected transactions. The auditors have issued a letter containing their conclusions in respect of the continuing connected transactions of the Group disclosed above and their findings that there is no non-compliance with the Rule 14A.56 of the Listing Rules. The Board hereby adds that the auditors of the Company confirm that the continuing connected transactions (i) were approved by the Board; (ii) were conducted pursuant to the relevant agreements for such transactions; and (iii) did not exceed the caps.

The Company confirmed that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the transactions set out above.

RELATED PARTY TRANSACTIONS

As at 31 December 2021, the Group has carried out several related party transactions, please refer to Note 38 to the Consolidated Financial Statements of this report, save as the connected transactions and continuing connected transactions disclosed above, other transactions are not deemed as the connected transactions or continuing connected transactions under Chapter 14A or are exempted from the requirements of reporting, announcement and shareholders' approval under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the year and up to the date of this report.

CORPORATE GOVERNANCE

Details of the Company's corporate governance are set out in the Corporate Governance Report on pages 45 to 59 of this report.

INDEPENDENT AUDITOR

The financial statements for the year were audited by PricewaterhouseCoopers, who will retire at the forthcoming annual general meeting. The Company will propose a resolution at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as the Company's auditors for the coming year.

There has been no change in the auditors of the Company during the past three years.

It is the auditors' responsibility to form an independent opinion, based on their audit, on these financial statements and to report their opinion solely to the Company and for no other purpose. They do not assume responsibility towards or accept legal liability to any other person for the contents of the Independent Auditor's Report. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 60 to 64.

PERMITTED INDEMNITY PROVISION

The Articles provide that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, provided that such indemnity shall not be extended to any matters in respect of any fraud or dishonesty. During the year, the Company arranged appropriate directors liability insurance for its Directors and senior management to cover their responsibilities arising from the legal actions against the Directors and senior management in relation to corporate activities.

On behalf of the Board

Fan Shubin
Chairman

Beijing, 8 March 2022

CORPORATE GOVERNANCE REPORT

The corporate vision of the Group is to become the most valuable outlets comprehensive operator in China, which aligns with the Company's strategies and corporate culture. By applying the values of "mission, landscape, breakthrough, and transcendence" to our actual operation, we adhere to our strategic goals, work together to overcome difficulties and pursue excellence with a view to achieving the strategic goals of the Company.

The board of directors of the Company (the "Board") and the management are also 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.

CORPORATE GOVERNANCE FUNCTIONS

The Company adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules as its policies and practices on corporate governance.

The Board is responsible for performing the corporate governance duties, including developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the trainings and continuous professional development of the Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements and reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report. In addition, the Board has also designated four committees under the Board to assist in the performance of corporate governance duties.

For the year ended 31 December 2021, the Company complied with the requirements under the code provisions set out in the CG Code and the continuing obligations requirements of a listed issuer pursuant to the Listing Rules, except for the following deviations:

(a) Pursuant to code provision C.5.7 under Part 2, if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.

During the period, the Board approved the connected transactions and continuing connected transactions between BCL and Capital Group, constituted by the entering into of the internal restructuring documents and the ABS agreements (the "Transaction I") and the transactions contemplated thereunder, by way of passing a written resolution. For details, please refer to the Company's announcement dated 28 May 2021. As Mr. Zhong Beichen, who resigned on 29 October 2021, is a common director of BCL and the Company, Mr. Wang Hao is a member of the management team of Capital Group and Ms. Qin Yi is the board secretary of BCL, therefore, they were regarded as having material interests in the Transaction I.

CORPORATE GOVERNANCE REPORT

During the period, the Board approved the entering into of the entrustment guarantee agreement between Xi'an Xinkai and Capital Group (the "Transaction II") in relation to a guarantee provided by Capital Group, on behalf of Xi'an Xinkai, in favour of China Life Investment as stipulated under the cooperation agreement, by way of passing a written resolution. For details, please refer to the Company's announcement dated 30 June 2021. As Mr. Wang Hao is a member of the management team of Capital Group, he is deemed to have material interests in the Transaction II.

During the period, the Board approved the entering into of the entrustment guarantee agreement between Trade Horizon and Capital Group (the "Transaction III") in relation to a guarantee provided by Capital Group in favour of Ping An Bank by way of a letter of guarantee issued by Bank of Hangzhou for Capital Group in favour of Ping An Bank by way of passing a written resolution. For details, please refer to the Company's announcement dated 29 July 2021. As Mr. Wang Hao is a member of the management team of Capital Group, he is deemed to have material interests in the Transaction III.

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

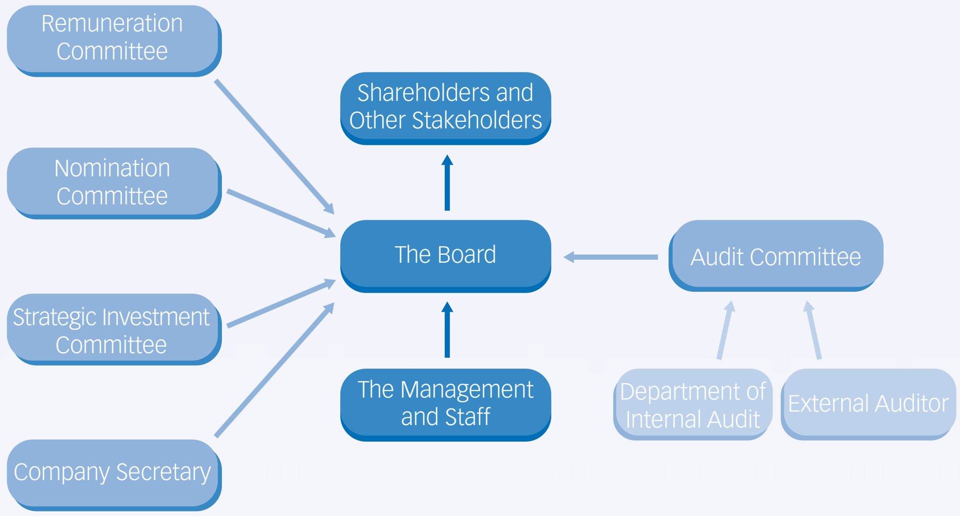
(b) Pursuant to code provision F.2.2 under Part 2, the chairman of the Board should attend the annual general meetings of the Company. The chairman of the Board was unable to attend the 2020 annual general meeting due to urgent business matters. Instead, the 2020 annual general meeting was chaired by the chairman of the audit committee of the Company (the "Audit Committee") who, together with the management of the Company, answered the questions from shareholders; and

(c) Pursuant to code provision C.6.2 under Part 2, the appointment of the company secretary should be dealt with by a physical board meeting rather than a written resolution. The appointment of the current company secretary was dealt with by a written resolution. The Board considered that, prior to the appointment, Ms. Peng worked in the company secretarial department of BCL from May 2015 to September 2020 and was the company secretary of the Company from August 2019 to September 2020. The Board is fully aware of the qualifications and experience of Ms. Peng without any dissenting opinion and there was no need to approve her appointment by a physical board meeting.

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

CORPORATE GOVERNANCE STRUCTURE

The corporate governance structure of the Company is as follows:



BOARD OF DIRECTORS

The Board shoulders the responsibilities of improving the financial performance of the Company and making decisions in the best interest of the Company. The Board is also responsible for formulating the development strategies as well as medium and long-term development plans, establishing and maintaining the Group's operation policies and objectives, monitoring the performance of the management, reviewing the delegated functions and assignments regularly, ensuring that the Company implements a prudent and effective control framework to assess and manage risks, ensuring that the financial statements truly and fairly reflect the financial position of the Group as well as performing its corporate governance duties.

The Board has delegated the day-to-day management, administration and operations of the Group and the implementation and execution of the Board's policies and strategies to the executive Directors and senior management of the Company.

The Company has purchased suitable and adequate insurance coverage for all Directors against the litigation liabilities that may arise due to the performance of their duties. The Company reviews the insurance purchased annually to ensure the provision of reasonable and sufficient protection.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

During the year ended 31 December 2021 and up to the date of this report, the Board consisted of nine Directors, comprising two executive Directors, namely Mr. Fan Shubin (Chairman) and Mr. Feng Yujian (Chief Executive Officer), four non-executive Directors, namely Mr. Wang Hao, Ms. Qin Yi, Mr. Zhou Yue and Mr. Yang, Paul Chunyao, and three independent non-executive Directors, namely Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng. There is no financial, business, family or other material/relevant relationship among members of the Board. The Directors' biographical details are set out under the section headed "Biographical Details of the Directors and Senior Management" on pages 23 to 29 of this report. The latest list of Directors setting out their roles and responsibilities is available for inspection at the websites of the Company (www.bcgrand.com) and the Stock Exchange (www.hkexnews.hk).

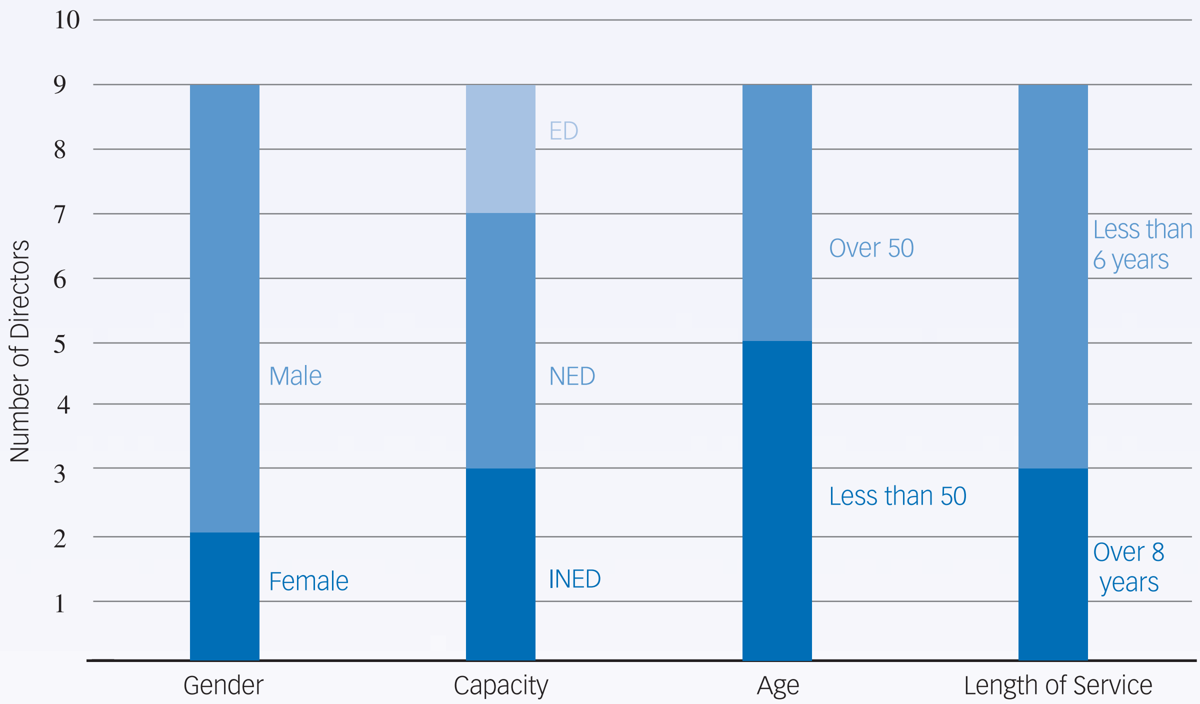
The Company endeavours to ensure that the Board can obtain independent views and opinions. As such, the Company reviews the structure and the composition of the Board, and evaluates the performance of the independent non-executive Directors regarding independence on an annual basis. Apart from the effective independent opinions provided by the independent non-executive Directors, two of the non-executive Directors are external Directors (from Sino-Ocean Group and KKR Group, respectively), who also provide opinions for the Board and the management with their expertise and capabilities. Their presence help to enhance the Board's balance of skills, experience and diversity of perspectives.

BOARD DIVERSITY

The Board has adopted a board diversity policy (the "Diversity Policy"), which sets out the approach of the Company in achieving diversity on the Board. According to the Diversity Policy, the Company recognizes and embraces the benefits of having a diverse Board, and also sees increasing diversity at Board level as an essential element in maintaining its competitive advantage and supporting its sustainable development. In determining an optimum composition of the Board, the Company will consider all aspects of diversity, and take into account the Company's own business model and specific needs from time to time. The selection of candidates is based on a range of measurable objectives, including but not limited to gender, age, skills and industry experience and expertise, cultural and educational background, as well as professional experience. The ultimate decision will be based on the merit and contribution that the candidates will bring to the Board. The Company is of the view that the current composition of the Board has achieved gender diversity.

The current composition and structure of members of the Board are implemented based on the Diversity Policy formulated by the Company. The diversity mix of the Board as at the date of this report is summarized in the following chart:

Diversity Mix



Remarks:
INED – Independent non-executive Director
NED – Non-executive Director
ED – Executive Director

The Group also adhered to the diversity concept, including but not limited to the gender perspective, in recruitment of employees. For the year ended 31 December 2021, the Group had 1,181 employees, of which approximately 48% were female. The Company is of the view that the current composition of employees has achieved gender diversity.

OPERATION OF THE BOARD

During the year, the Board held four meetings. At these Board meetings, the Directors discussed and exchanged their views on key issues and general operation of the Group, reviewed the financial and business performance of the Group and reviewed the performance of corporate governance functions. The Board also reviewed the risk management and internal control system, remuneration policy and environmental, social and governance report of the Group. Other than the aforesaid meetings, the senior management of the Group will also provide monthly updates and other information related to the performance, business activities and development of the Group to the Directors on a regular basis. During the year, the Directors have deliberated carefully and approved certain matters of the Company by reviewing the written resolutions with supporting documents, supplemented by additional verbal and/or written information provided by the Company Secretary or other executives of the Company as needed. Whenever necessary, additional meetings are also held by the Board.

During the year, the Chairmen held one meeting with the independent non-executive Directors without the presence of other Directors.

CORPORATE GOVERNANCE REPORT

DIRECTORS'/COMMITTEE MEMBERS' ATTENDANCE AT MEETINGS

	The Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategic Investment Committee	General Meeting
Executive Directors						
Mr. Fan Shubin (appointed on 29 October 2021)	1/1	–	–	0/0	–	0/0
Mr. Zhong Beichen (resigned on 29 October 2021)	3/3	–	–	1/1	–	0/1
Mr. Feng Yujian	4/4	–	–	–	1/1	0/1
Non-executive Directors						
Mr. Wang Hao	4/4	–	–	–	1/1	0/1
Ms. Qin Yi	4/4	–	1/1	–	–	0/1
Mr. Zhou Yue	4/4	–	–	1/1	1/1	0/1
Mr. Yang, Paul Chunyao	3/4	–	1/1	–	1/1	0/1
Independent Non-executive Directors						
Dr. Ngai Wai Fung	4/4	2/2	1/1	1/1	–	1/1
Ms. Zhao Yuhong	4/4	2/2	1/1	1/1	–	0/1
Mr. He Xiaofeng	4/4	2/2	1/1	1/1	1/1	0/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Fan Shubin is the chairman of the Board and Mr. Feng Yujian is the chief executive officer of the Company. The chairman of the Board is mainly responsible for taking the lead in the Board to ensure its effective operation, providing adequate, complete and reliable information for all Directors in a timely manner, establishing good corporate governance practices and procedures, and ensuring that proper approaches are adopted to maintain effective communication with shareholders. The Chief Executive Officer, on the other hand, is mainly responsible for the day-to-day operations and overall management of the Group, implementing the business policies and objectives determined and adopted by the Board, and reporting to the Board on the Group's overall operations.

NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors and independent non-executive Directors has signed a three-year service contract with the Company which shall start on the date of appointment, subject to the provision on retirement by rotation of Directors under the Articles.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three independent non-executive Directors, representing one third of the Board members, of which at least one possesses the appropriate professional qualifications or accounting or relevant financial management expertise. The Company has received annual confirmations of their independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and considers all of them as independent.

During the year, the independent non-executive Directors contributed to the Company on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance of Board meetings and Board committees meetings, and proposed their independent opinions on several matters in relation to strategy, policy, the Company's performance and risk monitoring.

DIRECTORS' TRAINING

The Company will provide each newly appointed Director with a comprehensive profile about the Group to ensure that he/she has a proper understanding of the Group's business and operation, and is fully aware of his/her responsibilities under the Listing Rules, laws and other regulatory requirements as well as the Group's business and governance policies. The Company issues monthly reports on the Group's business operations and information disclosure to the Directors. Meanwhile, it collates and sends information to the Directors on the updates of the Listing Rules and regulations to help ensure that the Directors are kept informed of the latest changes in the legal and regulatory environment and their duties. The Board will also review and monitor the trainings and continuous professional development of the Directors and senior management from time to time.

During the year, the Directors participated in sufficient continuing professional development by attending seminars and training courses, accessing online learning resources, etc. Below sets out a summary based on the information provided by the Directors to the Company:

	Scope		
	Laws and regulations	Corporate governance	The Group's business/ Directors' responsibilities
Executive Directors			
Mr. Fan Shubin (appointed on 29 October 2021)	✓	✓	✓
Mr. Zhong Beichen (resigned on 29 October 2021)	✓	✓	✓
Mr. Feng Yujian	✓	✓	✓
Non-executive Directors			
Mr. Wang Hao	✓	✓	✓
Ms. Qin Yi	✓	✓	✓
Mr. Zhou Yue	✓	✓	✓
Mr. Yang, Paul Chunyao	✓	✓	✓
Independent Non-executive Directors			
Dr. Ngai Wai Fung	✓	✓	✓
Ms. Zhao Yuhong	✓	✓	✓
Mr. He Xiaofeng	✓	✓	✓

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The company secretary assists the chairman of the Board in preparing the agenda of the Board meetings and ensures compliance with all applicable rules and regulations of the procedures of such meetings. The company secretary shall file for and maintain the detailed minutes of each Board meeting, and make such minutes available to all Directors for inspection.

According to Rule 3.29 of the Listing Rules, the company secretary of the Company received no less than 15 hours of relevant professional training for the year ended 31 December 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Following specific enquiries by the Company, all Directors have confirmed that they fully complied with the requirements under the Model Code for the year ended 31 December 2021.

BOARD COMMITTEES

Under the Board are four committees, including the Company's audit committee ("AC"), remuneration committee ("RC"), nomination committee ("NC") and strategic investment committee ("SIC"). Each of the Board committees has its respective written terms of reference approved by the Board, which cover its duties, authority and functions. Such terms of reference comply with the requirements of the Listing Rules and have taken into account the specific business needs of the Company. The Board committees have sufficient resources to perform their duties, report to the Board on the results of their meetings, raise key issues and findings, and provide recommendations to assist the Board in decision-making.

AC

The AC was established on 14 March 2012 with written terms of reference determined in compliance with the CG Code and amended from time to time. Since 21 December 2013, the AC has been comprised of three members, including Dr. Ngai Wai Fung (as chairman), Ms. Zhao Yuhong and Mr. He Xiaofeng, all of whom are independent non-executive Directors. Dr. Ngai Wai Fung is a fellow of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants, with appropriate professional qualifications required under Rule 3.10(2) of the Listing Rules.

The primary duties of the AC are to make recommendations to the Board on the appointment and removal of external auditors, review financial statements and express material advice in respect of financial reporting matters, as well as review the financial control, internal control, risk management systems and environmental, social and governance matters of the Company. The terms of reference of the AC are available for inspection at the websites of the Company (www.bcgrand.com) and the Stock Exchange (www.hkexnews.hk).

For the year ended 31 December 2021, the AC held two meetings with an attendance rate of 100%. Details of each committee member's attendance at the AC meetings are set out in "Directors'/Committee Members' Attendance at Meetings" above. In addition, the AC members had two meetings with the external auditor during the year without the presence of the management.

The work of the AC for the twelve months ended 31 December 2021 is summarized below:

- reviewed the interim and annual results of the Group, and recommended the Board to adopt such results
- met with the auditors to discuss the accounting and audit issues of the Group, and reviewed their findings, recommendations and representations
- reviewed the Group's financial control, internal control and risk management systems
- reviewed the independence of the external auditor, recommended the Board to re-appoint PricewaterhouseCoopers as an external auditor of the Company and reviewed its terms of appointment
- reviewed environmental, social and governance-related risks, and confirmed that environmental, social and governance risk management and internal control systems were in place and effective during the year
- reviewed the connected transactions and continuing connected transactions during the year

RC

The RC was established on 14 March 2012 with written terms of reference determined in compliance with the CG Code and amended from time to time. As at the date of this report, the committee consists of five members, including three independent non-executive Directors Ms. Zhao Yuhong (as chairman), Dr. Ngai Wai Fung and Mr. He Xiaofeng, and two non-executive Directors Ms. Qin Yi and Mr. Yang, Paul Chunyao.

The primary duties of the RC are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review remuneration proposals of the management with reference to the corporate objectives and missions of the Board; and ensure that none of the Directors or any of their associates determine their own remuneration. The terms of reference of the RC are available for inspection at the websites of the Company (www.bcgrand.com) and the Stock Exchange (www.hkexnews.hk).

DIRECTORS' REMUNERATION POLICY

To conduct a regular review with reference to companies with comparable business or scale and recommend Directors' remuneration adjustments to the Board, if appropriate.

Further details of Directors' remuneration are set out in Note 10 to the Consolidated Financial Statements of this report.

SENIOR MANAGEMENT'S REMUNERATION POLICY

In order to ensure the employees are remunerated equitably and competitively, the Board has authorized the chairman of the Board to determine the remuneration and bonus of the employees in accordance with the achievement of their individual performance goals, the key business objectives at corporate level and the latest market terms.

Further details of senior management's remuneration are set out in Note 11 to the Consolidated Financial Statements of this report.

For the year ended 31 December 2021, the RC held one meeting with an attendance rate of 100%. Details of each committee member's attendance at the RC meetings are set out in "Directors'/Committee Members' Attendance at Meetings" above.

The work of the RC for the year ended 31 December 2021 is summarized below:

– proposed to the Board on the 2020 bonus of the Directors and senior management

– proposed to the Board on the 2021 remuneration schemes for the Directors and senior management

– proposed the annual bonus distribution scheme of the Company

NC

The NC was established on 14 March 2012 with written terms of reference determined in compliance with the CG Code and amended from time to time. As at the date of this report, the committee consists of five members, including one executive Director Mr. Fan Shubin (as chairman), one non-executive Director Mr. Zhou Yue, and three independent non-executive Directors Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng.

The primary duties of the NC are to review the structure of the Board, make recommendations to the Board regarding candidates to fill vacancies on the Board, monitor the succession planning of Directors and assess the independence of independent non-executive Directors. The terms of reference of the NC are available for inspection at the websites of the Company (www.bcgrand.com) and the Stock Exchange (www.hkexnews.hk).

NOMINATION POLICY

The nomination process has been, and will continue to be conducted in accordance with the Diversity Policy and the written terms of reference of the NC ("Nomination Policy"). The Board will also review and monitor the implementation of the Nomination Policy from time to time so as to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practices. The selection of Director candidates will be based on merit and contribution such candidate can bring to complement other Directors and improve the overall capability, experience and perspective of the Board, taking into account the corporate strategy of the Group and the benefits of various aspects of diversity, including gender, age, culture, educational background, professional experience and other factors that the NC may consider relevant from time to time towards achieving a diversified Board. The NC is authorised by the Board to assist the Board to identify suitable candidates and make recommendations regarding the candidates for consideration by the Board and shareholders of the Company. Shareholders of the Company may also nominate a person to stand for election as Director at a general meeting in accordance with the Articles and the applicable laws and regulations. Such nomination procedures are published on the Company's website.

For the year ended 31 December 2021, the NC held one meeting with an attendance rate of 100%. Details of each committee member's attendance at the NC meetings are set out in "Directors'/Committee Members' Attendance at Meetings" above.

The work of the NC for the year ended 31 December 2021 is summarized below:

– reviewed the structure, size and composition of the Board

– reviewed the independence of independent non-executive Directors

– evaluated the Directors' time commitment and contribution for performing their duties

– made recommendations to the Board on the retirement and re-election of Directors at the annual general meeting in 2020

– recommended Director and board committee candidates to the Board, and recommended Directors' functions

SIC

The SIC, established on 21 December 2013 with obligations under the written terms of reference and amended from time to time, has the primary duty of advising on the long-term development strategies and major investment decisions of the Company. As at the date of this report, the committee consists of five members, including one executive Director Mr. Feng Yujian (as chairman), three non-executive Directors Mr. Wang Hao, Mr. Zhou Yue and Mr. Yang, Paul Chunyao, and one independent non-executive Director Mr. He Xiaofeng.

For the year ended 31 December 2021, the SIC held one meeting with an attendance rate of 100%. Details of each committee member's attendance at the SIC meetings are set out in "Directors'/Committee Members' Attendance at Meetings" above.

The work of the SIC for the year ended 31 December 2021 is summarized below:

- reviewed the summary of investment projects and operation work in 2020
- reviewed investment plans and operation plans in 2021
- reviewed the budget for 2021

ACCOUNTABILITY

The Board is accountable to shareholders, while the management is accountable to the Board. The Board endeavors to ensure that the announcements of annual and interim results and the annual and interim reports of the Group present a balanced and understandable assessment of the Group's position and prospects. The Board remains open and transparent in handling the Company's affairs, whilst protecting the commercial interests of the Company. Financial and other information is delivered to shareholders through announcements at the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bcgrand.com).

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management and internal control are important parts in the operation and management of the Group. The Board and the management of the Company attach great importance to the organization and implementation of each process of risk management and internal control, and have established a comprehensive risk management system in the Company based on risk identification, measures, internal assessment and continuous improvement, thereby forming a three-tier internal control mechanism that consists of the Board (the AC), the Risk Management and Control Department and the management (each business department):

The Board is fully responsible for assessing and determining the nature and extent of the risks, including ESG-related risks, to which the Group is willing to assume in achieving its strategic objectives, setting up the risk management and internal control mechanism for the Group and establishing the core values, strategic planning and working guidelines of the Company. Meanwhile, the above is conveyed to each department of the Group through various channels, including platforms such as the enterprise information system, meetings, training and intranet. Risk control points are incorporated into business processes, and the AC would identify the risks arising from the operation of the internal control system on a semi-annual basis and review the effectiveness of risk management and control. It can provide reasonable, though not absolute, assurance against material misstatement or loss and manage rather than eliminate the risk of failures to achieve business objectives.

As authorised by the AC, the Risk Management and Control Department is responsible for regularly reviewing and assisting the Board in preparing effective policies and guidance on corporate risk management and internal control (including the preparation of the whistle-blowing policy and system as well as the anti-corrupting policy) based on changes in internal and external conditions and regulations, to enable the risk management and internal control to be implemented under a standardized system with proper processes and institutions. Meanwhile, the Risk Management and Control Department would independently carry out the internal audit function on an ongoing basis and assess all material aspects including legal risks, compliance control, internal supervision as well as the workflow and risk assessment of each department of the Group. The Risk Management and Control Department is also directly responsible to the AC and reports on the effectiveness of risk management and internal control;

The management and each of the business departments would effectively oversee, review and approve their respective management and control process at the business level based on different functions and work division through various business systems, to enhance the efficiency of risk management and realize a closed-loop management model for risk control which is led by self-supervision at the business level.

In 2021, the Group complied with the development and upgrading plan for comprehensive risk management systems and continued with its priority work in risk control and all-round risk screening and inspection. Based on the standardization of risk control system, workflow and accountability, the Online Business Control Handbook under the Internal Control Manual of Capital Grand and the Guidelines for the Management of Safety Obligation of Capital Grand have been supplemented and updated to comprehensively improve the operational effectiveness and efficiency of the risk management and control system, and to further align the Company's risk control with its business management. Meanwhile, the Group developed a mature risk control model to realize the sound, proper and effective operation of the internal control system, and continued with the normalization of prevention and control of the Epidemic, thus safeguarding the strategic development of the Company.

As of the date of this report, the Risk Management and Control Department has assessed the risk management and internal control of the Company and the assessment concluded unanimously that no significant or major weakness was found in the internal control of the Company. It also issued an internal control report with unqualified opinion to the AC, confirming that the risk management and internal control system of the Company was effective and adequate.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

With the assistance of the financial management department, the Board acknowledged their responsibility for preparing the financial statements of the Group for the year ended 31 December 2021, and confirmed that the financial statements contained herein gave a true and fair view of the results and state of affairs of the Group for the period under review. The Board considers that the financial statements have been prepared in conformity with the statutory requirements and applicable accounting standards.

AUDITORS' REMUNERATION

The financial statements for the year ended 31 December 2021 were audited by PricewaterhouseCoopers, whose term of office will expire upon the forthcoming annual general meeting. The AC has recommended to the Board on re-appointing PricewaterhouseCoopers as the auditors of the Company for the year 2022 at its forthcoming annual general meeting.

The independent auditor's remuneration in respect of its audit service and non-audit service for the year ended 31 December 2021 amounted to RMB2,349,000 and RMB250,000 respectively.

The non-audit service mainly includes the followings:

Nature of service	Fee payment
Assurance and consultation	RMB250,000

SHAREHOLDERS' RIGHTS

The Company recognizes the importance of and takes high priority on communication with its shareholders. Certain key information on shareholders' rights is provided below:

1. PROCEDURES TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 58 of the Articles, the Board may whenever it thinks fit call extraordinary general meetings. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings (the "Requisitionists"). The Requisitionists shall make written requisition to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit, the Board fails to proceed to convene such meeting, the Requisitionists may do so in the same manner, and all reasonable expenses incurred by the Requisitionists as a result of the failure of the Board shall be reimbursed to the Requisitionists by the Company.

2. PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETING

There are no provision allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Act or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

As for matters relating to nomination of Director candidates, please refer to the procedures published on the website of the Company.

Shareholders may at any time send their enquiries and concerns to the Board and the company secretary of the Company in writing to the Company's principal place of business in Hong Kong.

3. POLICY OF DIVIDEND PAYMENT

As the Company is still in state of development, it has no policy established for dividend payment.

