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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)**

## **ANNOUNCEMENT**

**(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION RELATING TO THE SALE OF THE ENTIRE EQUITY INTEREST OF THE TARGET COMPANIES; AND  
(2) CONTINUING CONNECTED TRANSACTION RELATING TO THE OPERATIONS ENTRUSTMENT AGREEMENTS**

### **THE DISPOSALS**

On 10 July 2023, (a) Vendor A and Vendor B (both being wholly-owned subsidiaries of the Company) entered into the Equity Transfer Agreement A with Purchaser A and Target Company A, pursuant to which Vendor A and Vendor B conditionally agreed to sell, and Purchaser A conditionally agreed to buy, the entire equity interest of Target Company A at the consideration based on the unaudited net asset value and preliminary property valuation of Target Company A as at 31 May 2023 available as at the date of this announcement of RMB808,517,600, which is subject to the final appraised value and the SASAC approval procedures, and Purchaser A also agreed to acquire the shareholder's loans owed by Target Company A to the Group as at the date of Completion (estimated to be approximately RMB157,092,800 in aggregate as at the date of this announcement); and (b) Vendor B and Vendor C (both being wholly-owned subsidiaries of the Company) entered into the Equity Transfer Agreement B with Purchaser B and Target Company B, pursuant to which Vendor B and Vendor C conditionally agreed to sell, and Purchaser B conditionally agreed to buy, the entire equity interest of Target Company B at the consideration based on the unaudited net asset value and preliminary property valuation of Target Company B as at 31 May 2023 available as at the date of this announcement of RMB693,601,200, which is subject to the final appraised value and the SASAC approval procedures, and Purchaser B also agreed to acquire the shareholder's loans owed by Target Company B to the Group as at the date when the Equity Transfer Agreement B becomes effective (estimated to be approximately RMB327,053,500 in aggregate as at the date of this announcement). The Total Consideration pursuant to the Equity Transfer Agreements are subject to the final appraised value and the SASAC approval procedures and thus may be adjusted. Immediately upon Completion, Target Company A and Target Company B will cease to be subsidiaries of the Company.

As of the date of this announcement, Target Company A is principally engaged in holding and management of the Jinan Capital Outlets and Target Company B is principally engaged in holding and management of the Wuhan Capital Outlets.

### **THE OPERATIONS ENTRUSTMENT AGREEMENTS**

As the Group will continue to provide property operation and management services to the Target Properties after Completion, on 10 July 2023, (a) Target Company A, Beijing Capital and the Company entered into the Operations Entrustment Agreement A, pursuant to which the Operation Manager will provide property operation and management services in respect of Jinan Capital Outlets at the management fee of not more than RMB10,800,000 for the year ending 31 December 2023, not more than RMB11,100,000 for the year ending 31 December 2024 and not more than RMB11,400,000 for the year ending 31 December 2025; and (b) Target Company B, Beijing Capital and the Company entered into the Operations Entrustment Agreement B, pursuant to which the Operation Manager will provide property operation and management services in respect of Wuhan Capital Outlets at the management fee of not more than RMB10,800,000 for the year ending 31 December 2023, not more than RMB11,100,000 for the year ending 31 December 2024 and not more than RMB11,400,000 for the year ending 31 December 2025.

### **IMPLICATIONS UNDER THE LISTING RULES**

#### **The Disposals**

As at the date of this announcement, each of the Purchasers is an indirect wholly-owned subsidiary of BCCDG, a controlling shareholder of the Company, and thus each of the Purchasers is a connected person of the Company. Accordingly, the Disposals constitute a connected transaction of the Company. The Equity Transfer Agreements and the transactions contemplated thereunder are subject to the reporting, announcement, and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios exceeds 75%, the Disposals also constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened for the purpose of considering, and if thought fit, approving, among other things, the Equity Transfer Agreements and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries and as of the date of this announcement, save for BECL Investment Holding Limited and BCG Chinastar International Investment Limited, which are associates of BCCDG, no other Shareholder is required to abstain from voting on the relevant resolution(s) at the EGM to approve the Equity Transfer Agreements and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors has been established to consider and advise the Independent Shareholders in respect of the terms of the Equity Transfer Agreements and the transactions contemplated thereunder and to advise the Independent Shareholders as to how to vote at the EGM. Opus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A Circular containing, amongst other things, (a) further information in relation to the Disposals; (b) the financial information of Target Company A and Target Company B; (c) the pro-forma financial statements of the Remaining Group; (d) the property valuation report(s) of the Target Properties; (e) the letter from the Independent Board Committee to the Independent Shareholders; (f) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreements and the transactions contemplated thereunder; (g) other information as required under the Listing Rules; and (h) a notice of the EGM will be despatched to the Shareholders on or before 10 August 2023 in order to allow sufficient time for the Company to prepare the necessary financial information to be included in the Circular.

