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CAPITAL GRAND

BEIJING CAPITAL GRAND LIMITED

首創鉅大有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1329)

CONTINUING CONNECTED TRANSACTION

RELATING TO THE PAYMENT OF THE GUARANTEE FEE PURSUANT TO THE ENTRUSTMENT GUARANTEE AGREEMENT

THE PAYMENT OF THE GUARANTEE FEE PURSUANT TO THE ENTRUSTMENT GUARANTEE AGREEMENT

On 6 July 2023, Hengsheng Huachuang (an indirect wholly-owned subsidiary of the Company), the Company and Capital Group entered into the Entrustment Guarantee Agreement in relation to the joint liability guarantee provided by Capital Group in connection with the Scheme in favour of China Life Investment (as the Scheme's trustee) as stipulated under the Credit Enhancement Agreement and in return, Hengsheng Huachuang (as the Scheme's originator) 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 under the Entrustment Guarantee Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Capital Group is the controlling shareholder of the Company, and therefore Capital Group is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, (i) the financial assistance to the Company by Capital Group by virtue of the Provision of Guarantee; and (ii) the payment of the guarantee fee to Capital Group by Hengsheng Huachuang under the Entrustment Guarantee Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) the Provision of Guarantee by Capital Group is on normal commercial terms and not secured by any assets of the Group, such transaction is fully exempted under Rule 14A.90 of the Listing Rules; and (ii) one or more of the applicable percentage ratios in respect of the Annual Caps for payment of the guarantee fee to Capital Group by Hengsheng Huachuang exceed 0.1% but are all less than 5%, such transaction is subject to the reporting, annual review and announcement requirements but exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has, through China Life Investment (as the Scheme’s trustee), arranged for the establishment of the Scheme, an asset-backed securitized product known as China Life Investment — BCG Outlets Second Stage Asset Support Scheme* (國壽投資—首創鉅大奧特萊斯第二期資產支持計劃), for the purpose of issuing beneficiary certificates with a total principal amount of not more than RMB1,800,000,000. Under the Scheme, Hengsheng Huachuang (as the Scheme’s originator) will provide loans to Xi’an BC Outlets (an indirect wholly-owned subsidiary of the Company), Nanning BC Outlets (an indirect wholly-owned subsidiary of the Company) and Huzhou BC Outlets (an indirect wholly-owned subsidiary of the Company) and the rights such as the creditor’s right and interests that Hengsheng Huachuang is entitled thereto will be used as the underlying assets for securitization under the Scheme for the purpose of raising funds for the Group’s operation and development of business. The Group’s Properties, namely Xi’an Capital Outlets (owned by Xi’an BC Outlets), Nanning Capital Outlets (owned by Nanning BC Outlets), Huzhou Capital Outlets (owned by Huzhou BC Outlets) and related income will be charged and pledged in favour of China Life Investment and secured as a guarantee for the liabilities owed to China Life Investment by Xi’an BC Outlets, Nanning BC Outlets and Huzhou BC Outlets under the Scheme. In connection with the Scheme, the Company, Capital Group and China Life Investment entered into the Credit Enhancement Agreement for the same term as the Scheme and pursuant to which, the Company will arrange for credit enhancement in respect of the Scheme, including the payment of any shortfall of principal, interests and other liabilities owed to China Life Investment by Xi’an BC Outlets, Nanning BC Outlets and Huzhou BC Outlets under the Scheme (“**Reimbursement of Shortfall Commitment**”), and Capital Group will provide a joint liability guarantee under the Entrustment Guarantee Agreement for the Company in favour of China Life Investment (as the Scheme’s trustee) in connection with the Reimbursement of Shortfall Commitment.

The Scheme will not involve the disposal of assets or internal restructuring of the Group, and the Project Companies will remain as the subsidiaries of the Group and the financial results of which will continue to be consolidated into the financial statements of the Group.

In addition, on 6 July 2023, Hengsheng Huachuang (an indirect wholly-owned subsidiary of the Company), the Company and Capital Group entered into the Entrustment Guarantee Agreement in relation to the joint liability guarantee provided by Capital Group for the Scheme in favour of China Life Investment as stipulated under the Credit Enhancement Agreement and in return, Hengsheng Huachuang (as the Scheme’s originator) 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 under the Entrustment Guarantee Agreement.

THE ENTRUSTMENT GUARANTEE AGREEMENT

The principal terms of the Entrustment Guarantee Agreement are set out below:

Date: 6 July 2023

Parties :

- (a) Capital Group as the guarantor;
- (b) the Company as the entrusted guarantor;
- (c) Hengsheng Huachuang as the Scheme’s originator.