INVESTOR RELATIONS

1. COMMUNICATION WITH SHAREHOLDERS

The Board is well aware of the importance of maintaining proper contact with shareholders and strives to enhance its communication with them. Shareholders can visit the website of the Company (www.bcgrand.com) for the latest information of the Group, including interim and annual reports, announcements and circulars. Press releases are also posted on the website of the Company in a timely manner.

General meetings serve as a communication channel between the Board and shareholders. The Group regards such a meeting as an important activity of the Company during the year. All Directors and senior management would attend the meeting as much as they can. The chairman of the annual general meeting proposes separate resolutions for each of the independent matters. Members of the AC, the RC, the NC and the SIC, external auditors, independent financial advisers and external lawyers would also attend the general meeting to answer questions from shareholders as appropriate. During the year, the Company held one annual general meeting. Details of each Director's attendance at the general meetings are set out in "Directors'/Committee Members' Attendance at Meetings" above.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretarial department whose contact details are as follows:

The Company Secretarial Department, Beijing Capital Grand Limited
Suites 4602-05, One Exchange Square, Central, Hong Kong
Email: comsec@bcgrand.com

During the year, the Company has reviewed the shareholders' communication policy and confirmed that it has been effectively implemented.

2. THE CONSTITUTIONAL DOCUMENTS

During the year, no changes were made to the Memorandum and Articles of Association of the Company, which are available to shareholders for inspection at the websites of the Company and the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Beijing Capital Grand Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

WHAT WE HAVE AUDITED

The consolidated financial statements of Beijing Capital Grand Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 65 to 159, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to valuation of investment properties.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to Note 18 to the consolidated financial statements. The Group adopts the fair value model for subsequent measurement of investment properties. As at 31 December 2021, investment properties measured at fair value amounted to RMB13,670,827,000 and fair value gains on investment properties for the year then ended was RMB124,900,000. The fair value was determined based on the valuation performed by an independent professional valuer (the "Valuer") as a third party engaged by the Group. The valuations of investment properties involved critical accounting estimates and judgements, which mainly included the determination of valuation techniques and the selection of inputs accordingly. The valuation techniques usually include income capitalisation approach and residual approach based on the construction status of each property. As at 31 December 2021, investment properties measured at fair value were the investment properties in operation and adopted income capitalisation approach, the key inputs included market rental prices and discount rates.	We performed the following procedures to address the key audit matter: • Obtained an understanding of the management's internal control and assessment process of valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity, subjectivity and susceptibility to management bias or fraud. • Assessed the competence, professional ability and objectivity of the Valuer. • Communicated with the management about the valuation techniques adopted for each investment property, obtained and read the valuation reports for all the investment properties measured at fair value delivered by the Valuer, and assessed the relevance and reasonableness of valuation techniques used by the Valuer in consideration of the actual construction or operation status. • Selected some of the investment properties measured at fair value by sampling and performed the following procedures:

Key Audit Matter	How our audit addressed the Key Audit Matter
Considering the above mentioned critical accounting estimates and judgements, and the significant impact on the consolidated financial statements, we paid specific attention to this matter in our audit.	– assessed the reasonableness of key inputs used under income capitalisation approach, including market rental prices and discount rates, by comparing the market rental prices with comparative cases in active markets and the information of the rental prices in management's records, and by comparing the discount rates with the average discount rates in the industry. • Involved our internal valuation specialists to assist us in assessing the reasonableness of valuation techniques, market rental prices and discount rate used by the Valuers. Based on the above, we obtained supportive evidence for critical accounting estimates and judgements made by management on the valuation techniques and key inputs used in the valuations of investment properties.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tsun NG.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	6,7	**1,341,049**	1,024,035
Cost of sales	8	**(702,095)**	(678,218)
Gross profit		**638,954**	345,817
Other gains – net	7	**191,543**	336,302
Other income	7	**39,933**	45,860
Selling and marketing expenses	8	**(137,994)**	(157,669)
Administrative expenses	8	**(269,665)**	(303,779)
Operating profit		**462,771**	266,531
Finance costs	9	**(502,962)**	(462,514)
Share of losses of investments accounted for using the equity method	21	**(5,954)**	(2,450)
Loss before income tax		**(46,145)**	(198,433)
Income tax expenses	12	**(177,802)**	(119,256)
Loss for the year		**(223,947)**	(317,689)
Attributable to:			
– Owners of the Company		**(224,346)**	(320,446)
– Non-controlling interests		**399**	2,757
Losses per share attributable to ordinary equity holders of the Company during the year	14		
Basic losses per share (RMB)		**(0.09)**	(0.13)
Diluted losses per share (RMB)		**(0.09)**	(0.13)

Details of the dividend proposed for the year are disclosed in Note 13.

The notes on pages 72 to 159 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

		Year ended 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Loss for the year		**(223,947)**	(317,689)
Other comprehensive income/(loss) for the year			
Items that may be reclassified to profit or loss			
Cash flow hedges	*28*	**62,084**	10,467
Cost of hedging	*28*	**(45,214)**	14,179
		16,870	24,646
Total comprehensive loss for the year		**(207,077)**	(293,043)
Attributable to:			
– Owners of the Company		**(207,476)**	(295,800)
– Non-controlling interests		**399**	2,757

The notes on pages 72 to 159 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2021

	Notes	**As at 31 December 2021 *RMB'000***	As at 31 December 2020 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**183,081**	152,225
Right-of-use assets	*16*	**13,943**	21,091
Long-term prepaid expenses	*17*	**89,946**	115,028
Investment properties	*18*	**14,495,835**	13,657,289
Intangible assets and lease prepayment	*19*	**34,468**	26,674
Investments accounted for using the equity method	*21*	**287,665**	273,119
Deferred income tax assets	*31*	**7,155**	34,936
Derivative financial assets	*28*	**8,016**	–
Trade and other receivables	*24*	**35,644**	47,564
Total non-current assets		**15,155,753**	14,327,926
Current assets			
Inventories	*22*	**2,434,757**	2,380,773
Incremental costs of obtaining a contract	*6*	**4,195**	7,349
Trade and other receivables	*24*	**519,788**	637,006
Prepayments	*24*	**117,871**	104,913
Restricted cash	*25*	**84,959**	14,345
Cash and cash equivalents	*25*	**719,349**	840,441
Total current assets		**3,880,919**	3,984,827
Total assets		**19,036,672**	18,312,753
LIABILITIES			
Non-current liabilities			
Borrowings	*26*	**5,066,491**	2,585,884
Lease liabilities	*16*	**5,618**	12,770
Other payables and accruals	*30*	**5,286,574**	2,695,950
Deferred income tax liabilities	*31*	**814,604**	723,647
Total non-current liabilities		**11,173,287**	6,018,251

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2021

	Notes	**As at 31 December 2021 *RMB'000***	As at 31 December 2020 *RMB'000*
LIABILITIES			
Current liabilities			
Trade payables	*29*	**2,010,926**	2,066,591
Other payables and accruals	*30*	**377,186**	319,271
Derivative financial liabilities	*28*	**–**	166,805
Contract liabilities	*6*	**202,048**	215,639
Borrowings	*26*	**395,645**	1,718,552
Lease liabilities	*16*	**7,152**	6,821
Guaranteed notes	*27*	**–**	2,599,504
Current income tax liabilities		**80,375**	204,189
Total current liabilities		**3,073,332**	7,297,372
Total liabilities		**14,246,619**	13,315,623
Net current assets/(liabilities)		**807,587**	(3,312,545)
Total assets less current liabilities		**15,963,340**	11,015,381
EQUITY			
Equity attributable to owners of the Company			
Share capital	*32*	**16,732**	16,732
Perpetual convertible bond securities	*34*	**945,661**	945,572
Reserves		**3,240,852**	3,223,982
Retained earnings		**532,476**	756,911
		4,735,721	4,943,197
Non-controlling interests		**54,332**	53,933
Total equity		**4,790,053**	4,997,130
Total equity and liabilities		**19,036,672**	18,312,753

The consolidated financial statements on pages 65 to 71 were approved by the Board of Directors on 8 March 2022 and were signed on its behalf.

Mr. Fan Shubin
Director

Mr. Feng Yujian
Director

The notes on pages 72 to 159 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Attributable to owners of the Company									
		Issued capital									
	Notes	Ordinary shares RMB'000	Class A convertible preference shares RMB'000	Class B convertible preference shares RMB'000	Perpetual convertible bond securities RMB'000	Share premium account RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2020		**7,828**	**1,329**	**7,575**	**945,572**	**3,169,418**	**54,564**	**756,911**	**4,943,197**	**53,933**	**4,997,130**
(Loss)/profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(224,346)**	**(224,346)**	**399**	**(223,947)**
Other comprehensive income for the year	28	**–**	**–**	**–**	**–**	**–**	**16,870**	**–**	**16,870**	**–**	**16,870**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**16,870**	**(224,346)**	**(207,476)**	**399**	**(207,077)**
Transactions with owners											
Dividends payable to perpetual convertible bond securities holders	34	**–**	**–**	**–**	**89**	**–**	**–**	**(89)**	**–**	**–**	**–**
Total transactions with owners		**–**	**–**	**–**	**89**	**–**	**–**	**(89)**	**–**	**–**	**–**
At 31 December 2021		**7,828**	**1,329**	**7,575**	**945,661**	**3,169,418**	**71,434**	**532,476**	**4,735,721**	**54,332**	**4,790,053**
At 31 December 2019		7,828	1,329	7,575	945,477	3,169,418	29,918	1,077,452	5,238,997	51,176	5,290,173
(Loss)/profit for the year		–	–	–	–	–	–	(320,446)	(320,446)	2,757	(317,689)
Other comprehensive income for the year	28	–	–	–	–	–	24,646	–	24,646	–	24,646
Total comprehensive income/(loss) for the year		–	–	–	–	–	24,646	(320,446)	(295,800)	2,757	(293,043)
Transactions with owners											
Dividends payable to perpetual convertible bond securities holders	34	–	–	–	95	–	–	(95)	–	–	–
Total transactions with owners		–	–	–	95	–	–	(95)	–	–	–
At 31 December 2020		7,828	1,329	7,575	945,572	3,169,418	54,564	756,911	4,943,197	53,933	4,997,130

The notes on pages 72 to 159 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Loss before income tax		**(46,145)**	(198,433)
Adjustments for:			
Finance costs	9	**502,962**	462,514
Interests income		**(13,614)**	(272)
Depreciation and amortisation		**73,484**	82,396
Depreciation charge of right-of-use assets		**7,149**	8,141
Share of losses of investments accounted for using the equity method	21	**5,954**	2,450
Fair value gains on investment properties	18	**(124,900)**	(338,937)
Service fee for keepwell deed		**–**	8,119
Effect of foreign exchange rate changes, net	7	**(17,279)**	92
Loss on disposal of property, plant and equipment		**37**	38
Interest received from a third party		**–**	(1,600)
Asset-backed Securities Scheme, senior class		**–**	4,050
Changes in working capital:			
Decrease/(increase) in inventories		**4,157**	(553,107)
Decrease in trade and other receivables and prepayments		**49,678**	33,684
(Increase)/decrease in restricted cash		**(70,614)**	12,458
(Decrease)/increase in trade payables, other payables and accruals		**(91,662)**	224,681
Decrease/(increase) in incremental costs of obtaining a contract		**3,154**	(2,295)
Increase in contact liabilities		**20,088**	73,139
Cash generated from/(used in) operations		**302,449**	(182,882)
Income tax paid		**(184,281)**	(84,649)
Net cash flows generated from/(used in) operating activities		**118,168**	(267,531)
Cash flows from investing activities			
Interests income		**13,514**	272
Purchases of property, plant and equipment		**(25,695)**	(5,575)
Additions of investment properties		**(584,023)**	(931,596)
Additions of long-term prepaid expenses		**(30,825)**	(29,608)
Investment in a joint venture	21	**(20,500)**	(13,880)
Repayments from related parties	38(f)	**–**	7,944
Amounts provided to related parties	38(f)	**–**	(7,827)
Amounts received from government repurchase of land use rights		**69,931**	4,434
Purchases of intangible assets		**(10,140)**	(11,654)
Interest received from a third party		**–**	1,600
Net cash flows used in investing activities		**(587,738)**	(985,890)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	Year ended 31 December **2021** ***RMB'000***	2020 *RMB'000*
Cash flows from financing activities			
Repayments of bank borrowings		**(2,029,590)**	(547,504)
Interests paid to bank and other financial institutions		**(284,537)**	(258,366)
Guarantee fee deeds to related parties	*38(b)*	**(15,554)**	–
New bank borrowings and other financial institutions		**3,207,997**	991,800
Service fee for keepwell deed		**–**	(8,119)
Interests paid for guaranteed notes	*27*	**(57,655)**	(104,038)
Repayments of guaranteed notes	*27*	**(2,602,960)**	–
Loan from a related party	*38(h)*	**1,500,000**	95,140
Repayments of the loan from a related party	*38(h)*	**(1,500,000)**	–
Cash settlement of hedging instruments		**(217,098)**	(61,302)
Interest expense and management fee on Asset-backed Securities Scheme scheme		**(230,761)**	(149,247)
Principal elements of lease payments		**(7,592)**	(16,244)
Issue of Asset-backed Securities Scheme, senior class	*30*	**2,586,200**	–
Net cash flows generated from/(used in) financing activities		**348,450**	(57,880)
Net decrease in cash and cash equivalents		**(121,120)**	(1,311,301)
Cash and cash equivalents at beginning of the year		**840,441**	2,151,926
Exchange gains/(losses) on cash and cash equivalents		**28**	(184)
Cash and cash equivalents at end of the year		**719,349**	840,441

Analysis of net debt and the movements in net debt are disclosed in Note 35.

The notes on pages 72 to 159 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE AND GROUP INFORMATION

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

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

As announced on 25 June 2015, Get Thrive Limited ("GTL"), an indirectly wholly-owned subsidiary of Beijing Capital Land Co., Ltd. (formerly named "Beijing Capital Land Ltd.")("BCL", a limited liability company incorporated in the PRC with limited liability) has transferred (the "Transfer") its entire shareholding of ordinary shares of the Company of 130,200,000 shares (representing approximately 65.1% of the Company's total issued share capital as at the date of the related announcement) and its entire shareholding of convertible preference shares of the Company (the "CPS") of 738,130,482 CPS (representing 100% of the total CPS in issue as at the date of the related announcement, classified as class A CPS) to BECL Investment Holding Limited ("BECL"), a directly wholly-owned subsidiary of BCL incorporated in Hong Kong, on 19 June 2015. Upon the completion of the Transfer, the parent of the Company changed from GTL to BECL.

On 14 December 2016, the Company issued 905,951,470 CPS, which is classified as class B CPS, to BECL at the issue price of Hong Kong dollar ("HK$")2.78 per share.

On 28 December 2016, the Company issued 95,192,308 ordinary shares to Smart Win Group Limited ("Smart Win") and to KKR CG Judo Outlets ("KKR") respectively (the "Issuance"), at the issue price of HK$2.10 per share. Meanwhile, the Company issued perpetual convertible bonds securities (the "PCBS") in the principal amounts of HK$657,594,260 to Smart Win and in the principal amounts of HK$420,096,153 to KKR respectively, which are convertible at the initial conversion price of HK$2.10 per conversion share.