### **The Operations Entrustment Agreements**

As at the date of this announcement, Beijing Capital is a direct wholly-owned subsidiary of BCCDG, a controlling shareholder of the Company, and thus Beijing Capital is a connected person of the Company. Upon Completion, each of the Target Companies will be wholly-owned by the relevant Purchasers and in turn, the Purchasers will be wholly-owned by Beijing Capital, therefore each of the Target Companies will also become a connected person of the Company upon Completion. Accordingly, the Operations Entrustment Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the proposed annual caps under the Operations Entrustment Agreements in aggregate are more than 0.1% but are less than 5%, the transactions contemplated under the Operations Entrustment Agreements are subject to reporting, annual review and announcement requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## INTRODUCTION

On 10 July 2023, (a) Vendor A and Vendor B (both being wholly-owned subsidiaries of the Company) entered into the Equity Transfer Agreement A with Purchaser A and Target Company A, pursuant to which Vendor A and Vendor B conditionally agreed to sell, and Purchaser A conditionally agreed to buy, the entire equity interest of Target Company A at the consideration based on the unaudited net asset value and preliminary property valuation of Target Company A as at 31 May 2023 available as at the date of this announcement of RMB808,517,600, which is subject to the final appraised value and the SASAC approval procedures, and Purchaser A also agreed to acquire the shareholder's loans owed by Target Company A to the Group as at the date of Completion (estimated to be approximately RMB157,092,800 in aggregate as at the date of this announcement); and (b) Vendor B and Vendor C (both being wholly-owned subsidiaries of the Company) entered into the Equity Transfer Agreement B with Purchaser B and Target Company B, pursuant to which Vendor B and Vendor C conditionally agreed to sell, and Purchaser B conditionally agreed to buy, the entire equity interest of Target Company B at the consideration based on the unaudited net asset value and preliminary property valuation of Target Company B as at 31 May 2023 available as at the date of this announcement of RMB693,601,200, which is subject to the final appraised value and the SASAC approval procedures, and Purchaser B also agreed to acquire the shareholder's loans owed by Target Company B to the Group as at the date when the Equity Transfer Agreement B becomes effective (estimated to be approximately RMB327,053,500 in aggregate as at the date of this announcement). The Total Consideration pursuant to the Equity Transfer Agreements are subject to the final appraised value and the SASAC approval procedures and thus may be adjusted. Immediately upon Completion, Target Company A and Target Company B will cease to be subsidiaries of the Company.

As the Group will continue to provide property operation and management services to the Target Properties after Completion, on 10 July 2023, (a) Target Company A, Beijing Capital and the Company entered into the Operations Entrustment Agreement A, pursuant to which the Operation Manager will provide property operation and management services in respect of Jinan Capital Outlets at the management fee of not more than RMB10,800,000 for the year ending 31 December 2023, not more than RMB11,100,000 for the year ending 31 December 2024 and not more than RMB11,400,000 for the year ending 31 December 2025; and (b) Target Company B,

Beijing Capital and the Company entered into the Operations Entrustment Agreement B, pursuant to which the Operation Manager will provide property operation and management services in respect of Wuhan Capital Outlets at the management fee of not more than RMB10,800,000 for the year ending 31 December 2023, not more than RMB11,100,000 for the year ending 31 December 2024 and not more than RMB11,400,000 for the year ending 31 December 2025.

## **THE EQUITY TRANSFER AGREEMENTS**

### **Equity Transfer Agreement A**

The principal terms of the Equity Transfer Agreement A are set out as follows:

Date: 10 July 2023

Parties: (a) Vendor A;  
(b) Vendor B;  
(c) Purchaser A; and  
(d) Target Company A

#### ***Assets to be disposed***

The entire equity interest in the Target Company A and the aggregate shareholder's loans owed by Target Company A to the Group as at the date of Completion (estimated to be approximately RMB157,092,800 as at the date of this announcement).

