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# 首創置業股份有限公司

## BEIJING CAPITAL LAND LTD.

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 2868)**

### **DISCLOSEABLE TRANSACTION DEEMED DISPOSAL**

#### **THE AGREEMENT**

On 26 December 2019, Zhongzhi Dingfu, a wholly-owned subsidiary of the Company, ABC Investment and Beijing Liujin entered into the Agreement, pursuant to which ABC Investment conditionally agreed to make a capital injection in the amount of RMB1,000,000,000 to Beijing Liujin, which would be exclusively used for the repayment of Beijing Liujin's financial liabilities. Upon completion of the Capital Injection, Beijing Liujin will be held as to 65.88% by Zhongzhi Dingfu and 34.12% by ABC Investment, and Beijing Liujin will remain a subsidiary of the Company.

#### **LISTING RULES IMPLICATIONS**

Upon completion of the Capital Injection, the Company's interest in Beijing Liujin would decrease from 100% to 65.88%. As such, the Capital Injection and the entering into of the Agreement will constitute a deemed disposal under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Injection are 5% or more and all of the applicable percentage ratios are less than 25%, the Capital Injection constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and will be subject to reporting and announcement requirements under the Listing Rules.

## **INTRODUCTION**

On 26 December 2019, Zhongzhi Dingfu, a wholly-owned subsidiary of the Company, ABC Investment and Beijing Liujin entered into the Agreement, pursuant to which ABC Investment conditionally agreed to make a capital injection in the amount of RMB1,000,000,000 to Beijing Liujin to acquire 34.12% of the equity interest in Beijing Liujin. The Capital Injection will be exclusively used for the repayment of Beijing Liujin's financial liabilities.

## **THE AGREEMENT**

The principal terms of the Agreement are summarized as follows:

### **Date**

26 December 2019

### **Parties**

- (i) Zhongzhi Dingfu;
- (ii) ABC Investment; and
- (iii) Beijing Liujin

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of ABC Investment and its ultimate beneficial owners is a third party independent of the Company and connected persons of the Company.

### **Subject Matter**

Pursuant to the Agreement, ABC Investment conditionally agreed to make a capital injection in the amount of RMB1,000,000,000 to Beijing Liujin to acquire 34.12% of equity interest in Beijing Liujin. The Capital Injection will be exclusively used for the repayment of Beijing Liujin's financial liabilities.

### **Consideration and Use of Proceeds**

The amount of the Capital Injection payable by ABC Investment to Beijing Liujin is RMB1,000,000,000. Such consideration shall be made in cash in one lump sum to the Escrow Account on the Completion Date.

The percentage of Beijing Liujin's equity interest acquired by ABC Investment through a capital injection of RMB1,000,000,000 was arrived at after arm's length negotiation between the parties to the Agreement having taken into consideration of, among others, the audited net assets value of Beijing Liujin as at 30 June 2019 and business prospects and development direction of Beijing Liujin.

The proceeds from the Capital Injection received by Beijing Liujin will be used for the repayment of bank loans of Beijing Liujin and, subject to the consent of ABC Investment, loans of other financial institutions. The repayment of debts of Beijing Liujin should be completed within three months of the Completion Date.

### **Corporate Governance**

Upon the Completion Date, the board of directors of Beijing Liujin shall comprise four(4) directors. Zhongzhi Dingfu shall appoint three(3) directors and ABC Investment shall appoint one(1) director. In addition, the chairman of the board of directors shall be the director appointed by Zhongzhi Dingfu, and resolutions of the board of directors must be approved by more than half of the directors.

### **Profit Guarantee**

Pursuant to the Agreement, Zhongzhi Dingfu undertakes to ABC Investment that the annual year-end undistributed profit (including the accumulated undistributed profits) of Beijing Liujin shall be no less than RMB190,505,000 (the “**Annual Profit Guarantee**”).

### **Profit Distribution Scheme**

Each party to the Agreement agrees that upon the Completion Date, Beijing Liujin shall convene the shareholders’ meeting annually to discuss the annual profit distribution plan. If Beijing Liujin decides to distribute the profits, the amount of the annual profits to be distributed to the shareholders shall be calculated as follows:

- (a) the maximum amount of annual profit to be distributed to Zhongzhi Dingfu:

$\text{RMB190,505,000} \times \text{the percentage of the paid-up capital contribution of Zhongzhi Dingfu}$ ; and

- (b) the amount of annual profit to be distributed to ABC Investment:

$\text{RMB190,505,000} \times \text{the percentage of the paid-up capital contribution of ABC Investment} \times T/360$  (the “**Guaranteed Profit Distribution**”)

Where

T is determined by (i) the number of days from the Completion Date to 31 December of the same accounting year (both days inclusive); (ii) the number of days from but excluding 31 December of the preceding accounting year to and including 31 December of the following accounting year (inclusive this day); and (iii) the number of days from and excluding 31 December of the preceding accounting year to and excluding the date when ABC Investment ceases to be the shareholder of Beijing Liujin and receives the full amount of the equity interest transfer consideration or ABC Investment receives the distribution of all liquidated assets of Beijing Liujin.