On 28 December 2016, BECL exercised its conversion rights and converted an aggregate of 571,153,846 class A CPS in accordance with the terms and conditions of the relevant subscription agreement entered into by the Company (the "Conversion").

1 CORPORATE AND GROUP INFORMATION (CONTINUED)

Upon the completion of the Issuance and the Conversion, BECL held 72.94% of the Company's total issued share capital.

In the opinion of the directors of the Company, the immediate holding company of the Company is BECL. BCL is an intermediate holding company of the Company.The ultimate holding company of the Company is Beijing Capital Group Ltd. ("Capital Group"), a state-owned enterprise established in the PRC.

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

The consolidated financial statements have been approved and authorised for issue by the Board of Directors on 8 March 2022.

2 BASIS OF PREPARATION

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The Group also elected to adopt the following amendments early:

- Annual Improvements to HKFRS Standards 2018-2020 Cycle
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to HKAS 12, and
- Covid-19-Related Rent Concessions beyond 30 June 2021.

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

(ii) New standards, amendments to accounting standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 SUBSIDIARIES (CONTINUED)

(a) *Business combination*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 SUBSIDIARIES (CONTINUED)

(a) Business combination (Continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Merger accounting under common control

The acquisitions of subsidiaries under common control have been accounted for using the merger method of accounting. The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or the excess of the acquirees' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated statement of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 JOINT ARRANGEMENTS

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. Where the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 3.9.

3.4 ASSOCIATES

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 ASSOCIATES (CONTINUED)

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 3.9.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Where the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of loss of investments accounted for using equity method' in the statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 FOREIGN CURRENCY TRANSLATION

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in equity as qualifying cash flow hedges.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

3.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the assets as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Buildings	20-40 years
Furniture, fixtures & equipment	3-8 yeas
Motor vehicles and others	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3.7 LONG-TERM PREPAID EXPENSE

Long-term prepaid expenses include expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure subtract accumulated amortisation.

3.8 INVESTMENT PROPERTIES

Investment properties, including land use rights, buildings and investment properties under construction that are held for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in future, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their cost can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the year in which they are incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 INVESTMENT PROPERTIES (CONTINUED)

After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment properties will be valued as at the date of the consolidated statement of financial position and its carrying amount will be adjusted accordingly. The difference between the fair value and the carrying amount will be charged to the current profit or loss account of the Group.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated statement of profit or loss.

Where fair value of investment properties under construction is not reliably measurable but is expected to be reliably obtained after the construction is completed (including those investment properties under construction acquired initially by the Group), the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 FINANCIAL ASSETS

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 FINANCIAL ASSETS (CONTINUED)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of profit or loss within 'Other gains – net' in the period in which it arises. Interest income from these financial assets is included in the 'finance income'.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 FINANCIAL ASSETS (CONTINUED)

(c) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised in the consolidated statement of profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'Other gains-net' in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of profit or loss and recognised in 'Other gains – net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in 'Other gains – net' and impairment expenses are presented as separate line item in the statement of profit or loss.

3.11 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through profit or loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 5.1(c) details how the Group determines whether there has been a significant increase in credit risk.

For all trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 FINANCIAL LIABILITIES

(a) Initial recognition and measurement

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank and other financial institution borrowings, loans from a related party and guaranteed notes.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

(b) Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 FINANCIAL LIABILITIES (CONTINUED)

(c) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.13 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging, The Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 28. Movements in the hedging reserve in shareholders' equity are shown in note 28. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Cash flow hedge that qualifies for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Where option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Cash flow hedge that qualifies for hedge accounting (Continued)

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(b) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

(c) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

3.14 INVENTORIES

(a) Properties under development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost and net realisable value. Cost comprises land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period. Net realisable value is determined by reference to management estimates based on the estimated selling price in the ordinary course of business, less the estimated costs to completion, and estimated costs to be incurred in selling the property.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 INVENTORIES (CONTINUED)

(b) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value.

Cost is determined by an apportionment of total land and building costs attributable to the unsold properties. Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

(c) Merchandise inventories

Merchandise inventories are finished goods purchased from external for retail, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods is purchase costs agreed in purchasing contracts. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.15 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.16 SHARE CAPITAL

Ordinary shares, class A and class B CPS are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.17 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 CURRENT AND DEFERRED INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset where there is a legally enforceable right exists to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxable entity and the same taxation authority.

3.19 EMPLOYEE BENEFITS

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for these employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 EMPLOYEE BENEFITS (CONTINUED)

(ii) Other long-term employee benefit obligations (Continued)

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution scheme (including both the MPF Scheme and the Central Pension Scheme).

3.20 PROVISIONS

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation because of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3.21 FINANCIAL GUARANTEE

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 FINANCIAL GUARANTEE (CONTINUED)

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

3.22 REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Revenue from sale of completed properties

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or

- creates and enhances an asset that the customer controls as the Group performs; or

- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, the revenue is recognised at a point in time when the customer obtains the control of the property, that is, when the property is completed and reached check and accept status and is delivered or regarded as delivered to the customer.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 REVENUE RECOGNITION (CONTINUED)

(b) Rental income

The Group has two types of rental income in investment property operation business.

For lease agreements with no fixed rental amount, the Group recognises income monthly based on certain percentage of the total income of the cooperative lessee.

For lease agreement with fixed rental amount, the Group recognises income monthly on a straight-line basis over the lease period. On the condition that the Group provides rent free period for certain lessee, the Group recognises income by allocating the total rent roll throughout the whole rent period according to straight-line method.

(c) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(d) Retail income

The Group sells products to individual customers through its retail outlets. Sales of goods are recognised in the accounting period in which the retail outlet sells a product to the customer. Retail sales are usually settled in cash or by credit card.

3.23 DIVIDENDS

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3.24 LEASE

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 LEASE (CONTINUED)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, securities and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, eg term, country, currency and security.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 LEASE (CONTINUED)

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Directors in the Board of Directors that makes strategic decisions.

3.26 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, 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.

(A) FAIR VALUE OF INVESTMENT PROPERTIES

The Group adopts fair value model for subsequent measurement of investment properties and obtains independent valuations for its investment properties at least semi-annually from an independent professional valuer as a third party. The fair value is determined in accordance with the methods below:

- Current prices (open market quotations) in an active market for the same or similar investment properties;
- When such information above is not available, then recent trading prices in an active market of the same or similar investment property, and take the factors of situations, dates and locations of transactions, etc. into consideration, is used;
- The Group adopts income capitalisation approach and residual method to determine the fair value, based on the estimated rental income and the development cost to be incurred in the future and present value of the related cash flows, with an estimated profit rate. The key estimations are disclosed in Note 18.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(A) FAIR VALUE OF INVESTMENT PROPERTIES (CONTINUED)

Where fair value of investment properties under construction is not reliably measurable but is expected to be reliably obtained after the construction is completed (including those investment properties under construction acquired initially by the Group), the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

The valuation of investment properties involves significant judgements and estimates, mainly including determination of valuation techniques and election of different inputs in the models.

The management assessed the reasonableness of key inputs which were used to determine the gross development value under residual approach and under income capitalisation approach, including market rental prices, discount rates, etc., by comparing the market rental prices with comparative cases in active markets and management's records, and by comparing the discount rates with the average discount rates in the industry. The management assessed the reasonableness of other key inputs including interest rates, profit margin rates and development costs to complete, etc. under residual approach, and comparing the development costs to complete with management's budgets.

(B) DEFERRED INCOME TAX

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers its probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(C) IMPAIRMENT OF FINANCIAL ASSETS

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in note 5.

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 borrowing, loans from a related party, guaranteed notes, Asset-backed Securities Scheme, senior class and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as financial assets included in trade and other receivables, trade payables, financial liabilities included in other payables and accruals (excluding Asset-backed Securities Scheme, senior class), which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on minimising potential adverse effects of these risks, with material impact, on the Group's financial performance. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Foreign exchange risk

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

The Group uses structured cross currency swaps to manage its foreign exchange risk arising from US$-denominated floating rate bank borrowings amounting to US$198,000,000 (31 December 2020: guaranteed note amounting to US$400,000,000). The Group seeks to apply, wherever possible, hedge accounting to present its financial statements in accordance with the economic purpose of the hedging activity. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms and performing a quantitative assessment as needed. As a result, the Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned, the hedging instruments have a one-to-one hedge ratio with the hedged items. In view of the nature of the hedging activities, no significant ineffectiveness is expected at inception.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Foreign exchange risk (Continued)

	31 December 2021 ***RMB'000***	31 December 2020 *RMB'000*
Assets		
HK$	**1,029**	946
US$	**172**	1,819
	1,201	2,765
Liabilities		
US$	**1,258,050**	2,599,504

As at 31 December 2021, if RMB had weakened/strengthened by 10% against HK$/US$ with all other variable held constant, loss before tax for the year of the Group would have been RMB120,000 higher/lower (2020: 10%, RMB277,000 higher/lower).

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

	2021 ***RMB'000***	2020 *RMB'000*
Net foreign exchange gain included in other gains-net	**17,279**	92
Total net foreign exchange gains recognised in loss before income tax for the year	**17,279**	92

(b) Interest rate risk

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

The interest rate risk of floating route bank borrowings amounting to US$198,000,000 (31 December 2020: guaranteed notes amounting to US$400,000,000) was managed by the use of structured cross currency interest rate swaps.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest rate risk (Continued)

At 31 December 2021, if interest rates on bank borrowings had been 50 basis points higher/lower with all other variables held constant, loss before tax for the year would have been RMB14,335,000 (31 December 2020: RMB8,546,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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

	2021 ***RMB'000***	**% of total loans**	2020 *RMB'000*	% of total loans
Floating rate guaranteed note	**–**	**not applicable**	2,599,504	38%
Variable rate borrowings	**2,866,996**	**52%**	1,709,296	25%
Fixed rate borrowings – re-pricing or maturity dates:				
Less than 1 year	**–**	**–**	1,595,140	23%
1 – 5 years	**2,595,140**	**48%**	1,000,000	14%
	5,462,136	**100%**	6,903,940	100%

(c) Credit risk

Credit risk is managed on group basis. It mainly arises from cash and cash equivalents and trade and other receivables, etc. The Group has policies in place to ensure that credit sales are made to customers with 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.

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. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Trade and other receivables (excluding prepayments)

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade, 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 incorporate forward looking information.

As at 31 December 2021, the loss allowance was determined as follows for trade receivables:

	Within 3 months
Expected loss rate	0.9%
Gross carrying amount – trade receivables	65,157
Loss allowance	572

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 year ended 31 December 2021.

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.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Trade and other receivables (excluding prepayments) (Continued)

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

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

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

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

	Individual provision for impairment	Group provision for impairment	Total
Carrying amount of other receivables	8,336	137,973	146,309
Expected credit loss rate	100%	1.4%	7.1%
Loss allowance	(8,336)	(1,985)	(10,321)
Other receivables, net	–	135,988	135,988

Other 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 other receivables during the year ended 31 December 2021.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk

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

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

	Within 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
At 31 December 2021				
Trade payables	**2,010,926**	**–**	**–**	**2,010,926**
Other payables and accruals (including interest)	**548,458**	**5,757,621**	**–**	**6,306,079**
Borrowings (including interest)	**666,642**	**4,945,460**	**549,470**	**6,160,972**
Lease liabilities	**7,592**	**5,694**	**–**	**13,286**
	3,233,018	**10,708,775**	**549,470**	**14,491,263**
At 31 December 2020				
Trade payables	2,066,591	–	–	2,066,591
Other payables and accruals (including interest)	403,987	3,121,200	–	3,525,187
Borrowings (including interest)	2,084,925	2,257,494	717,699	5,060,118
Guaranteed notes (including interest)	2,650,038	–	–	2,650,038
Lease liabilities	6,821	12,770	–	19,591
	7,212,362	5,391,464	717,699	13,321,525

The amounts have not included financial guarantee contracts:

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

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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Capital management

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

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

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt includes interest-bearing bank and other financial institution borrowings, loans from a related party, guaranteed notes (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:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Total borrowings *(Note 26)*	**5,462,136**	4,304,436
Guaranteed notes (including accrued interests payables) *(Note 27)*	**–**	2,612,936
Asset-backed Securities Scheme, senior class (including accrued interests payables) *(Note 30)*	**5,286,574**	2,696,341
Lease liabilities *(Note 16)*	**12,770**	19,591
	10,761,480	9,633,304
Less: Cash and cash equivalents *(Note 25)*	**(719,349)**	(840,441)
Restricted cash *(Note 25)*	**(84,959)**	(14,345)
Net debt	**9,957,172**	8,778,518
Total equity	**4,790,053**	4,997,130
Gearing ratio	**208%**	176%

The change of net gearing ratio was primarily due to the increase in net debt of the Group during the year ended 31 December 2021.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 FAIR VALUE ESTIMATION

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

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

	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As at 31 December 2021			
Non-financial assets			
Investment properties	**–**	**13,670,827**	**13,670,827**
Financial assets			
Cross currency interest rate swap	**8,016**	**–**	**8,016**
As at 31 December 2020			
Non-financial assets			
Investment properties	–	11,716,904	11,716,904
Financial liabilities			
Cross currency interest rate swap	(166,805)	–	(166,805)

There were no transfers among level 2 and 3 during the year.

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

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

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	
	31 December 2021	31 December 2020	**31 December 2021**	31 December 2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial liabilities				
Loans from a related party and other borrowings	**2,595,140**	2,595,140	**2,629,251**	2,621,371
Asset-backed Securities Scheme, senior class	**5,286,574**	2,696,341	**5,351,818**	2,751,202

Management has assessed that the fair values of cash and cash equivalents, financial assets included in trade and other receivables, trade payables, financial liabilities included in other payables and accruals (excluding Asset-backed Securities Scheme, senior class) 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, loans from a related party and other financial institution borrowings and Asset-backed Securities Scheme, senior class 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.

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

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

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

6 OPERATING SEGMENT INFORMATION (CONTINUED)

	Property development RMB'000	Investment property development and operation RMB'000	Sale of merchandise inventories RMB'000	Other segments RMB'000	Total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Year ended 31 December 2021							
Total revenue	**148,161**	**916,152**	**278,800**	**–**	**1,343,113**	**(2,064)**	**1,341,049**
Revenue (from external customers) *(i)*	**148,161**	**916,152**	**278,800**	**–**	**1,343,113**	**(2,064)**	**1,341,049**
Segment operating profit/(loss)	**63,305**	**430,634**	**28,384**	**(73,166)**	**449,157**	**–**	**449,157**
Depreciation and amortisation *(Note 8)*	**(3)**	**(69,393)**	**(4,070)**	**–**	**(73,466)**	**–**	**(73,466)**
Income tax expenses *(Note 12)*	**(30,876)**	**(146,923)**	**–**	**(3)**	**(177,802)**	**–**	**(177,802)**
Year ended 31 December 2020							
Total revenue	134,268	645,254	244,513	–	1,024,035	–	1,024,035
Revenue (from external customers) *(i)*	134,268	645,254	244,513	–	1,024,035	–	1,024,035
Segment operating profit/(loss)	19,897	314,616	17,425	(103,454)	248,484	(1,046)	247,438
Depreciation and amortisation *(Note 8)*	(2)	(71,641)	(3,048)	–	(74,691)	–	(74,691)
Income tax expenses *(Note 12)*	(16,524)	(94,683)	–	(8,049)	(119,256)	–	(119,256)

(i) No revenue from contracts with customers is recognised over time in property development segment (year ended 31 December 2020: Nil).