#### ***Consideration***

The consideration for the entire equity interest of Target Company A based on the unaudited net asset value and preliminary property valuation of Target Company A as at 31 May 2023 available as at the date of this announcement is RMB808,517,600, which is subject to the final appraised value, and, together with the aggregate shareholder's loans owed by Target Company A to the Group as at the date of Completion, will be subject to the SASAC approval procedures. The consideration for the entire equity interest of Target Company A will be paid by Purchaser A to Vendor A and Vendor B on pro rata basis in cash within 10 working days after the Equity Transfer Agreement A becomes effective. The aggregate shareholder's loans owed by Target Company A to the Group to be acquired by Purchaser A pursuant to the Equity Transfer Agreement A will be paid and acquired by Purchaser A within 10 working days after the date of Completion.

The consideration for the entire equity interest of Target Company A was determined after arm's length negotiation between Purchaser A, Vendor A and Vendor B, which is based on the unaudited net asset value of Target Company A as at 31 May 2023 prepared based on PRC GAAP of approximately RMB331,437,700, having taken into account of the preliminary property valuation of the Target Company A as at 31 May 2023 by an independent valuer.

***Condition precedent***

Completion is conditional upon the Equity Transfer Agreement A becoming effective, the completion of the registration with the relevant authorities for the transfer of equity interest in Target Company A, which will be handled within 5 working days after payment of the consideration for the entire equity interest of Target Company A by Purchaser A to Vendor A and Vendor B, respectively, and the completion of the registration with the relevant authorities for the transfer of equity interest in Target Company B pursuant to Equity Transfer Agreement B. The Equity Transfer Agreement A will become effective after, among other things, the completion of the Reorganisation, the completion of the filing for the final appraised value for Target Company A with the relevant authorities and the obtaining of the approval for the Disposals by the Independent Shareholders of the Company. The conditions are incapable of being waived.

Subject to Completion, Purchaser A will be entitled to the profits and losses relating to Target Company A from 1 June 2023 to the date of Completion.

***Completion***

As of the date of this announcement, Target Company A is an indirect wholly-owned subsidiary of the Company and upon Completion, it will cease to be a subsidiary of the Company and the financial results will no longer be consolidated in the Company's financial statements.

**Equity Transfer Agreement B**

The principal terms of the Equity Transfer Agreement B are set out as follows:

- Date: 10 July 2023
  
- Parties: (a) Vendor B;
  
- (b) Vendor C;
  
- (c) Purchaser B; and
  
- (d) Target Company B



### ***Assets to be disposed***

The entire equity interest in Target Company B and the aggregate shareholder's loans owed by Target Company B to the Group as at the date when the Equity Transfer Agreement B becomes effective (estimated to be approximately RMB327,053,500 as at the date of this announcement).

### ***Consideration***

The consideration for the entire equity interest of Target Company B based on the unaudited net asset value and preliminary property valuation of Target Company B as at 31 May 2023 available as at the date of this announcement is RMB693,601,200, which is subject to the final appraised value, and, together with the aggregate shareholder's loans owed by the Target Company B to the Group as at the date when the Equity Transfer Agreement B becomes effective, will be subject to the SASAC approval procedures. The consideration for the entire equity interest in Target Company B will be paid by Purchaser B on pro rata basis in cash, to Vendor B within 10 working days after the Equity Transfer Agreement B becomes effective, and to Vendor C after the completion of the registration for the transfer of equity interest in Target Company B and within 5 working days after the completion of the registration with the relevant authorities for remittance of fund. The aggregate shareholder's loans owed by Target Company B to the Group to be acquired by Purchaser B pursuant to the Equity Transfer Agreement B will be paid and acquired by Purchaser B within 10 working days after the Equity Transfer Agreement B becomes effective.

The consideration for the entire equity interest in Target Company B was determined after arm's length negotiation between the Purchaser B, Vendor B and Vendor C, which is based on the unaudited net asset value of Target Company B as at 31 May 2023 prepared based on PRC GAAP of approximately RMB119,500,400, having taken into account of the preliminary property valuation of the Target Company B as at 31 May 2023 by an independent valuer.

### ***Condition precedent***

Completion is conditional upon the Equity Transfer Agreement B becoming effective, the completion of the registration with the relevant authorities for the transfer of equity interest in Target Company B, which will be handled within 5 working days after payment of the consideration by Purchaser B to Vendor B, and the completion of the registration with the relevant authorities for the transfer of equity interest in Target Company A pursuant to Equity Transfer Agreement A. The Equity Transfer Agreement B will become effective after, among other things, the completion of the filing for the final appraised value for Target Company B with the relevant authorities and the obtaining of the approval for the Disposals by the Independent Shareholders of the Company. The condition is incapable of being waived.

Subject to Completion, Purchaser B will be entitled to the profits and losses relating to Target Company B from 1 June 2023 to the date of Completion.