In the event that Beijing Liujin does not fulfil the Annual Profit Guarantee in any accounting year, Beijing Liujin shall distribute the profit to ABC Investment first until ABC Investment receives the amount of the Guaranteed Profit Distribution. If there is a difference between the actual profit distribution to ABC Investment and the Guaranteed Profit Distribution, such difference shall be carried forward to the profit distribution to ABC Investment in the following year.

## **Exit Mechanism**

### *Exit Events*

If the following events occur, unless waived by ABC Investment, Zhongzhi Dingdu or its designated party may elect to acquire the equity interest held by ABC Investment in Beijing Liujin (the “**ABC Investment’s Equity Interest**”):

- (1) Zhongzhi Dingfu or its designated party fails to reach an agreement with ABC Investment to acquire the ABC Investment’s Equity Interest after the 36 months of the Completion Date and such issues fail to be duly resolved during the grace period as provided by ABC Investment, and each party of the Agreement fails to reach an agreement to extend the investment period of ABC Investment;
- (2) Beijing Liujin fails to fulfil the Annual Profit Guarantee and such issue fails to be duly resolved during the grace period as provided by ABC Investment unless the cash dividend received by ABC Investment in the following year reaches RMB65,000,000;
- (3) although Beijing Liujin fulfils the Annual Profit Guarantee in an accounting year, the cash dividend received by ABC Investment in the following accounting year is less than RMB65,000,000 and such issues fail to be duly resolved during the grace period as provided by ABC Investment;
- (4) either Beijing Liujin or Zhongzhi Dingfu fails to fully disclose the financial information of Beijing Liujin resulting in an unsubstantiated high level of the appraised value of Beijing Liujin’s net assets, or there is a substantial decrease in the value of Beijing Liujin’s assets after the Completion Date (such decrease exceeds 8% of the total assets of Beijing Liujin) and such issue fails to be duly resolved during the grace period as provided by ABC Investment;
- (5) the gearing ratio of Beijing Liujin exceeds 80% in any of the accounting years based on the year-end unaudited management account of Beijing Liujin;
- (6) Beijing Liujin or Zhongzhi Dingfu breaches its contractual obligations under the Agreement or the escrow agreement, which has an adverse effect on ABC Investment and such issues fail to be duly resolved during the grace period as provided by ABC Investment;
- (7) Beijing Liujin encounters bankruptcy risk or liquidation events; or
- (8) there are force majeure, other statutory or contractual reasons resulting in ABC Investment failing to achieve its investment purposes.

## *Transfer Price*

If any of the aforesaid exit events occurs, Zhongzhi Dingfu or its designated party may elect to acquire ABC Investment's Equity Interest. The consideration payable by Zhongzhi Dingfu or its designated party (the "**Transfer Price**") shall be calculated as follows:

$$\text{RMB1,000,000,000} + [(\text{RMB190,505,000} \times A \times B) - C] / 75\%$$

where

A = percentage of Beijing Liujin's equity interest held by ABC Investment;

B = (the number of days from the Completion Date to the date on which the consideration of the transfer is made)/360; and

C = the amount of the aggregated profit distribution of Beijing Liujin received by ABC Investment

If Zhongzhi Dingfu or its designated party does not elect to acquire the equity interest held by ABC Investment in Beijing Liujin, ABC Investment would be entitled to elect for an extension of investment period. Subsequent to the extension of investment period, Zhongzhi Dingfu or its designated party may still elect to acquire ABC Investment's Equity Interest and the consideration payable by Zhongzhi Dingfu or its designated party will be the Transfer Price plus a return of not more than 15% per annum. ABC Investment is also entitled to share the profit of Beijing Liujin in proportion to its equity interest with an annualized rate of return of not more than 15%, or it may transfer the equity interest to any third parties with Zhongzhi Dingfu's abstention from the right of first refusal to acquire the equity interest on the same conditions.

## **INFORMATION ON THE PARTIES**

### **Beijing Liujin**

Beijing Liujin was established in the PRC on 8 November 2006. It was commissioned to develop the Squatter Settlement Rebuilding Project in Xihuangcun, Shijingshan District, Beijing, PRC with a total site area of 521,462 sq.m.; and the contents of the reconstruction include land requisitioning, demolition, construction of urban infrastructures and construction of resettlement residential properties on the site of project area.

The audited financial results of Beijing Liujin for the two years immediately preceding the date of this announcement are as follows:

	<b>For the years ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2018</b>
	<i>(RMB)</i>	<i>(RMB)</i>
(Loss) before tax	(8,365,521.21)	(7,720,779.96)
(Loss) after tax	(6,274,140.90)	(5,790,604.10)

The audited total asset value and net asset value of Beijing Liujin as at 30 June 2019 were approximately RMB10,638,359,497 and RMB1,803,566,988.27, respectively.