	Property development RMB'000	Investment property development and operation RMB'000	Sale of merchandise inventories RMB'000	Other segments RMB'000	Total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
As at 31 December 2021							
Total segment assets	**4,542,139**	**17,514,322**	**685,826**	**6,249,241**	**28,991,528**	**(11,133,116)**	**17,858,412**
Total segment liabilities	**1,149,836**	**7,012,877**	**1,032,557**	**4,502,926**	**13,698,196**	**(11,133,116)**	**2,565,080**
As at 31 December 2020							
Total segment assets	3,054,959	16,605,273	723,948	10,244,027	30,628,207	(13,549,311)	17,078,896
Total segment liabilities	929,330	8,655,787	1,572,523	5,084,904	16,242,544	(13,549,311)	2,693,233

6 OPERATING SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Segment operating profit	**449,157**	247,438
Share of losses of investments accounted for using the equity method *(Note 21)*	**(5,954)**	(2,450)
Interest income *(Note 7)*	**13,614**	19,093
Finance costs *(Note 9)*	**(502,962)**	(462,514)
Loss before income tax	**(46,145)**	(198,433)

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Total segment assets	**17,858,412**	17,078,896
Cash and cash equivalents *(Note 25)*	**719,349**	840,441
Restricted cash *(Note 25)*	**84,959**	14,345
Deferred income tax assets *(Note 31)*	**7,155**	34,936
Investments accounted for using the equity method *(Note 21)*	**287,665**	273,119
Amounts due from related parties *(Note 38(f))*	**71,116**	71,016
Derivative financial assets *(Note 28)*	**8,016**	–
Total assets per consolidated statement of financial position	**19,036,672**	18,312,753
Total segment liabilities	**2,565,080**	2,693,233
Borrowings *(Note 26)*	**5,462,136**	4,304,436
Guaranteed notes *(Note 27)*	**–**	2,612,936
Amount due to related parties *(Note 38(g))*	**118,225**	118,225
Deferred income tax liabilities *(Note 31)*	**814,604**	723,647
Asset-backed Securities Scheme, senior class *(Note 30)*	**5,286,574**	2,696,341
Derivative financial liabilities *(Note 28)*	**–**	166,805
Total liabilities per consolidated statement of financial position	**14,246,619**	13,315,623

6 OPERATING SEGMENT INFORMATION (CONTINUED)

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Sales commission for properties	**4,195**	7,349
Total incremental costs of obtaining a contract	**4,195**	7,349
Advances from sales of properties	**202,048**	215,639
Total contract liabilities	**202,048**	215,639

The Company is incorporated in the Cayman Islands, with most of its subsidiaries domiciled in the PRC. Revenues from external customers of the Group are mainly derived in the Mainland China for the years ended 31 December 2021 and 2020.

As at 31 December 2021, total non-current assets and derivative financial assets other than deferred income tax assets located in the PRC is RMB15,140,582,000 (31 December 2020: RMB14,292,990,000), none of these non-current assets is located in Hong Kong (31 December 2020: none of these non-current assets is located in Hong Kong).

For the year ended 31 December 2021 and 2020, the Group does not have any single customer with revenue over 10% of the Group's revenue from external customers.

For the year ended 31 December 2021, revenue of RMB181,839,000 (31 December 2020: RMB135,909,000) was included in the contract liabilities balance at the beginning of the year.

7 REVENUE, OTHER GAINS – NET AND OTHER INCOME

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Revenue		
Rental revenue of investment properties	**914,088**	645,254
Sale of goods	**278,800**	244,513
Sale of properties	**148,161**	134,268
	1,341,049	1,024,035
Other gains – net		
Fair value gains on investment properties *(Note 18)*	**124,900**	338,937
Government grants	**51,772**	1,485
Foreign exchange gains – net	**17,279**	92
Net impairment losses on financial and contract assets	**(5,697)**	(5,197)
Others	**3,289**	985
	191,543	336,302
Other income		
Interest income	**13,614**	19,093
Others	**26,319**	26,767
	39,933	45,860

8 EXPENSES BY NATURE

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost of properties sold	**80,317**	84,547
Cost of goods sold	**235,381**	216,844
Property management fee	**245,633**	225,353
Depreciation charge of right-of-use assets	**7,149**	8,141
Depreciation and amortisation	**73,466**	74,691
Employee benefit expenses	**211,450**	211,367
– Wages, salaries and staff welfare	***151,937***	*177,120*
– Pension scheme contributions	***20,780***	*3,232*
– Other allowance and benefits	***38,733***	*31,015*
Office and traveling expenses	**45,184**	41,879
Consultancy fee	**19,557**	18,325
Advertising and marketing	**90,211**	128,253
Business taxes and other surcharges	**90,709**	86,727
Auditor's remuneration	**3,135**	3,171
– PricewaterhouseCoopers	***2,150***	*2,250*
– PricewaterhouseCoopers Zhongtian LLP	***199***	*100*
– Other auditors	***786***	*821*
Capital market and other non-audit services expenses	**250**	550
Impairment of inventories *(Note 22)*	**–**	19,623
Others	**7,312**	20,195
	1,109,754	1,139,666

During the year ended 31 December 2021, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (year ended 31 December 2020: Nil).

9 FINANCE COSTS

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Interest expense on bank and other financial institution borrowings	**289,227**	259,484
Interest expense on Asset-backed Securities Scheme, senior class	**232,016**	140,699
Interest expense on lease liabilities	**771**	166
Net fair value loss on derivative financial instruments		
Reclassified from cash flow hedge reserve	**46,018**	60,105
Reclassified from costs of hedging reserves	**8,170**	1,465
Ineffectiveness of cash flow hedges	**4,959**	10,133
Interest expense on guaranteed notes	**48,749**	102,497
Less: interests capitalised	**(126,948)**	(112,035)
	502,962	462,514

For the year ended 31 December 2021, the capitalisation rate was 5.40% (year ended 31 December 2020: 5.72%), and the finance costs are mainly capitalised into investment properties and properties under development.

10 DIRECTORS' EMOLUMENTS

Directors' emoluments for the year are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Fees	**807**	813
Other emoluments:		
Salaries, allowances and benefits in kind	**1,139**	1,307
Pension scheme contributions	**96**	89
	1,235	1,396
	2,042	2,209

10 DIRECTORS' EMOLUMENTS (CONTINUED)

(A) Executive directors, non-executive directors and independent non-executive directors

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Equity settled share option expense *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2021						
Executive directors						
Mr. Zhong Beichen *(i)*	–	–	–	–	–	–
Mr. Fan Shubin *(ii)*	–	–	–	–	–	–
Mr. Feng Yujian	–	1,139	–	–	96	1,235
	–	1,139	–	–	96	1,235
2021						
Non-executive directors						
Mr. Zhou Yue	–	–	–	–	–	–
Ms. Qin Yi	–	–	–	–	–	–
Mr. Wang Hao	–	–	–	–	–	–
Mr. Yang, Paul Chunyao	–	–	–	–	–	–
	–	–	–	–	–	–
2021						
Independent non-executive directors						
Dr. Ngai Wai Fung	269	–	–	–	–	269
Ms. Zhao Yuhong	269	–	–	–	–	269
Mr. He Xiaofeng	269	–	–	–	–	269
	807	–	–	–	–	807
Total	807	1,139	–	–	96	2,042

(i) Resigned on 29 October 2021.

(ii) Appointed on 29 October 2021.

There were no other emoluments payable to the independent non-executive directors during the year (year ended 31 December 2020: Nil).

10 DIRECTORS' EMOLUMENTS (CONTINUED)

(A) Executive directors, non-executive directors and independent non-executive directors (Continued)

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Equity settled share option expense *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2020						
Executive directors						
Mr. Zhong Beichen	–	–	–	–	–	–
Mr. Feng Yujian	–	1,307	–	–	89	1,396
	–	1,307	–	–	89	1,396
2020						
Non-executive directors						
Mr. Wang Honghui *(i)*	–	–	–	–	–	–
Mr. Zhou Yue *(ii)*	–	–	–	–	–	–
Ms. Qin Yi	–	–	–	–	–	–
Mr. Wang Hao	–	–	–	–	–	–
Mr. Yang, Paul Chunyao	–	–	–	–	–	–
	–	–	–	–	–	–
2020						
Independent non-executive directors						
Dr. Ngai Wai Fung	271	–	–	–	–	271
Ms. Zhao Yuhong	271	–	–	–	–	271
Mr. He Xiaofeng	271	–	–	–	–	271
	813	–	–	–	–	813
Total	813	1,307	–	–	89	2,209

(i) Resigned on 16 October 2020.

(ii) Appointed on 16 October 2020.

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiaries undertaking		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking		Total	
2021 ***RMB'000***	2020 *RMB'000*	**2021** ***RMB'000***	2020 *RMB'000*	**2021** ***RMB'000***	2020 *RMB'000*
807	813	**1,235**	1,396	**2,042**	2,209

11 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (year ended 31 December 2020: one), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the four (year ended 31 December 2020: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,464**	5,214
Pension scheme contributions	**361**	268
	3,825	5,482

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2021	2020
lower than HK$1,500,000 (equivalent to RMB1,226,400)	**4**	3
HK$2,000,000 (equivalent to RMB1,635,200) to HK$2,500,000 (equivalent to RMB2,044,100)	**–**	1

12 INCOME TAX EXPENSES

Hong Kong corporate are mainly subject to Hong Kong profits tax rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong during the year (year ended 31 December 2020: Nil).

PRC enterprise income tax has been provided at the rate of 25% (year ended 31 December 2020: 25%) on the taxable profits of the Group's PRC subsidiaries during the year.

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

12 INCOME TAX EXPENSES (CONTINUED)

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current income tax:		
– PRC corporate income tax	**37,399**	21,596
– PRC land appreciation tax	**21,665**	7,409
Deferred income tax *(Note 31)*	**118,738**	90,251
Total tax charges for the year	**177,802**	119,256

A reconciliation of the tax expenses applicable to loss before income tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Loss before income tax	**(46,145)**	(198,433)
Tax calculated at applicable statutory tax rates on the taxable profits in the respective countries	**(1,267)**	(33,511)
Income not subject to tax	**(15,544)**	(2,128)
Expenses not deductible for tax	**2,384**	8,024
Tax losses for which no deferred income tax asset was recognised	**119,387**	116,556
Land appreciation tax	**21,665**	7,409
Income tax effect of land appreciation tax	**(5,416)**	(1,852)
Utilisation of previously unrecognised tax losses	**(2,701)**	–
Adjustment to deferred income taxation	**59,294**	16,709
Dividend withholding tax	**–**	8,049
Income tax expenses for the year	**177,802**	119,256

13 DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 December 2021 (year ended 31 December 2020: Nil).

14 LOSSES PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Losses attributable to owners of the Company	(224,346)	(320,446)
Excluding: losses attributable to the holders of CPS and PCBS	139,584	199,408
Losses attributable to ordinary equity holders of the Company used in the basic and diluted losses per share calculation	(84,762)	(121,038)

	Shares	**Shares**
Weighted average number of ordinary shares	**961,538,462**	961,538,462

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Furniture fixtures and equipment *RMB'000*	Motor vehicles and others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2021				
At 1 January 2021				
Cost	**135,238**	**67,668**	**7,059**	**209,965**
Accumulated depreciation	**(3,886)**	**(48,099)**	**(5,755)**	**(57,740)**
Net carrying amount	**131,352**	**19,569**	**1,304**	**152,225**
At 1 January 2021, net of accumulated depreciation	**131,352**	**19,569**	**1,304**	**152,225**
Additions	**–**	**9,816**	**15,879**	**25,695**
Transfer from investment property *(i)*	**21,078**	**–**	**–**	**21,078**
Disposals	**–**	**(8)**	**(29)**	**(37)**
Depreciation provided during the year	**(4,121)**	**(11,372)**	**(387)**	**(15,880)**
At 31 December 2021, net of accumulated depreciation	**148,309**	**18,005**	**16,767**	**183,081**
At 31 December 2021				
Cost	**156,316**	**77,464**	**22,337**	**256,117**
Accumulated depreciation	**(8,007)**	**(59,459)**	**(5,570)**	**(73,036)**
Net carrying amount	**148,309**	**18,005**	**16,767**	**183,081**
For the year ended 31 December 2020				
At 1 January 2020				
Cost	2,142	62,690	6,992	71,824
Accumulated depreciation	(174)	(35,062)	(5,150)	(40,386)
Net carrying amount	1,968	27,628	1,842	31,438
At 1 January 2020, net of accumulated depreciation	1,968	27,628	1,842	31,438
Additions	–	5,508	67	5,575
Transfer from investment property *(i)*	133,096	–	–	133,096
Disposals	–	(38)	–	(38)
Depreciation provided during the year	(3,712)	(13,529)	(605)	(17,846)
At 31 December 2020, net of accumulated depreciation	131,352	19,569	1,304	152,225
At 31 December 2020				
Cost	135,238	67,668	7,059	209,965
Accumulated depreciation	(3,886)	(48,099)	(5,755)	(57,740)
Net carrying amount	131,352	19,569	1,304	152,225

(i) For the year ended 31 December 2021, due to the change of holding purpose, the Group has transferred investment properties of RMB21,078,000 (year ended 31 December 2020: RMB133,096,000) into property, plant and equipment. This conversion has no impact on profit or loss and equity.

16 LEASES

This note provides information for leases where the Group is a lessee.

(I) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Right-of-use assets		
Buildings	**13,943**	21,091
Lease liabilities		
Current	**7,152**	6,821
Non-current	**5,618**	12,770
	12,770	19,591

No additions to the right-of-use assets during the year ended 31 December 2021 (year ended 31 December 2020: RMB21,443,000).

(II) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The consolidated statement of profit or loss shows the following amounts relating to leases:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
Properties	**7,149**	8,141
Interest expense (included in finance cost)	**771**	166

The total cash outflow for leases in 2021 was RMB7,592,000 (year ended 31 December 2020: 8,320,000).