### ***Completion***

As of the date of this announcement, Target Company B is an indirect subsidiary of the Company and upon Completion, it will cease to be a subsidiary of the Company and the financial results will no longer be consolidated in the Company's financial statements.

The completions of the Disposals are conditional upon each other and shall take place simultaneously.

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

The Company was incorporated in the Cayman Islands and its shares 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.

The Company considers that the Disposals represent a good opportunity for the Group to lock the value in the Target Properties and the Disposals would allow the Group to realise the investments in the Target Companies to repay part of the external outstanding debts owed by the Group which will mature in the next 12 to 18 months. Based on the aggregate consideration for the entire equity interests of the Target Companies of RMB1,502,118,800 and after deducting the aggregate net asset value of the Target Companies as at 31 May 2023 prepared based on PRC GAAP of approximately RMB450,938,100 and the adjustments relating to HK GAAP estimated to be approximately RMB783,785,900, the Disposals is expected to result in an accounting gain of approximately RMB261,262,000 to the Group (without taking into account of the aggregate shareholder's loans to be acquired by the Purchasers and the taxes relating to the Disposals). As the proceeds from the Disposals will be used to repay part of the outstanding debts owed by the Group, the total liabilities of the Group is expected to decrease.

Upon Completion, each of the Target Companies will cease to be a subsidiary of the Company and the financial results, assets and liabilities of the Target Companies will no longer be included in the consolidated financial statements of the Company.



The Directors (excluding the independent non-executive Directors who will form their views after receiving advice from the Independent Financial Adviser) are of the view that the Equity Transfer Agreements were entered into on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries and as of the date of this announcement, none of the Directors was considered to have a material interest in the Equity Transfer Agreements and the transactions contemplated thereunder under the Listing Rules, therefore no Director was required to abstain from voting on the resolution proposed in the meeting of the Board approving the Equity Transfer Agreements and the transactions contemplated thereunder. However, Mr. Fan Shubin (the chairman of the Board and an executive Director of the Company) is also an executive director and the general manager of BCCDG, Mr. Xu Jian (the chief executive officer and an executive Director of the Company) is also the deputy general manager of BCCDG, and Ms. Qin Yi (a non-executive Director of the Company) is also a non-executive director and the board secretary of BCCDG, and they have voluntarily abstained from voting on the Board resolutions approving the Equity Transfer Agreement and the transactions contemplated thereunder.

## **THE OPERATIONS ENTRUSTMENT AGREEMENTS**

### **Operations Entrustment Agreement A**

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

- Date: 10 July 2023
- Parties: (a) Target Company A;
- (b) Beijing Capital; and
- (c) the Company

### ***Term***

The Operations Entrustment Agreement A is for a term commencing on Completion and ending on 31 December 2025.

### ***Scope of property operation and management services***

Pursuant to the Operations Entrustment Agreement A, the Operation Manager will provide property operation and management services in respect of the Jinan Capital Outlets at the management fee of not more than RMB10,800,000 for the year ending 31 December 2023, not more than RMB11,100,000 for the year ending 31 December 2024 and not more than RMB11,400,000 for the year ending 31 December 2025.

### ***Pricing basis and payment terms***

The management fee was determined after negotiation between Target Company A, Beijing Capital and the Company on an arm's length basis and in accordance with normal commercial terms, having taken into account, among others, (i) the total leaseable area of Jinan Capital Outlets of approximately 51,610 square meters; (ii) the estimated sales of the retail shops in Jinan Capital Outlets; and (iii) the prevailing market price and service fees of similar transactions between the Group and the independent third parties for outlets of similar nature and scale.

The management fees for the year ending 31 December 2023 will be payable within 15 days from the date of Completion, and the management fees for the year ending 31 December 2024 and 31 December 2025 will be payable quarterly within 15 days from the beginning of each quarter.

### ***Historical transaction amount***

Target Company A, Beijing Capital and the Company did not have any historical transactions in respect of property operation and management services in the last 12 months.

### ***Annual Caps under the Operations Entrustment Agreement A***

The proposed annual caps for the management fees payable by Target Company A to the Operation Manager under the Operations Entrustment Agreement A are set out below:

	<b>For the year ending 31 December 2023 RMB'000</b>	<b>For the year ending 31 December 2024 RMB'000</b>	<b>For the year ending 31 December 2025 RMB'000</b>
Management fee under the Operations Entrustment Agreement A	10,800	11,100	11,400

In determining the proposed annual caps for the management fees under the Operations Entrustment Agreement A, the Company has taken into account, among others, (i) the property management related costs of Jinan Capital Outlets actually incurred by Target Company A in prior financial years; and (ii) the total leaseable area of Jinan Capital Outlets of approximately 51,610 square meters; (iii) the estimated sales of the retail shops in Jinan Capital Outlets based on the current sales data; and (iv) the annual increase in management fees of approximately 2.7%.