## **Zhongzhi Dingfu**

Zhongzhi Dingfu is a wholly-owned subsidiary of the Company, which is principally engaged in the real property development business. As at the date of this announcement, Beijing Liujin is a direct wholly-owned subsidiary of Zhongzhi Dingfu.

## **ABC Investment**

ABC Investment was established in the PRC on 1 August 2017, which was established as one of the first batch of domestic institutions for market-oriented debt-to-equity conversion in the banking system approved by 中國銀行保險監督管理委員會 (China Banking and Insurance Regulatory Commission\*). ABC Investment is a wholly-owned subsidiary of Agricultural Bank of China Limited, whose H shares are listed on the Stock Exchange (stock code: 1288).

## **FINANCIAL IMPACT OF THE CAPITAL INJECTION TO THE GROUP**

Upon completion of the Capital Injection, the registered capital of Beijing Liujin will be increased from RMB1,720,000,000 to RMB2,610,730,191.61 and Beijing Liujin will be owned as to approximately 65.88% by Zhongzhi Dingfu and 34.12% by ABC Investment. Beijing Liujin will become an indirect non-wholly-owned subsidiary of the Company and its financial results will continue to be consolidated in that of the Company. It is expected that no gain or loss will be recorded by the Group from the Capital Injection.

## **REASONS FOR AND BENEFITS OF THE AGREEMENT**

The Company is a leading large integrated real estate developer in the PRC, focusing primarily on developing the four core business streams of residential properties development, 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.

In response to the requirement of the supply-side reform policy of China featuring “cutting overcapacity, reducing excess inventory, deleveraging, lowering costs, and strengthening areas of weakness”, the Company introduced ABC Investment, a qualified investor, to bring more equity capital to Beijing Liujin for the repayment of its financial liabilities, and implemented deleveraging and debt reduction so as to further enhance the Group’s capacity in sustainable and sound development.

Based on the foregoing, the Directors (including the independent non-executive Directors) consider that the Agreement was entered into on normal commercial terms, and the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

Upon completion of the Capital Injection, the Company's interest in Beijing Liujin would decrease from 100% to approximately 65.88%. As such, the Capital Injection and the entering into of the Agreement will constitute a deemed disposal under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Injection are 5% or more and all the applicable percentage ratios are less than 25%, the Capital Injection constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and will be subject to reporting and announcement requirements under the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“ABC Investment”	農銀金融資產投資有限公司 (Agricultural Bank of China Financial Assets Investment Co., Ltd.*), a company established under the laws of the PRC with limited liability
“Agreement”	the capital increase agreement dated 26 December 2019 entered into by and among Zhongzhi Dingfu, ABC Investment and Beijing Liujin, pursuant to which ABC Investment conditionally agreed to make a capital injection of RMB1,000,000,000 to Beijing Liujin to acquire 34.12% of the equity interest in Beijing Liujin
“Beijing Liujin”	北京鑾金置業有限責任公司 (Beijing Liujin Real Property Co., Ltd.*), a company established under the laws of the PRC with limited liability, and as at the date of this announcement, a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Capital Injection”	the acquisition of 34.12% of the equity interest in Beijing Liujin by ABC Investment by way of capital injection in the amount of RMB1,000,000,000 pursuant to the Agreement
“Company”	Beijing Capital Land Ltd. (首創置業股份有限公司), a joint stock company established under the laws of the PRC with limited liability whose H shares are listed and traded on the Main Board of the Stock Exchange (Stock code: 2868)
“Completion Date”	the date on which the amount of the Capital Injection of RMB1,000,000,000 is paid by ABC Investment into the Escrow Account after satisfaction of the conditions precedent, which have been fulfilled as at the date of the Agreement

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“Escrow Account”	an escrow account to be opened by Beijing Liujin in Agriculture Bank of China Limited (Beijing Chaoyang East Sub-branch) (中國農業銀行股份有限公司北京朝陽東區支行) pursuant to the Agreement
“Group”	the Company and its subsidiaries
“H Shares”	the ordinary shares of RMB1.00 each of the Company which are issued outside the PRC, listed on the Stock Exchange and traded in Hong Kong dollar
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongzhi Dingfu”	北京眾置鼎福房地產開發有限公司 (Beijing Zhongzhi Dingfu Real Property Development Co., Ltd.*), a company established under the laws of the PRC with limited liability, and a wholly-owned subsidiary of the Company
“%”	percentage

By Order of the Board  
**Beijing Capital Land Ltd.**  
**Lee Sze Wai**  
*Company Secretary*

Hong Kong, 27 December 2019

*The Board as of the date of this announcement comprises Mr. Li Songping (Chairman) who is the non-executive Director, Mr. Zhong Beichen (President), Mr. Li Xiaobin, Mr. Hu Weimin and Mr. Fan Shubin who are the executive Directors, Mr. Su Jian who is the non-executive Director, Mr. Li Wang, Mr. Wong Yik Chung, John and Mr. Liu Xin who are the independent non-executive Directors.*

\* *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese name prevails.*