(III) THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The Group leases an office. Rental contract is typically made for fixed periods of 3 years but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17 LONG-TERM PREPAID EXPENSES

	Prepaid decoration expenses *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2021			
At 1 January 2021	**86,397**	**28,631**	**115,028**
Additions	**5,252**	**25,573**	**30,825**
Amortisation provided during the year	**(41,212)**	**(14,695)**	**(55,907)**
31 December 2021	**50,437**	**39,509**	**89,946**
For the year ended 31 December 2020			
At 1 January 2020	126,187	22,184	148,371
Additions	9,877	19,731	29,608
Amortisation provided during the year	(49,667)	(13,284)	(62,951)
31 December 2020	86,397	28,631	115,028

18 INVESTMENT PROPERTIES

(A) INVESTMENT PROPERTIES UNDER CONSTRUCTION

	Cost *RMB'000*
At 1 January 2020	1,887,432
Additions	914,302
Transfer to investment properties in operation	(861,349)
At 31 December 2020	1,940,385
Additions	**736,438**
Transfer to investment properties in operation	**(1,851,815)**
At 31 December 2021	**825,008**

(B) INVESTMENT PROPERTIES IN OPERATION

	2021 *RMB'000*	2020 *RMB'000*
At 1 January	**11,716,904**	10,694,300
Transfer from investment properties under construction	**1,851,815**	861,349
Transfer to property, plant and equipment	**(21,078)**	(133,096)
Net gains from fair value adjustment	**124,900**	338,937
Other adjustments	**(1,714)**	(44,586)
At 31 December	**13,670,827**	11,716,904

18 INVESTMENT PROPERTIES (CONTINUED)

(C) PROFIT OR LOSS OF INVESTMENT PROPERTIES RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Net gains from fair value adjustment	**124,900**	338,937
Rental income from leases	**914,088**	645,254
Direct operating expenses from properties that generated rental income	**(11,554)**	(14,264)
Direct operating expenses from properties that did not generate rental income	**(261)**	(232)

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

The Group's finance department is in charge of assets' valuation and employs the Valuer to evaluate the fair value of investment properties. The finance department verifies all valuation results, 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.

18 INVESTMENT PROPERTIES (CONTINUED)

(C) PROFIT OR LOSS OF INVESTMENT PROPERTIES RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

Information about fair value measurements using significant unobservable inputs:

			Unobservable inputs		
Investment Properties	Fair value as at 31 December 2021 *RMB'000*	Valuation techniques	Title	Range	Relationship of unobservable inputs to fair value
Central region	7,321,388	Income capitalisation approach	Discount rate	4% to 7%	The higher discount rate, the lower fair value
			Market rental price	RMB28 to RMB162 per square meter per month	The higher market rental price, the higher fair value
North region	4,468,244	Income capitalisation approach	Discount rate	4% to 7%	The higher discount rate, the lower fair value
			Market rental price	RMB48 to RMB287 per square meter per month	The higher market rental price, the higher fair value
South region	1,881,195	Income capitalisation approach	Discount rate	5.5% to 6.5%	The higher discount rate, the lower fair value
			Market rental price	RMB45 to RMB124 per square meter per month	The higher market rental price, the higher fair value

18 INVESTMENT PROPERTIES (CONTINUED)

(C) PROFIT OR LOSS OF INVESTMENT PROPERTIES RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

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

19 INTANGIBLE ASSETS AND LEASE PREPAYMENT

	Lease prepayment *RMB'000*	Software *RMB'000*
For the year ended 31 December 2021		
At 1 January 2021		
Cost	**7,950**	**30,733**
Accumulated amortisation	**(1,245)**	**(10,764)**
Net carrying amount	**6,705**	**19,969**
At 1 January 2021, net of accumulated amortisation	**6,705**	**19,969**
Additions	**–**	**10,140**
Amortisation provided during the year	**(159)**	**(2,187)**
At 31 December 2021, net of accumulated amortisation	**6,546**	**27,922**
At 31 December 2021		
Cost	**7,950**	**40,873**
Accumulated amortisation	**(1,404)**	**(12,951)**
Net carrying amount	**6,546**	**27,922**
For the year ended 31 December 2020		
At 1 January 2020		
Cost	7,950	19,079
Accumulated amortisation	(1,086)	(8,652)
Net carrying amount	6,864	10,427
At 1 January 2020, net of accumulated amortisation	6,864	10,427
Additions	–	11,654
Amortisation provided during the year	(159)	(2,112)
At 31 December 2020, net of accumulated amortisation	6,705	19,969
At 31 December 2020		
Cost	7,950	30,733
Accumulated amortisation	(1,245)	(10,764)
Net carrying amount	6,705	19,969

20 SUBSIDIARIES

Name	Place of incorporation/ registration and business	Issued ordinary share/registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Percentage of equity attributable to non-controlling interests %	Principal activities
Trade Horizon Global Limited ("Trade Horizon") (貿景環球有限公司)	British Virgin Islands limited liability company	US$1	100	–	N/A	Guaranteed notes offering
Beijing Chuangxin Jianye Real Estate investment Ltd. ("Chuangxin Jianye") (北京創新建業地產投資有限公司)	People's Republic of China, limited liability company	RMB50,000,000	–	100	N/A	Investment holding
Shanghai Juque Investment Management Co., Ltd. (上海鉅礐投資管理有限公司)	People's Republic of China, limited liability company	RMB835,000,000	–	100	N/A	Investment holding
Beijing Hengsheng Huaxing Investment Management Co., Ltd ("Hengsheng Huaxing") (北京恒盛華星投資管理有限公司)	People's Republic of China, limited liability company	RMB20,000,000	–	100	N/A	Investment holding and retail
Jiangxi Capital Outlets Development Company Limited. ("Jiangxi Capital Outlets") (江西首創奧特萊斯置業有限公司)	People's Republic of China, limited liability company	RMB459,000,000	–	100	N/A	Property investment
Hangzhou Capital Outlets Property Limited ("Hangzhou Capital Outlets") (杭州首創奧特萊斯置業有限公司)	People's Republic of China, limited liability company	RMB335,000,000	–	100	N/A	Property investment
Wuhan Capital Juda Outlets Business Management Limited (武漢首創鉅大奧萊商業管理有限公司)	People's Republic of China, limited liability company	RMB208,000,000	–	99	1	Property investment
Jinan Shouju Real Estate Ltd. ("Jinan Capital Outlets") (濟南首鉅置業有限公司)	People's Republic of China, limited liability company	RMB362,960,000	–	100	N/A	Property investment and development

20 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and business	Issued ordinary share/registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Percentage of equity attributable to non-controlling interests %	Principal activities
Zhengzhou Juxin Outlets Industrial Co., Ltd. (鄭州鉅信奧萊實業有限公司)	People's Republic of China, limited liability company	RMB200,000,000	–	100	N/A	Property investment
Xian Shouju Commercial Development and Management Co., Ltd. (西安首鉅商業開發管理有限公司)	People's Republic of China, limited liability company	RMB335,000,000	–	100	N/A	Property investment
Hefei Chuangju Outlets Business Management Limited ("Hefei Capital Outlets") (合肥創鉅奧萊商業管理有限公司)	People's Republic of China, limited liability company	RMB280,000,000	–	100	N/A	Property investment
Capital Outlets (Kunshan) Business Development Co., Ltd.. ("Kunshan Capital Outlets") (首創奧特萊斯(昆山)商業開發有限公司)	People's Republic of China, limited liability company	RMB100,000,000	–	100	N/A	Property investment
Capital Dongxing (Kunshan) Business Development Co., Ltd. (首創東興(昆山)商業開發有限公司)	People's Republic of China, limited liability company	RMB100,000,000	–	100	N/A	Property investment
Beijing Capital Outlets Property Investment Fang Shan Ltd. ("Beijing Capital Outlets") (北京首創奧特萊斯房山置業有限公司)	People's Republic of China, limited liability company	RMB867,134,905	–	100	N/A	Property investment
Zhejiang Outlets Property Real Estate Co., Ltd. ("Zhejiang Outlets") (浙江奧特萊斯置業有限公司)	People's Republic of China, limited liability company	RMB261,598,013	–	100	N/A	Property investment
Xi'an Capital Xin Kai Real Estate Ltd. ("Xin Kai") (西安首創新開置業有限公司)	People's Republic of China, limited liability company	US$165,000,000	–	100	N/A	Property development
Kunming Capital Outlet Commercial Management Co., Ltd. (昆明首創奧萊商業運營管理有限公司)	People's Republic of China, limited liability company	RMB317,700,000	–	85	15	Property investment

20 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and business	Issued ordinary share/registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Percentage of equity attributable to non-controlling interests %	Principal activities
Chongqing Shouju Outlet Real Estate Co., Ltd. (重慶首鉅奧特萊斯置業有限公司)	People's Republic of China, limited liability company	RMB200,000,000	–	100	N/A	Property investment
Qingdao Grand Commercial Management Co., Ltd. (青島鉅大奧萊商業管理有限公司)	People's Republic of China, limited liability company	RMB210,000,000	–	100	M/A	Property investment and development
Nanning Grand Outlets Property Investment Co., Ltd. (南寧鉅大奧特萊斯置業有限公司)	People's Republic of China, limited liability company	RMB350,000,000	–	100	N/A	Property investment and development
Xiamen Juda Outlets Business Operation Management Limited (廈門鉅大奧萊商業管理有限公司)	People's Republic of China, limited liability company	RMB330,000,000	–	100	N/A	Property investment
Zhuhai Hengqin Hengsheng Huachuang Commercial Management Co., Ltd ("Hengsheng Huachuang") (珠海橫琴恒盛華創商業管理有限公司)	People's Republic of China, limited liability company	RMB10,000,000	–	100	N/A	Investment holding and asset management
GSUM-Beijing Capital Grand Outlets No,1 phase 1 Private Equity Fund (中聯前源－首創鉅大奧特萊斯一號第一期私募股權投資基金) ("Phase 1 Private Equity Fund")	People's Republic of China	RMB3,578,445,000	–	100	N/A	Asset Management and investment
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) (" Phase I Asset-backed Securities Scheme")	People's Republic of China	RMB879,000,000	–	100	N/A	Asset Management and investment

20 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and business	Issued ordinary share/registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Percentage of equity attributable to non-controlling interests %	Principal activities
GSUM-Beijing Capital Grand Outlets No,1 phase 2 Private Equity Fund (中聯首正德盛－首創鉅大奧特萊斯二期私募股權投資基金) ("Phase 2 Private Equity Fund")	People's Republic of China	RMB3,266,300,000	–	100	N/A	Asset Management and investment
Zhonglian Yichuang — Beijing Capital Grand Outlets No.1 Phase II Asset-backed Securities Scheme (中聯首創證券－首創鉅大奧特萊斯二期資產支持專項計劃) ("Phase II Asset-backed Securities Scheme")	People's Republic of China	RMB668,000,000	–	100	N/A	Asset Management and investment

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for Phase I Private Equity Fund, Phase I Asset-backed Securities Scheme, Phase 2 Private Equity Fund and Phase II Asset-backed Securities Scheme, the statutory financial statements of the remaining subsidiaries are not audited by PricewaterhouseCoopers.

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

21.1 INVESTMENTS IN JOINT VENTURES

	2021 RMB'000	2020 RMB'000
At 1 January	**249,590**	236,907
Capital injection	**20,500**	13,880
Share of losses	**(6,511)**	(1,197)
At 31 December	**263,579**	249,590

(a) Following are the details of the joint ventures held by the Group as at 31 December 2021, which are unlisted:

Name	Place of incorporation/ registration and business	registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
(1) Shanghai Zanchuang Sports Venues Management Co., Ltd (上海贊創體育場館管理有限公司) ("Shanghai Zanchuang")	Shanghai/Mainland China	RMB10,000,000	–	40%	Sports venues management
(2) Ningbo Shouju Yiming Investment Limited Liability Partnership (寧波首鉅翌明投資合夥企業(有限合夥)) ("Shouju Yiming") *(i)*	Ningbo/Mainland China	RMB3,000,000,000	–	50%	Investment management in PRC

(i) Pursuant to the Partnership Agreement, the total capital commitment is RMB3 billion, amongst which the total amount of capital to be contributed by the Group will be RMB750 million, accounting for 25% of the fund size, comprising RMB10 million as a general partner and RMB740 million as a limited partner. On the other hand, the total amount of capital to be contributed by the Beijing NOVA Corporate Management Consulting Co., Limited, Beijing Yusheng Property Management Co., Limited and Beijing Mobo Management Consulting Co., Limited (collectively referred to as the "Nova Party") will be RMB2.25 billion, accounting for 75% of the fund size, comprising RMB10 million as a general partner and RMB2.24 billion as limited partners. The Group and Nova Party jointly control Shouju Yiming, therefore it is recognised as a joint venture.

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

21.1 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(b) Summarised financial information for the joint venture that is material to the Group, which is accounted for using the equity method:

	Shouju Yiming	
	31 December 2021	31 December 2020
	RMB'000	*RMB'000*
Current assets		
Cash	**14,462**	3,650
Other current assets (excluding cash)	**16,172**	21,793
Total current assets	**30,634**	25,443
Non-current assets	**905,660**	870,000
Current liabilities		
Financial liabilities (excluding trade payables)	**4,819**	1,732
Other current liabilities (including trade payables)	**26,603**	21,245
Total current liabilities	**31,422**	22,977
Non-current liabilities		
Financial liabilities	**376,800**	374,100
Other liabilities	**911**	252
Total non-current liabilities	**377,711**	374,352
Net assets	**527,161**	498,114

The information above reflects the amounts presented in the financial statements of the joint venture, adjusted for differences in accounting policies between the Group and the joint venture.

(c) Reconciliation of summarised financial information of the joint venture that is material to the Group.

Reconciliation of the summarised financial information presented to the carrying amount of its interests in the joint venture that is material to the Group.

	Shouju Yiming	
	31 December 2021	31 December 2020
	RMB'000	
Opening net assets	**498,114**	476,338
Capital injection	**41,000**	21,130
(Loss)/profit for the year	**(11,953)**	646
Closing net assets	**527,161**	498,114
Carrying value	**263,579**	249,056

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

21.1 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(d) In addition to the interests in the joint venture disclosed above, the Group also has interests in a immaterial joint venture that are accounted for using the equity method.

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Aggregate carrying amount of the immaterial joint venture	**–**	534
Aggregate amounts of the Group's share of:		
Loss from continuing operations	**(534)**	(1,520)
Other comprehensive income	**–**	–
Total comprehensive loss	**(534)**	(1,520)

21.2 INVESTMENTS IN AN ASSOCIATE

	2021	2020
	RMB'000	*RMB'000*
At 1 January	**23,529**	24,782
Share of profit/(losses)	**557**	(1,253)
At 31 December	**24,086**	23,529

(a) Following are the details of the associate held by the Group as at 31 December 2021, which is unlisted:

Name	Place of incorporation/ registration and business	Registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Nanchang Huachuang Xinghong Real Estate Co., Ltd. (南昌華創興洪置業有限公司) ("Nanchang Huachuang")	Nanchang/Mainland China	RMB50,000,000	–	40%	Real estate investment and investment properties operation

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

21.2 INVESTMENTS IN AN ASSOCIATE (CONTINUED)

(b) Summarised financial information for the associate which is accounted for using the equity method:

	Nanchang Huachuang	
	31 December 2021	31 December 2020
	RMB'000	*RMB'000*
Current assets		
Cash	**6,913**	9,459
Other current assets (excluding cash)	**249,032**	266,640
Total current assets	**255,945**	276,099
Non-current assets	**94,073**	93,244
Current liabilities		
Financial liabilities (excluding trade payables)	**233,835**	241,001
Other current liabilities (including trade payables)	**44,977**	60,037
Total current liabilities	**278,812**	301,038
Non-current liabilities		
Other liabilities	**10,991**	9,482
Total non-current liabilities	**10,991**	9,482
Net assets	**60,215**	58,823

The information above reflects the amounts presented in the financial statements of the associate, adjusted for differences in accounting policies between the Group and the associate.