### **Operations Entrustment Agreement B**

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

Date: 10 July 2023

Parties: (a) Target Company B;

(b) Beijing Capital; and

(c) the Company

### ***Term***

The Operations Entrustment Agreement B is for a term commencing on Completion and ending on 31 December 2025.

### ***Scope of property operation and management services***

Pursuant to the Operations Entrustment Agreement B, the Operation Manager will provide property operation and management services in respect of the Wuhan Capital Outlets at the management fee of not more than RMB10,800,000 for the year ending 31 December 2023, not more than RMB11,100,000 for the year ending 31 December 2024 and not more than RMB11,400,000 for the year ending 31 December 2025.

### ***Pricing basis and payment terms***

The management fee was determined after negotiation between Target Company B, Beijing Capital and the Company on an arm's length basis and in accordance with normal commercial terms, having taken into account, among others, (i) the total leaseable area of Wuhan Capital Outlets of approximately 48,050 square meters; (ii) the estimated sales of the retail shops in Wuhan Capital Outlets; and (iii) the prevailing market price and service fees of similar transactions between the Group and the independent third parties for outlets of similar nature and scale.

The management fees for the year ending 31 December 2023 will be payable within 15 days from the date of Completion, and the management fees for the year ending 31 December 2024 and 31 December 2025 will be payable quarterly within 15 days from the beginning of each quarter.

***Historical transaction amount***

Target Company B, Beijing Capital and the Company did not have any historical transactions in respect of property operation and management services in the last 12 months.

***Annual Caps under the Operations Entrustment Agreement B***

The proposed annual caps for the management fees payable by Target Company B to the Operation Manager under the Operations Entrustment Agreement B are set out below:

	<b>For the year ending 31 December 2023 RMB'000</b>	<b>For the year ending 31 December 2024 RMB'000</b>	<b>For the year ending 31 December 2025 RMB'000</b>
Management fee under the Operations Entrustment Agreement B	10,800	11,100	11,400

In determining the proposed annual caps for the management fees under the Operations Entrustment Agreement B, the Company has taken into account, among others, (i) the property management related costs of Wuhan Capital Outlets actually incurred by Target Company B in prior financial years; (ii) the total leaseable area of Wuhan Capital Outlets of approximately 48,050 square meters; (iii) the estimated sales of the retail shops in Wuhan Capital Outlets based on the current sales data; and (iv) the annual increase in management fees of approximately 2.7%.

**REASONS FOR AND BENEFITS OF ENTERING INTO THE OPERATIONS ENTRUSTMENT AGREEMENTS**

The core business of the Company includes operation and management of outlet projects in the PRC. By entering into the Operations Entrustment Agreements, the Group can continue to utilise its expertise and experience to manage the Target Properties and enhance the brand recognition of the Group, as well as receiving management fee income for the Group.

The Company will adopt internal control measures to ensure that the continuing connected transactions contemplated under the Operations Entrustment Agreements are in accordance with the terms and conditions of such agreement, and that the terms and conditions of the Operations Entrustment Agreements are on normal commercial terms and terms no less favourable than those terms with independent third parties for provision of similar property management services, including to obtain market information on property management services and comparing the pricing and other terms of the transactions under the Operations Entrustment Agreements.

The Directors (including the independent non-executive Directors) are of the view that the Operations Entrustment Agreements were entered into on normal commercial terms or better, fair and reasonable, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and that the proposed annual caps are fair and reasonable, no less favourable than those which would be payable by independent third parties in respect of the provision of similar property management services and in the interest of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries and as of the date of this announcement, none of the Directors was considered to have a material interest in the Operations Entrustment Agreements and the transactions contemplated thereunder under the Listing Rules, therefore no Director was required to abstain from voting on the resolution proposed in the meeting of the Board approving the Operations Entrustment Agreements and the transactions contemplated thereunder. However, Mr. Fan Shubin (the chairman of the Board and an executive Director of the Company) is also an executive director and the general manager of BCCDG, Mr. Xu Jian (the chief executive officer and an executive Director of the Company) is also the deputy general manager of BCCDG, and Ms. Qin Yi (a non-executive Director of the Company) is also a non-executive director and the board secretary of BCCDG, and they have voluntarily abstained from voting on the Board resolutions approving the Operations Entrustment Agreement and the transactions contemplated thereunder.