Guarantee purpose:	The Company will arrange for credit enhancement in respect of the Scheme, including the Reimbursement of Shortfall Commitment, and Capital Group will provide joint liability guarantee for the Company's Reimbursement of Shortfall Commitment in favour of China Life Investment (as the Scheme's trustee) under the Credit Enhancement Agreement.
Term:	3 years from the date of the Entrustment Guarantee Agreement.
Guarantee fee:	the guarantee fee is calculated based on 0.7% per annum of the balance of the actual total principal amount drawn down by the Group as borrowings under the Scheme and deducting the amount repaid by the Group (the maximum amount that the Group may draw down as borrowings under the Scheme is RMB1,800,000,000).
Payment method:	the guarantee fee will be paid on an annual basis and calculated based on the number of days involved; the first annual guarantee fee shall be paid by Hengsheng Huachuang to Capital Group within 30 working days from the date of release of funds from the Scheme; subsequent guarantee fees shall be paid every complete year thereafter (i.e. the anniversary date of such date of initial release of funds from the Scheme by China Life Investment); and the last instalment of the guarantee fee shall be paid immediately following the repayment of all borrowings under the Scheme.

ANNUAL CAPS UNDER THE ENTRUSTMENT GUARANTEE AGREEMENT

The Annual Caps is based on the maximum guarantee fee payable by Hengsheng Huachuang under the Entrustment Guarantee Agreement and should be calculated as follows:

	For the period from 6 July 2023 to 31 December 2023 RMB	For the year ending 31 December 2024 RMB	For the year ending 31 December 2025 RMB	For the period from 1 January 2026 to 5 July 2026 RMB
Maximum guarantee fee under the Entrustment Guarantee Agreement	6,144,700	12,600,000	12,600,000	6,455,300

The maximum guarantee fee is calculated by multiplying the rate of 0.7% per annum by the maximum aggregate principal amount of RMB1,800,000,000 of the guarantee liability assumed by Capital Group as stipulated under the Entrustment Guarantee Agreement, and calculated based on the number of days involved.

In determining the proposed Annual Caps, the Company has considered the following factors:

- (a) The rate of 0.7% per annum is consistent with the rates applied by Capital Group for entrustment guarantee agreements previously entered into with the Group; and
- (b) The rate of 0.7% per annum is similar to or better than that charged for comparable entrustment guarantee arrangements in the market.

Based on the above factors, the Directors consider that the Annual Caps are fair and reasonable.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE ENTRUSTMENT GUARANTEE AGREEMENT

The Board considers that the Scheme enable the Group to securitise the Properties and raise funds from the capital markets and that the Group will continue to enjoy the economic benefits arising from the Properties given that the financial results of the Project Companies will continue to be consolidated in the Group's financial statements. The cash flows generated from the Scheme will further support the Group's business operation and development. The financial assistance to the Company by Capital Group by virtue of the Provision of Guarantee will facilitate the Group to obtain the investment funds on better terms from China Life Investment and enhance the Group's working capital. The terms of the Entrustment Guarantee Agreement are determined based on arm's length negotiation among the parties. Having considered the prevailing market conditions, the Board (including the independent non-executive Directors, with the exception of Mr. Wang Hao and Ms. Qin Yi for the reasons set out below), considers that the Entrustment Guarantee Agreement was entered into in the ordinary and usual course of business of the Group and that the Entrustment Guarantee Agreement and the transactions contemplated thereunder are on normal or better commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As Mr. Wang Hao and Ms. Qin Yi are members of the management team of Capital Group, they are deemed to be interested in the Entrustment Guarantee Agreement. Therefore, Mr. Wang Hao and Ms. Qin Yi have abstained from voting on the Board resolution(s) relating to the Entrustment Guarantee Agreement. Save as the aforesaid, none of the Directors has a material interest in the transactions contemplated under the Entrustment Guarantee Agreement which required them to abstain from voting on the Board resolution(s) to approve the same.

INFORMATION OF THE PARTIES

The Company

The Company is incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1329). The Company is an investment holding company and 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.

Hengsheng Huachuang

Hengsheng Huachuang is a company incorporated under the laws of the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. It is the commercial management platform of the Company that provides commercial management services for the outlet projects of Capital Group.

Capital Group

Capital Group is a state-owned enterprise owned by the People's Government of Beijing Municipality and is under the direct supervision of the State-Owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality. Capital Group has four core businesses, namely environmental protection, infrastructure, real estate and financial services.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Capital Group is the controlling shareholder of the Company, and therefore Capital Group is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, (i) the financial assistance to the Company by Capital Group by virtue of the Provision of Guarantee; and (ii) the payment of the guarantee fee to Capital Group by Hengsheng Huachuang under the Entrustment Guarantee Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) the Provision of Guarantee by Capital Group is on normal commercial terms and not secured by any assets of the Group, such transaction is fully exempted under Rule 14A.90 of the Listing Rules; and (ii) one or more of the applicable percentage ratios in respect of the Annual Caps for payment of the guarantee fee to Capital Group by Hengsheng Huachuang exceed 0.1% but are all less than 5%, such transaction is subject to the reporting, annual review and announcement requirements but exempted from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Annual Caps”	the annual caps based on the maximum amount of the guarantee fee payable by Hengsheng Huachuang to Capital Group under the Entrustment Guarantee Agreement for the relevant periods
“Board”	the board of Directors
“Capital Group”	Beijing Capital Group Co., Ltd. (北京首都創業集團有限公司), a state-owned enterprise incorporated in the PRC on 26 October 1994 and under the direct supervision of the Beijing Municipal Government, which is the controlling shareholder and a connected person of the Company