(c) ***Reconciliation of summarised financial information***

Reconciliation of the summarised financial information presented to the carrying amount of its interests in the associate.

	Nanchang Huachuang As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Opening net assets	**58,823**	61,955
Profit/(losses) for the year	**1,392**	(3,132)
Closing net assets	**60,215**	58,823
Carrying value	**24,086**	23,529

22 INVENTORIES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Properties under development	**1,302,889**	1,162,069
Completed properties held for sale *(i)*	**797,678**	781,877
Merchandise inventories	**353,813**	456,450
Less: provision for impairment for inventories *(ii)*	**(19,623)**	(19,623)
	2,434,757	2,380,773

(i) Inventories recognised as an expense during the year ended 31 December 2021 amounted to RMB80,317,000 (year ended 31 December 2020: RMB84,547,000), which was included in cost of properties sold.

(ii) There was no write-downs of inventories to net realised value during the year ended 31 December 2021 (year ended 31 December 2020: RMB19,623,000), which were recognised as an expense and included in 'cost of sales' in the consolidated statement of profit or loss.

23 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Assets as per consolidated statement of financial position		
Financial assets at amortised cost		
Trade and other receivables and prepayments (excluding prepayments and prepaid taxes)	**200,573**	294,736
Restricted cash *(Note 25)*	**84,959**	14,345
Cash and cash equivalents *(Note 25)*	**719,349**	840,441
Derivative financial assets *(Note 28)*	**8,016**	–
	1,012,897	1,149,522

23 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost		
Borrowings *(Note 26)*	**5,462,136**	4,304,436
Trade payables *(Note 29)*	**2,010,926**	2,066,591
Guaranteed notes *(Note 27)*	**–**	2,612,936
Amounts and interest due to related parties *(Note 30)*	**134,598**	126,378
Financial liabilities included in other payables and accruals (excluding other tax payable, employee benefit payable, etc.)	**5,434,442**	2,839,853
Lease liabilities *(Note 16)*	**12,770**	19,591
Derivative financial liabilities		
Used for cash flow hedging *(Note 28)*	**–**	166,805
	13,054,872	12,136,590

24 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**65,157**	65,432
Less: provision for impairment of trade receivables *(Note 5.1(c))*	**(572)**	–
	64,585	65,432
Prepayments to related parties *(Note 38(e))*	**31,771**	5,024
Prepayments of merchandise inventories	**79,549**	93,102
Other prepayments	**6,551**	6,787
Input-value added tax to be deducted and prepaid of other taxes	**354,859**	388,555
Other deposits	**13,459**	22,150
Other receivables due from related parties *(Note 38(e))*	**1,116**	3,368
Amounts due from related parties *(Note 38(f))*	**71,116**	71,016
Receivables from government repurchase of land use rights	**–**	69,931
Other receivables	**60,618**	69,315
Less: provision for impairment of other receivables *(Note 5.1(c))*	**(10,321)**	(5,197)
	673,303	789,483
less: non-current portion		
– Input-value added tax to be deducted	**(35,644)**	(42,140)
– Other deposits	**–**	(5,424)
Current portion	**637,659**	741,919

24 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

Note 5.1(c) sets out information about the impairment of trade and other receivables and the Group's exposure to credit risk.

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**65,157**	65,432

As at 31 December 2021, included in the trade receivables balances of RMB6,723,000 (31 December 2020: RMB6,003,000) due from related parties which are receivable within 3 months and represented credit terms similar to those offered to other major customers (Note 38(e)).

25 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cash and bank balances	**804,308**	854,786
Less:		
Restricted cash	**(84,959)**	(14,345)
Cash and cash equivalents	**719,349**	840,441

At the end of the reporting period, the cash and bank balances of the Group denominated in HK$ were equivalent to RMB1,029,000 (31 December 2020: equivalent to RMB946,000) and those denominated in US$ were equivalent to RMB172,000 (31 December 2020: RMB1,819,000).

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

26 BORROWINGS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Non-current		
Bank and other financial institution borrowings	**4,971,351**	2,490,744
Loans from a related party *(Note 38(h))*	**95,140**	95,140
	5,066,491	2,585,884
Current		
Current portion of long-term bank and other financial institution borrowings	**325,845**	1,648,752
Short-term bank borrowings	**69,800**	69,800
	395,645	1,718,552
	5,462,136	4,304,436

As at 31 December 2021, no bank borrowing (31 December 2020: RMB316,800,000) was secured the Group's investment properties both completed and under construction and were guaranteed by the Company.

As of 31 December 2021, bank borrowings totaling RMB749,810,000 (31 December 2020: RMB718,000,000) were secured the Group's investment properties with carrying amount of RMB2,453,088,000 (31 December 2020: RMB2,765,667,000) and guaranteed by BCL.

As at 31 December 2021, bank borrowings totaling RMB789,336,000 (31 December 2020: RMB604,696,000) were secured the Group's the land use rights with carrying amount of RMB420,172,000 (31 December 2020: RMB409,763,000) and guaranteed by BCL.

As at 31 December 2021, other financial institution borrowings totaling RMB1,000,000,000 (31 December 2020: RMB2,500,000,000) were guaranteed by BCL.

As at 31 December 2021, loans from a related party and short-term bank borrowings totaling RMB164,940,000 (31 December 2020: RMB164,940,000) were unsecured.

As at 31 December 2021, other financial institution borrowings totaling RMB2,758,050,000 (31 December 2020: RMB nil) were guaranteed by Capital Group.

26 BORROWINGS (CONTINUED)

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Total borrowings		
– Within 1 year	**395,645**	1,718,552
– Between 1 and 2 years	**1,299,802**	212,456
– Between 2 and 5 years	**3,260,408**	1,752,652
– Over 5 years	**506,281**	620,776
	5,462,136	4,304,436

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Bank and other financial institution borrowings	**5.59%**	5.72%

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 6 months	**1,504,032**	3,209,296
Between 6 and 12 months	**1,362,964**	–
Between 1 and 5 years	**2,595,140**	1,095,140
	5,462,136	4,304,436

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

26 BORROWINGS (CONTINUED)

(d) The carrying amounts of the Group's borrowings and loans are denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
USD	**1,258,050**	–
RMB	**4,204,086**	4,304,436
	5,462,136	4,304,436

27 GUARANTEED NOTES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
As at 1 January	**2,612,936**	2,796,677
Interest expenses	**44,223**	102,497
Interest paid	**(57,655)**	(104,038)
Repayment upon maturity	**(2,602,960)**	–
Exchange rate effect on guaranteed notes	**3,456**	(182,200)
	–	2,612,936
Accrued interests for guaranteed notes, classified as other payables under current liabilities *(Note 30)*	**–**	(13,432)
Less: amounts due within one year	**–**	(2,599,504)
Non-current portion	**–**	–

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

The Notes were fully repaid upon its maturity on 2 August 2021.

28 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has the following derivative financial instruments:

	As at 31 December	
	2021	2020
	RMB'000	**RMB'000**
Non-current assets		
Cash flow hedges		
Cross currency interest rate swaps *(i)*	**8,016**	–
Current liabilities		
Cash flow hedges		
Cross currency interest rate swaps *(ii)*	**–**	166,805

(I) On 3 August 2021, Trade Horizon entered into a CCIRS to hedge the US$/RMB exchange risk and the interest rate risk arising from the US$-denominated floating rate borrowing issued on 29 July 2021. According to the contract of the CCIRS, the Group receives US$ floating rate interest and pays RMB fixed rate interest, and receives US$ notional amount and pays RMB equivalent of the notional amount at the strike rate (strike rate varies if the spot rate on the maturity date is above higher cap strike or below the lower cap strike). The CCIRS meets the criteria to apply hedging accounting in accordance with the Group's economic purpose of the hedging activities.

(II) On 6 August 2018, Trade Horizon entered into a cross currency interest rate swaps ("CCIRS") to hedge the US$/RMB exchange risk and the interest rate risk arising from the US$-denominated floating rate Notes issued on 2 August 2018 (Note 27). According to the contract of the CCIRS, the Group receives US$ floating rate interest and pays RMB fixed rate interest, and receives US$ notional amount and pays RMB equivalent of the notional amount at the strike rate (strike rate varies if the spot rate on the maturity date is above higher cap strike or below the lower cap strike). The CCIRS meets the criteria to apply hedging accounting in accordance with the Group's economic purpose of the hedging activities.

(III) FAIR VALUE MEASUREMENT

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

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

28 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(IV) HEDGING RESERVES

	Cash flow hedge reserve *RMB'000*	Costs of hedging reserves *RMB'000*	Total *RMB'000*
At 31 December 2019	(53,960)	21,081	(32,879)
Other comprehensive loss			
Cash flow hedges			
Net fair value losses	(231,746)	–	(231,746)
Reclassification to profit or loss	242,213	–	242,213
Total cash flow hedges	10,467	–	10,467
Costs of hedging			
Net fair value gains	–	12,713	12,713
Amortisation to profit or loss	–	1,466	1,466
Total costs of hedging	–	14,179	14,179
At 31 December 2020	(43,493)	35,260	(8,233)
At 31 December 2020	**(43,493)**	**35,260**	**(8,233)**
Other comprehensive loss			
Cash flow hedges			
Net fair value gains	**5,642**	**–**	**5,642**
Reclassification to profit or loss	**56,442**	**–**	**56,442**
Total cash flow hedges	**62,084**	**–**	**62,084**
Costs of hedging			
Net fair value losses	**–**	**(53,384)**	**(53,384)**
Amortisation to profit or loss	**–**	**8,170**	**8,170**
Total costs of hedging	**–**	**(45,214)**	**(45,214)**
At 31 December 2021	**18,591**	**(9,954)**	**8,637**

28 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cross currency interest rate swaps		
Carrying amount asset/(liabilities)	**8,016**	(166,805)
Notional amount	**1,278,751**	2,744,800
Maturity date	**17 July 2024**	26 July 2021
Hedge ratio	**1:1**	1:1
Changes in fair value of the hedging instrument used for measuring effectiveness	**5,642**	(231,746)
Changes in fair value of the hedged item used for measuring effectiveness	**(5,642)**	231,746
Strike rate	**RMB 6.4616:US$1**	RMB 6.862:US$1
Higher cap	**RMB 7: US$1**	RMB 7.7: US$1
Lower cap	**Not applicable**	RMB 6.2: US$1
US$ floating interest rate receive leg	**3 months US$-LIBOR+1.80% per annum based on US$ notional**	3 months US$-LIBOR+2.575% per annum based on US$ notional
RMB fixed interest rate pay leg	**3.88% per annum based on RMB notional**	5.925% per annum based on RMB notional

29 TRADE PAYABLES

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**1,526,672**	1,872,154
1 to 2 years	**338,555**	171,191
2 to 3 years	**132,495**	23,246
over 3 years	**13,204**	–
	2,010,926	2,066,591

29 TRADE PAYABLES (CONTINUED)

As at 31 December 2021, included in the trade payables are trade payables of RMB8,599,000 (31 December 2020: RMB8,266,000) due to related parties which are repayable within 1 year subjected to credit terms similar to those offered by the related parties to its other major customers (Note 38(e)).

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

30 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Other tax payables	**58,119**	33,974
Employee benefits payable	**1,773**	1,584
Other payables and accruals due to related parties *(Note 38(e))*	**16,373**	8,153
Amount due to a related party *(Note 38(g))*	**118,225**	118,225
Interests payable for guaranteed notes *(Note 27)*	**–**	13,432
Interests payable for bank and other financial institution borrowings	**5,708**	6,303
Interests payable for Asset-backed Securities Scheme, senior class	**–**	391
Asset-backed Securities Scheme, senior class *(i)(ii)*	**5,286,574**	2,695,950
Deposits	**126,755**	116,581
Collect and remit payment on behalf of customers	**4,373**	4,976
Prepaid rental income from tenants	**34,828**	–
Others	**11,032**	15,652
	5,663,760	3,015,221
Less: non-current portion		
– Asset-backed Securities Scheme, senior class *(i)(ii)*	**(5,286,574)**	(2,695,950)
Current portion	**377,186**	319,271

Other than the Asset-backed Securities Scheme, senior class, the financial liabilities included in the above balance are non-interest-bearing and normally payable on demand.

30 OTHER PAYABLES AND ACCRUALS (CONTINUED)

(i) On 9 December 2019, the Group issued an asset-backed securities scheme known as Phase I Asset-backed Securities Scheme. The issuance of the asset-backed securities scheme was for the purpose of securitising the properties held by the Group, namely the Beijing Capital Outlets and the Kunshan Capital Outlets, and raising funds for the operation and development of the businesses of the Group.

The total issuance of the scheme was RMB3,579,000,000, including: (i) the 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 maturity 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 maturity term of five years maturing on 9 December 2024, all of which were subscribed by Hengsheng Huachuang, a wholly-owned subsidiary of the Group. The Subordinated Class ABS will not be listed.

(ii) On 28 May 2021, the Group privately issued an asset-backed securities scheme known as Phase II Asset-backed Securities Scheme. The issuance of the asset-backed securities scheme was for the purpose of securitising the properties held by the Group, namely the Hefei Capital Outlets, the Hangzhou Capital Outlets, the Jinan Capital Outlets and the Jiangxi Capital Outlets, and raising funds for the operation and development of the businesses of the Group.

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

31 DEFERRED INCOME TAXATION

The analysis of deferred income tax assets and liabilities are as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Deferred income tax assets:		
– to be recovered within 12 months	**659**	10,474
– to be recovered after more than 12 months	**119,657**	156,651
	120,316	167,125
Deferred income tax liabilities:		
– to be settled within 12 months	**(1,529)**	(2,567)
– to be settled after more than 12 months	**(926,236)**	(853,269)
	(927,765)	(855,836)
Offsetting	**113,161**	132,189
Deferred income tax assets after offsetting	**7,155**	34,936
Deferred income tax liabilities after offsetting	**(814,604)**	(723,647)
Deferred income tax liabilities (net)	**(807,449)**	(688,711)

The gross movements on the deferred income taxation account is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
At beginning of the year	**(688,711)**	(598,460)
Recognised in the consolidated statement of profit or loss *(Note 12)*	**(118,738)**	(90,251)
At end of the year	**(807,449)**	(688,711)

31 DEFERRED INCOME TAXATION (CONTINUED)

The movement in deferred income tax assets and liabilities during the years ended 31 December 2021 and 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax losses *RMB'000*
Deferred income tax assets	
At 1 January 2020	126,666
Credited to the consolidated statement of profit or loss	40,459
At 31 December 2020	167,125
Credited to the consolidated statement of profit or loss	(46,809)
At 31 December 2021	**120,316**

	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*	**Appreciation of investment properties at fair value** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Deferred income tax liabilities				
At 31 December 2020	91,303	554,504	79,319	725,126
(Credited)/charged to the consolidated statement of profit or loss	(2,567)	84,734	48,543	130,710
At 31 December 2020	88,736	639,238	127,862	855,836
At 31 December 2020	**88,736**	**639,238**	**127,862**	**855,836**
(Credited)/charged to the consolidated statement of profit or loss	**(1,529)**	**31,225**	**42,233**	**71,929**
At 31 December 2021	**87,207**	**670,463**	**170,095**	**927,765**

As at 31 December 2021, deferred income tax assets have not been recognised in respect of unused tax losses of RMB1,639,935,000 (31 December 2020: RMB1,058,407,000), as they have arisen in the Company and other holding companies, which executing administrative functions and to which employee benefit expense, office and management expense etc. are charged, these companies have been loss-making for some time, and it is not probable that taxable profits will be available against which such tax losses can be utilised.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future profits is probable. These tax losses are expiring within five years.