## **INFORMATION ON THE PARTIES**

Vendor A will own 65% of Target Company A upon completion of the Reorganisation and is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Vendor B will own 35% of Target Company A upon completion of the Reorganisation and also owns 38% of Target Company B as of the date of this announcement and is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Vendor C owns 62% of Target Company B as of the date of this announcement, and is a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Purchaser A is a company established in the PRC with limited liability and is principally engaged in commercial management and consultancy services. It is an indirect wholly-owned subsidiary of BCCDG, a controlling shareholder of the Company, and therefore Purchaser A is a connected person of the Company. BCCDG is wholly-owned by Capital Group.

Purchaser B is a company established in the PRC with limited liability and is principally engaged in commercial management and consultancy services. It is an indirect wholly-owned subsidiary of BCCDG, a controlling shareholder of the Company, and therefore Purchaser B is a connected person of the Company. BCCDG is wholly-owned by Capital Group.

Beijing Capital is a company established in the PRC with limited liability and is principally engaged in commercial, asset and property management, lease of self owned properties, project investment, operation management, technical and business management consultancy and coordination services for large scale activities. It is a direct wholly-owned subsidiary of BCCDG, a controlling shareholder of the Company, and therefore Beijing Capital is a connected person of the Company.

## **INFORMATION ON THE TARGET COMPANIES**

### **Target Company A**

Target Company A is established in the PRC with limited liability and is wholly-owned by Shouzheng Desheng on behalf of the private equity investment fund under the Phase II ABS as of the date of this announcement. As of the date of this announcement, the Group has initiated the redemption of Jinan Capital Outlets from the Phase II ABS. Prior to Completion, Shouzheng Desheng will transfer 65% and 35% of the equity interest in Target Company A to Vendor A and Vendor B, respectively (the “**Reorganisation**”). Upon completion of the Reorganisation, Target Company A will be owned as to 65% by Vendor A and 35% by Vendor B. Target Company A is principally engaged in holding and management of the Jinan Capital Outlets.

The Jinan Capital Outlets is located in Tangye New Area in the Licheng District of Jinan, the PRC and has a total site area of approximately 114,930 square meters and an aggregate gross floor area of approximately 116,240 square meters. Jinan Capital Outlets has 324 retail shops with a leaseable area of approximately 51,610 square meters and around 1,408 car park spaces, and it commenced operations in January 2019.



Based on the unaudited financial statements of Target Company A prepared based on PRC GAAP, the revenue and net loss before and after tax of Target Company A for the years ended 31 December 2022 and 2021 are set out below:

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(approximately)</i>	<i>(approximately)</i>
Revenue	73,887	86,766
Net loss before tax	(9,151)	(7,942)
Net loss after tax	(10,450)	(14,425)

The unaudited net asset value of Target Company A as at 31 May 2023 prepared based on PRC GAAP was approximately RMB331,437,700. The preliminary property valuation of Target Company A as at 31 May 2023 by the independent valuer was approximately RMB995,000,000, which is subject to adjustment and finalisation.

### **Target Company B**

Target Company B is established in the PRC with limited liability and is owned as to 38% by Vendor B and 62% by Vendor C as of the date of this announcement. Target Company B is principally engaged in holding and management of the Wuhan Capital Outlets.

The Wuhan Capital Outlets is located in Wuhan East Lake High-tech Development Zone in Wuhan, the PRC and has a total site area of approximately 89,760 square meters and an aggregate gross floor area of approximately 94,970 square meters. Wuhan Capital Outlets has 292 retail shops with a leaseable area of approximately 48,050 square meters and around 1,267 car park spaces, and it commenced operations in April 2018.

Based on the unaudited financial statements of Target Company B prepared based on PRC GAAP, the revenue and net profit before and after tax of Target Company B for the years ended 31 December 2022 and 2021 are set out below:

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(approximately)</i>	<i>(approximately)</i>
Revenue	73,981	82,162
Net profit before tax	6,969	24,780
Net profit after tax	5,129	18,514

The unaudited net asset value of Target Company B as at 31 May 2023 prepared based on PRC GAAP was approximately RMB119,500,400. The preliminary property valuation of Target Company B as at 31 May 2023 prepared based on applicable PRC requirements by the independent valuer was approximately RMB1,039,000,000, which is subject to adjustment and finalisation.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **The Disposals**