“China Life Investment”	China Life Investment Management Company Limited (國壽投資保險資產管理有限公司), a company established under the laws of the PRC with limited liability, being the Scheme’s trustee and an independent third party
“Company”	Beijing Capital Grand Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1329)
“Credit Enhancement Agreement”	an agreement, which is named as the Credit Enhancement Agreement for China Life Investment — BCG Outlets Second Stage Asset Support Scheme* (國壽投資—首創鉅大奧特萊斯第二期資產支持計劃增信安排協議), entered into among the Company, Capital Group and China Life Investment on 12 June 2023 in relation to the credit enhancement of the Scheme pursuant to which the Company will provide the Reimbursement of Shortfall Commitment in favour of China Life Investment and accordingly Capital Group will provide a joint liability guarantee under the Entrustment Guarantee Agreement
“Director(s)”	the director(s) of the Company
“Entrustment Guarantee Agreement”	the entrustment guarantee agreement entered into among Hengsheng Huachuang, the Company and Capital Group on 6 July 2023 in relation to the Provision of Guarantee by Capital Group and payment of guarantee fee by Hengsheng Huachuang to Capital Group
“Group”	the Company and its subsidiaries
“Huzhou BC Outlets”	Zhejiang Outlets Property Real Estate Co. Ltd.* (浙江奧特萊斯置業有限公司), a company established under the laws of the PRC with limited liability, being the project company holding Huzhou Capital Outlets and an indirect wholly-owned subsidiary of the Company
“Huzhou Capital Outlets”	Huzhou Capital Outlets* (湖州奧特萊斯), located in Huzhou with a site area of approximately 109,940 square meters and total gross floor area of approximately 97,540 square meters
“Hengsheng Huachuang”	Zhuhai Hengqin Hengsheng Huachuang Business Management Co., Ltd.* (珠海橫琴恒盛華創商業管理有限公司), a company established under the laws of the PRC with limited liability, being the Scheme’s originator and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	independent third party(ies) that is not connected person (within the meaning of the Listing Rules) to the Company as far as the Directors are aware after having made all reasonable enquiries

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and modified from time to time
“Nanning BC Outlets”	Nanning Grand Outlets Property Investment Co. Ltd* (南寧鉅大奧特萊斯置業有限公司), a company established under the laws of the PRC with limited liability, being the project company holding Nanning Capital Outlets and an indirect wholly-owned subsidiary of the Company
“Nanning Capital Outlets”	Nanning Capital Outlets* (南寧奧特萊斯), located in Nanning with a site area of approximately 101,970 square meters and total gross floor area of approximately 145,590 square meters
“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
“Project Companies”	Nanning BC Outlets, Huzhou BC Outlets and Xi’an BC Outlets
“Properties”	Nanning Capital Outlets, Huzhou Capital Outlets and Xi’an Capital Outlets
“Provision of Guarantee”	the provision of a joint liability guarantee by Capital Group in favour of China Life Investment as stipulated under the Credit Enhancement Agreement
“Reimbursement of Shortfall Commitment”	the Company’s commitment pursuant to the Credit Enhancement Agreement for payment of any shortfall of principal, interests and other liabilities owed to China Life Investment by the Project Companies under the Scheme
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	asset securitisation product known as China Life Investment — BCG Outlets Second Stage Asset Support Scheme* (國壽投資—首創鉅大奧特萊斯第二期資產支持計劃), established for securitising the Properties through the issuance of asset-backed securities to holders of asset-backed securities
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xi’an BC Outlets”	Xi’an Shouju Commercial Development and Management Co. Ltd.* (西安首鉅商業開發管理有限公司), a company established under the laws of the PRC with limited liability, being the project company holding Xi’an Capital Outlets and an indirect wholly-owned subsidiary of the Company

“Xi’an Capital Outlets” Xi’an Capital Outlets* (西安奥特莱斯), located in Xi’an with a site area of approximately 119,650 square meters and total gross floor area of approximately 118,840 square meters

“%” per cent.

In this announcement, unless the context requires otherwise, the terms “associate(s)”, “connected person(s)”, “continuing connected transaction(s)”, “controlling shareholder(s)”, “percentage ratio(s)” and “subsidiary(ies)” shall have the meanings given to such terms in the Listing Rules.

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

Hong Kong, 6 July 2023

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

*The English transliteration of the Chinese name(s) in this announcement (if any), where indicated with *, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*