31 DEFERRED INCOME TAXATION (CONTINUED)

Deferred income tax liabilities of RMB55,958,000 at 31 December 2021 (31 December 2020: RMB54,137,000) have not been recognised for the withholding tax and other taxes that would be payable on the undistributed earnings of certain subsidiaries. Undistributed earnings totaling RMB559,579,000 at 31 December 2021 (31 December 2020: RMB541,366,000) would be reinvested.

32 SHARE CAPITAL

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Authorised:		
Ordinary shares		
18,355,918,048 (31 December 2020: 18,355,918,048) ordinary shares of HK$0.01 each	**160,009**	160,009
Class A CPS		
738,130,482 (31 December 2020: 738,130,482) CPS of HK$0.01 each	**5,875**	5,875
Class B CPS		
905,951,470 (31 December 2020: 905,951,470) CPS of HK$0.01 each	**7,575**	7,575
	173,459	173,459
Issued and fully paid:		
Ordinary shares		
961,538,462 (31 December 2020: 961,538,462) ordinary shares of HK$0.01 each	**7,828**	7,828
Class A CPS		
738,130,482 (31 December 2020: 738,130,482) CPS of HK$0.01 each	**1,329**	1,329
Class B CPS		
905,951,470 (31 December 2020: 905,951,470) CPS of HK$0.01 each	**7,575**	7,575
	16,732	16,732

33 CPS

CLASS A CPS

The class A CPS with a par value HK$0.01 each were created as a new class of shares in the share capital of the Company on 22 January 2015. Upon the completion date of the business combination of Xin Kai on 22 January 2015, the Company issued 738,130,482 class A CPS (which are convertible into 738,130,482 ordinary shares of HK$0.01 each in the share capital of the Company at HK$2.66 each to be allotted and issued credited as fully paid by the Company upon the exercise of the conversion rights attaching to the class A CPS), resulting in credits to share capital of approximately RMB5,875,000 (equivalent to approximately HK$7,381,000) with par value of HK$0.01 each and share premium of RMB1,556,817,000 (equivalent to approximately HK$1,956,046,000) respectively. On 28 December 2016, 571,153,846 class A CPS have been converted into ordinary shares.

CLASS B CPS

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

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

Each Class B CPS shall confer on its holder the right to receive a preferred distribution (“Preferred Distribution”) from the date of the issue of class B CPS at a rate of 0.01% per annum on the issue price, payable annually in arrears. Each Preferred Distribution is non-cumulative, and the Company may, in its sole discretion, elect to defer or not to pay the Preferred Distribution.

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

34 PCBS

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

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

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

As at 31 December 2021, the Group has recognised cumulative unpaid interest totaling RMB464,000 as a movement in the retained earnings (31 December 2020: RMB375,000).

35 CASH FLOW INFORMATION

NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Net Debt		
Cash and cash equivalents	**719,349**	840,441
Borrowings (excluding bank overdraft, *Note 26*)	**(5,462,136)**	(4,304,436)
Guaranteed notes *(Note 27)*	**–**	(2,612,936)
Asset-backed Securities Scheme scheme, senior class *(Note 30)*	**(5,286,574)**	(2,696,341)
Lease liabilities *(Note 16)*	**(12,770)**	(19,591)
Net debt	**(10,042,131)**	(8,792,863)
Cash and cash equivalents	**719,349**	840,441
Gross debt – fixed interest rates	**(7,894,484)**	(5,311,072)
Gross debt – variable interest rates	**(2,866,996)**	(4,322,232)
Net debt	**(10,042,131)**	(8,792,863)

	Liabilities from financing activities					Other assets	
	Borrowings	Guaranteed notes	ABS scheme, senior class	Lease liabilities	Total	Cash and cash equivalents	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as at 1 January 2020	(3,765,000)	(2,796,677)	(2,691,900)	(5,906)	(9,259,483)	2,151,926	(7,107,557)
Financing cash flows	(539,436)	104,038	–	6,026	(429,372)	(1,311,301)	(1,740,673)
New leases	–	–	–	(19,545)	(19,545)	–	(19,545)
Foreign exchange adjustments	–	182,200	–	–	182,200	(184)	182,016
Other changes							
Interest expense	–	(102,497)	–	(166)	(102,663)	–	(102,663)
Amortisation	–	–	(4,050)	–	(4,050)	–	(4,050)
Net debt as at 31 December 2020	(4,304,436)	(2,612,936)	(2,695,950)	(19,591)	(9,632,913)	840,441	(8,792,472)
Financing cash flows	**(1,178,407)**	**2,660,615**	**(2,586,200)**	**7,592**	**(1,096,400)**	**(121,120)**	**(1,217,520)**
Foreign exchange adjustments	**20,707**	**(3,456)**	**–**	**–**	**17,251**	**28**	**17,279**
Other changes							
Interest expense	**–**	**(44,223)**	**–**	**(771)**	**(44,994)**	**–**	**(44,994)**
Amortisation	**–**	**–**	**(4,424)**	**–**	**(4,424)**	**–**	**(4,424)**
Net debt as at 31 December 2021	**(5,462,136)**	**–**	**(5,286,574)**	**(12,770)**	**(10,761,480)**	**719,349**	**(10,042,131)**

36 COMMITMENTS

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Properties under development	**423,204**	86,981
Investment properties	**51,977**	476,489
	475,181	563,470

37 FINANCIAL GUARANTEES

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Mortgage facilities for certain purchasers of the Group's properties	**603,605**	1,008,045

As at 31 December 2021 and 2020, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage repayments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interests and penalties owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

38 RELATED PARTY TRANSACTIONS

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

(A) PROVISION OF SERVICES

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Provision of services		
– Project management services for a subsidiary of BCL	**2,400**	2,400

(B) PURCHASES OF SERVICES

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Purchases of services		
– management fee on Asset-backed Securities Scheme deed to a fellow subsidiary	**2,537**	–
– Service fee to BCL	**1,632**	1,679
– Service fee for keepwell deed to Capital Group *(i)*	**4,527**	8,119
– Guarantee fee for bank borrowing deed to Capital Group *(ii)*	**3,754**	–
– Guarantee fee for other financial institution borrowing deed to Capital Group *(iii)*	**5,186**	–
– Guarantee fee for bank loan deed to BCL	**1,359**	–
– Property management expense to a fellow subsidiary of BCL	**26,848**	17,976
	45,843	27,774

(i) Capital Group provides keepwell and liquidity support deed and the deed of equity interest purchase undertaking to Trade Horizon for the issuance of US$400,000,000 guaranteed notes, Trade Horizon would pay Capital Group with an amount of 0.3% of the issued aggregate principal, amounted to US$1,200,000 (equivalent to RMB8,119,000) per annum. Trade Horizon recorded administrative expenses amounting to RMB4,527,000 during the current period. The service fee falls within the exemption for connected transactions pursuant to Rule14A.90 of the Listing Rules.

(ii) Capital Group issue a guarantee of US$200,000,000 to Ping An Bank for the borrowing of US$198,000,000, Trade Horizon is required to pay an amount of 0.7% of the outstanding principal per annum as guarantee fee. Trade Horizon recorded guarantee fee totaling RMB3,754,000 during the current period.

(iii) Capital Group issue a guarantee to China Life Investment Management Company Limited for the borrowing of RMB1,500,000,000, Xin Kai is required to pay an amount of 0.7% of the outstanding principal per annum as guarantee fee. Xin Kai recorded guarantee fee totaling RMB5,186,000 during the current period.

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(C) GUARANTEE FROM RELATED PARTIES

As at 31 December 2021, BCL provided irrevocable guarantee for the bank and other financial institution borrowings of the Group totaling RMB2,539,146,000 (31 December 2020: RMB3,822,696,000).

As at 31 December 2021, Capital Group provided irrevocable guarantee for the other financial institution borrowings of the Group totaling RMB2,758,050,000 (31 December 2020: Nil).

(D) KEY MANAGEMENT COMPENSATION

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kinds	**8,305**	9,117
Pension scheme contributions	**468**	468
	8,773	9,585

Further details of directors' and the chief executive's emoluments are included in Note 10 and Note 11 to the financial statements.

(E) YEAR-END BALANCES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Prepayments to related parties		
– Capital Group	**28,524**	4,555
– Fellow subsidiaries	**3,247**	469
	31,771	5,024
Trade payables		
– Fellow subsidiaries	**8,599**	8,266
Other payables and accruals		
– BCL	**16,373**	8,153
Trade receivables due from related parties		
– Fellow subsidiaries	**6,723**	6,003
Other receivables due from related parties		
– Fellow subsidiaries	**1,040**	3,175
– An associate of BCL	**76**	193
	1,116	3,368

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(F) AMOUNTS DUE FROM RELATED PARTIES

	2021 ***RMB'000***	2020 *RMB'000*
An associate of the Group:		
At 1 January	**68,999**	69,133
Amounts advanced during the year	**–**	7,810
Repayments during the year	**–**	(7,944)
At 31 December	**68,999**	68,999
A joint venture of the Group:		
At 1 January	**2,017**	2,000
Amounts advanced during the year	**100**	17
At 31 December	**2,117**	2,017

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

(G) AMOUNTS DUE TO RELATED PARTIES

	2021 ***RMB'000***	2020 *RMB'000*
Non-controlling interests:		
At 1 January	**118,225**	118,225
At 31 December	**118,225**	118,225

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

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(H) LOANS FROM RELATED PARTIES

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Loans from BCL		
Beginning of the year	**96,347**	–
Loans advanced	**1,500,000**	95,140
Loan repayments received	**(1,500,000)**	–
Interest charged	**29,416**	1,207
End of the year	**125,763**	96,347

As at 31 December 2021, borrowing from BCL amounted to RMB95,140,000 (31 December 2020: RMB95,140,000), which is due on 20 April 2023, and the interest rate is 4.35%.

(I) LEASE FROM A FELLOW SUBSIDIARY

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Right-of-use rights	**13,943**	21,091
Lease liabilities	**12,770**	19,591

Hengsheng Huaxing rent building used as office from a fellow subsidiary. Right-of-use rights amounted to RMB13,943,000 (31 December 2020: RMB21,091,000) and lease liabilities amounted to RMB12,770,000 (31 December 2020: RMB19,591,000) are recognised respectively.

39 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		31 December 2021 RMB'000	31 December 2020 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**665,446**	665,446
		665,446	665,446
Current assets			
Amounts due from subsidiaries		**5,908,023**	6,908,323
Cash and cash equivalents		**1,190**	4,045
		5,909,213	6,912,368
Total assets		**6,574,659**	7,577,814
LIABILITIES			
Non-current liabilities			
Amounts due to subsidiaries		**91,376**	91,376
		91,376	91,376
Current liabilities			
Bank borrowings		**69,800**	69,800
Other payables and accruals		**671**	1,065
Amounts due to subsidiaries		**1,459,293**	2,524,717
Amounts due to BCL		**1,632**	1,679
		1,531,396	2,597,261
Total liabilities		**1,622,772**	2,688,637
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*32*	**16,732**	16,732
Perpetual convertible bonds securities	*34*	**945,661**	945,572
Reserves	*(a)*	**4,032,351**	4,032,351
Accumulated losses	*(a)*	**(42,857)**	(105,478)
Total equity		**4,951,887**	4,889,177
Total equity and liabilities		**6,574,659**	7,577,814

(A) RESERVE MOVEMENT OF THE COMPANY

	Share premium account RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
At 1 January 2020	4,032,351	30,089	4,062,440
Loss for the year	–	(135,472)	(135,472)
Dividends payable to PCBS holders	–	(95)	(95)
At 31 December 2020	4,032,351	(105,478)	3,926,873
At 1 January 2021	**4,032,351**	**(105,478)**	**3,926,873**
Profit for the year	**–**	**62,710**	**62,710**
Dividends payable to PCBS holders	**–**	**(89)**	**(89)**
At 31 December 2021	**4,032,351**	**(42,857)**	**3,989,494**

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below.

RESULTS

	Year ended 31 December 2021 *RMB'000*	Year ended 31 December 2020 *RMB'000*	Year ended 31 December 2019 *RMB'000*	Year ended 31 December 2018 *RMB'000*	Year ended 31 December 2017 *RMB'000*
REVENUE	**1,341,049**	1,024,035	1,864,672	1,224,040	511,523
Cost of sales	**(702,095)**	(678,218)	(986,249)	(818,440)	(286,369)
Gross profit	**638,954**	345,817	878,423	405,600	225,154
Other gains – net	**191,543**	336,302	90,070	263,715	270,689
Other income	**39,933**	45,860	47,405	47,157	142,888
Selling and marketing expenses	**(137,994)**	(157,669)	(190,742)	(163,082)	(99,675)
Administrative expenses	**(269,665)**	(303,779)	(368,325)	(297,535)	(160,290)
Operating profit	**462,771**	266,531	456,831	255,855	378,766
Finance costs	**(502,962)**	(462,514)	(391,339)	(212,509)	(111,676)
Share of loss of investment accounted for using the equity method	**(5,954)**	(2,450)	(4,375)	(4,155)	(694)
(LOSS)/PROFIT BEFORE TAX	**(46,145)**	(198,433)	61,117	39,191	266,396
Income tax expense	**(177,802)**	(119,256)	(284,169)	(236,649)	(153,087)
(LOSS)/PROFIT FOR THE YEAR	**(223,947)**	(317,689)	(223,052)	(197,458)	113,309
Attributable to:					
Owners of the Company	**(224,346)**	(320,446)	(223,539)	(197,698)	113,159
Non-controlling interests	**399**	2,757	487	240	150
	(223,947)	(317,689)	(223,052)	(197,458)	113,309

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December 2021 *RMB'000*	Year ended 31 December 2020 *RMB'000*	Year ended 31 December 2019 *RMB'000*	Year ended 31 December 2018 *RMB'000*	Year ended 31 December 2017 *RMB'000*
TOTAL ASSETS	**19,036,672**	18,312,753	17,809,839	17,606,786	12,895,511
TOTAL LIABILITIES	**(14,246,619)**	(13,315,623)	(12,519,666)	(12,095,941)	(7,203,643)
NON-CONTROLLING INTERESTS	**(54,332)**	(53,933)	(51,176)	(50,689)	(4,294)
	4,735,721	4,943,197	5,238,997	5,460,156	5,687,574