As at the date of this announcement, each of the Purchasers is an indirect wholly-owned subsidiary of BCCDG, a controlling shareholder of the Company, and thus each of the Purchasers is a connected person of the Company. Accordingly, the Disposals constitute a connected transaction of the Company. The Equity Transfer Agreements and the transactions contemplated thereunder are subject to the reporting, announcement, and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios exceeds 75%, the Disposals also constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened for the purpose of considering, and if thought fit, approving, among other things, the Equity Transfer Agreements and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries and as of the date of this announcement, save for BECL Investment Holding Limited and BCG Chinastar International Investment Limited, which are associates of BCCDG, no other Shareholder is required to abstain from voting on the relevant resolution(s) at the EGM to approve the Equity Transfer Agreements and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors has been established to consider and advise the Independent Shareholders in respect of the terms of the Equity Transfer Agreements and the transactions contemplated thereunder and to advise the Independent Shareholders as to how to vote at the EGM. Opus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A Circular containing, amongst other things, (a) further information in relation to the Disposals; (b) the financial information of Target Company A and Target Company B; (c) the pro-forma financial statements of the Remaining Group; (d) the property valuation report(s) of the Target Properties; (e) the letter from the Independent Board

Committee to the Independent Shareholders; (f) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreements and the transactions contemplated thereunder; (g) other information as required under the Listing Rules; and (h) a notice of the EGM will be despatched to the Shareholders on or before 10 August 2023 in order to allow sufficient time for the Company to prepare the necessary financial information to be included in the Circular.

### **The Operations Entrustment Agreements**

As at the date of this announcement, Beijing Capital is a direct wholly-owned subsidiary of BCCDG, a controlling shareholder of the Company, and thus Beijing Capital is a connected person of the Company. Upon Completion, each of the Target Companies will be wholly-owned by the relevant Purchasers and in turn, the Purchasers will be wholly-owned by Beijing Capital, therefore each of the Target Companies will also become a connected person of the Company upon Completion. Accordingly, the Operations Entrustment Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the proposed annual caps under the Operations Entrustment Agreements are more than 0.1% but are less than 5%, the transactions contemplated under the Operations Entrustment Agreements are subject to reporting, annual review and announcement requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements 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:

“BCCDG”	Beijing Capital City Development Group Co., Ltd.* (北京首創城市發展集團有限公司), a company incorporated in the PRC with limited liability and a controlling shareholder of the Company and connected person of the Company
“Beijing Capital”	Beijing Capital Commercial Management Co., Ltd.* (北京首創商業管理有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of BCCDG, a controlling shareholder of the Company, and therefore a connected person of the Company

“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 established in the PRC on 26 October 1994 and under the direct supervision of the Beijing Municipal Government, a connected person of the Company
“Circular”	the circular to be sent to Shareholders in relation to the EGM containing, among other things, (a) further information on the Disposals; (b) the financial information of Target Company A and Target Company B; (c) the pro-forma financial statements of the Remaining Group; (d) the property valuation report(s) of the Target Properties; (e) the recommendation of the Independent Board Committee to the Independent Shareholders; (f) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreements and the transactions contemplated thereunder; (g) other information as required under the Listing Rules; and (h) a notice of the EGM
“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)
“Completion”	the completion of the Disposals
“Director(s)”	the director(s) of the Company
“Disposals”	the disposals of the entire equity interest of the Target Companies to the Purchasers and the assumption of the respective shareholder’s loans owed by the Target Companies to the Group contemplated under the Equity Transfer Agreements
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreements and the transactions contemplated thereunder

“Equity Transfer Agreement A”	the equity transfer agreement entered into between Vendor A, Vendor B, Purchaser A and Target Company A on 10 July 2023 in respect of the sale of the entire equity interest of Target Company A and the assumption of the respective shareholder’s loans owed by Target Company A to the Group
“Equity Transfer Agreement B”	the equity transfer agreement entered into between Vendor B, Vendor C, Purchaser B and Target Company B on 10 July 2023 in respect of the sale of the entire equity interest of Target Company B and the assumption of the respective shareholder’s loans owed by Target Company B to the Group
“Equity Transfer Agreements”	Equity Transfer Agreement A and Equity Transfer Agreement B
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Yeung Chi Tat, Ms. Huang Wei and Mr. Xu Weiguo formed for the purpose of advising the Independent Shareholders in respect of the Equity Transfer Agreements and the transactions contemplated thereunder
“Independent Financial Adviser”	Opus Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreements and the transactions contemplated thereunder
“Independent Shareholder(s)”	the Shareholder(s) who do not have a material interest in the Equity Transfer Agreements and the transactions contemplated thereunder and are not required to abstain from voting at the EGM pursuant to the Listing Rule

“independent third parties”	person(s) or company(ies) which is/are not connected with the Company, and is/are not connected person(s) of the Company
“Jinan Capital Outlets”	Jinan Capital Outlets (濟南奧特萊斯項目), being the properties located in Tanye New Area in the Licheng District of Jinan, with a total site area of approximately 114,930 square meters
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and modified from time to time
“Operations Entrustment Agreement A”	the operations entrustment agreement entered into between Target Company A, Beijing Capital and the Company on 10 July 2023 in relation to the provision of property operation and management services in respect of Jinan Capital Outlets by the Operation Manager after Completion
“Operations Entrustment Agreement B”	the operations entrustment agreement entered into between Target Company B, Beijing Capital and the Company on 10 July 2023 in relation to the provision of property operation and management services in respect of Wuhan Capital Outlets by the Operation Manager after Completion
“Operations Entrustment Agreements”	Operations Entrustment Agreement A and Operations Entrustment Agreement B
“Operation Manager”	the Company, or a wholly-owned subsidiary of the Company as nominated by it as the operation manager under the Operations Entrustment Agreements
“Phase II ABS”	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), an asset-backed securities scheme set up for the purpose of securitizing certain properties of the Group (including Jinan Capital Outlets) and details of which are set out in the Company’s announcements dated 28 May 2021 and 28 June 2023



“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
“Purchasers”	Purchaser A and Purchaser B
“Purchaser A”	Jinan Commercial Management Co., Ltd.* (濟南首城商業管理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of BCCDG, a controlling shareholder of the Company, and therefore a connected person of the Company
“Purchaser B”	Wuhan Commercial Management Co., Ltd.* (武漢市首城商業管理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of BCCDG, a controlling shareholder of the Company, and therefore a connected person of the Company
“Remaining Group”	the Group having excluded the Target Companies
“Reorganisation”	the redemption of Jinan Capital Outlets involving the termination of the Phase II ABS and the transfer by Shouzheng Desheng (as manager of the private equity investment fund under the Phase II ABS) of 65% and 35% of the equity interest in Target Company A to Vendor A and Vendor B, respectively, prior to Completion and details of which are set out under the heading “Information on the Target Companies — Target Company A” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company

“Shouzheng Desheng”	Shouzheng Desheng Capital Management Co., Ltd.* (首正德盛資本管理有限公司), a company established in the PRC with limited liability and a subsidiary of Capital Group and the manager of the private equity investment fund under the Phase II ABS
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Target Company A and Target Company B
“Target Company A”	Jinan Shouju Real Estate Ltd.* (濟南首鉅置業有限公司), a company established in the PRC with limited liability and is wholly-owned by Shouzheng Desheng on behalf of the private equity investment fund under the Phase II ABS as of the date of this announcement and will be owned as to 65% and 35% by Vendor A and Vendor B, respectively, upon completion of the Reorganisation
“Target Company B”	Wuhan Capital Juda Outlets Business Management Limited* (武漢首創鉅大奧萊商業管理有限公司), a company established in the PRC with limited liability and is owned as to 38% by Vendor B and 62% by Vendor C as of the date of this announcement
“Target Properties”	Jinan Capital Outlets and Wuhan Capital Outlets
“Total Consideration”	the total consideration relating to the Disposals of approximately RMB1,986,265,100, based on the aggregate consideration for the entire equity interest of the Target Companies of RMB1,502,118,800 and the aggregate shareholder’s loans owed by Target Company A to the Group as at the date of Completion and Target Company B to the Group as at the date when the Equity Transfer Agreement B becomes effective to be acquired by the Purchasers (estimated to be approximately RMB484,146,300 as at the date of this announcement), which is subject to the final appraised value (where applicable) and the SASAC approval procedures

“Vendor A”	Beijing Hengsheng Huaxing Investment Management Co., Ltd.* (北京恒盛華星投資管理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Vendor B”	Shanghai Juque Investment Management Co., Limited* (上海鉅譽投資管理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Vendor C”	Capital Juda Outlets Development Limited (首創鉅大奧萊發展有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
“Wuhan Capital Outlets”	Wuhan Capital Outlets (武漢奧特萊斯項目), being the properties located in Wuhan East Lake High-tech Development Zone in Wuhan, with a total site area of approximately 89,760 square meters
“%”	per cent.

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

*\* The English name is a translation of its Chinese name and is included for identification purposes only.*

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

Hong Kong, 10 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.*