**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Beijing Capital Grand Limited**, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee(s), or to the bank, stockbroker or other agent through which the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).



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)**

# VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION RELATING TO THE SALE OF THE ENTIRE EQUITY INTEREST OF THE TARGET COMPANIES AND NOTICE OF EGM

**Independent Financial Adviser to**
**the Independent Board Committee and the Independent Shareholders**

Opus Capital Limited
創富融資有限公司

A letter from the Board is set out on pages 7 to 22 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 23 to 24 of this circular and a letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 56 of this circular.

A notice convening the EGM of the Company to be held at 7th Floor, Jing An Centre, 8 North 3rd Ring East Road, Chaoyang District, Beijing, China, on Friday, 18 August 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so desire and, in such event, the instrument appointing a proxy will be deemed to be revoked.

3 August 2023

# CONTENTS

*In this circular, the following expressions shall have the following meanings unless the context otherwise required:*

| | |
|---|---|
| "BCCDG" | Beijing Capital City Development Group Co., Ltd.* (北京首創城市發展集團有限公司), a company established in the PRC with limited liability and a controlling shareholder of the Company and connected person of the Company |
| "BECL Investment" | BECL Investment Holding Limited (首置投資控股有限公司), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of BCL and the controlling shareholder 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 |
| "BCL" | Beijing Capital Land Co., Ltd. (首創置業有限公司), a company established in the PRC with limited liability on 5 December 2002, an indirect controlling shareholder of the Company and connected person of the Company under Rule 14A.07 of the Listing Rules |
| "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, and a connected person of the Company |
| "Chinastar" | BCG Chinastar International Investment Limited (首創華星國際投資有限公司), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Capital Group and a Shareholder and connected person of the Company |
| "Company" | Beijing Capital Grand Limited (首創鉅大有限公司), 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 |

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| "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 Target Companies to the Group contemplated under the Equity Transfer Agreements |
| "EGM" | the extraordinary general meeting of the Company to be convened on 18 August 2023 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 |
| "HK$" | Hong Kong dollar, the lawful currency of Hong Kong |
| "HKFRS" | Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants |
| "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, Dr. 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 |

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| "Independent Financial Adviser" | Opus Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, 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 Rules |
| "independent third party(ies)" | 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 |
| "Latest Practicable Date" | 31 July 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange as amended 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 |

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| "PRC" | the People's Republic of China, which shall, for the purposes of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| "PRC GAAP" | the PRC Generally Accepted Accounting Principles |
| "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 |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Shareholder(s)" | Holder(s) of the Share(s) |
| "Share(s)" | ordinary share(s) of HK$0.01 each in the share capital of the Company |
| "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 owned as to 65% by Vendor A and 35% by Vendor B as of the Latest Practicable Date |

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| "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 Latest Practicable Date |
| "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 of the Latest Practicable Date) |
| "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* (上海鉅礐投資管理有限公司), 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 circular, unless the context otherwise requires, the terms "associate(s)", "connected person(s)", "connected transaction(s)", "controlling shareholder(s)", "percentage ratio(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.*

*The English names of Chinese entities marked with "*" are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

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)**

*Executive Directors*
Mr. Fan Shubin *(Chairman)*
Mr. Xu Jian *(Chief Executive Officer)*

*Non-executive Directors*
Mr. Wang Hao
Ms. Qin Yi
Mr. Zhou Yue
Mr. Zhao Randolph

*Independent non-executive Directors*
Mr. Yeung Chi Tat
Dr. Huang Wei
Mr. Xu Weiguo

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

*Principal place of business in Hong Kong:*
10/F., Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

3 August 2023

*To the Shareholders, the convertible preference shares holders and the perpetual convertible bond securities holders (for information only)*

Dear Sir or Madam,

## VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION RELATING TO THE SALE OF THE ENTIRE EQUITY INTEREST OF THE TARGET COMPANIES AND NOTICE OF EGM

## I. INTRODUCTION

Reference is made to the announcement of the Company dated 10 July 2023. 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 property valuation of Target Company A as at 31 May 2023 of RMB808,517,600, 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 of the Latest Practicable Date); 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 property valuation of Target Company B as at 31 May 2023 of RMB693,601,200, 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 of the Latest Practicable Date). Immediately upon Completion, Target Company A and Target Company B will cease to be subsidiaries of the Company.

The purpose of this circular is to provide you with, among other things, (a) further information in relation to the Disposals; (b) the financial information of Target Company A and Target Company B; (c) the unaudited pro-forma financial information 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.

## II. 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 of the Latest Practicable Date).

***Consideration***

The consideration for the entire equity interest of Target Company A based on the unaudited net asset value and property valuation of Target Company A as at 31 May 2023 is RMB808,517,600, and the aggregate shareholder's loans owed by Target Company A to the Group as at the date of Completion is estimated to be approximately RMB157,092,800 as of the Latest Practicable Date. 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 of RMB808,517,600 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 together with the adjustment of approximately RMB477,079,900 after, having taken into account of the valuation surplus for the Jinan Capital Outlets and related inventories arising from the 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 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 Latest Practicable Date, 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 of the Latest Practicable Date).

***Consideration***

The consideration for the entire equity interest of Target Company B based on the unaudited net asset value and property valuation of Target Company B as at 31 May 2023 is RMB693,601,200, and 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 is estimated to be approximately RMB327,053,500 as of the Latest Practicable Date. 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 of RMB693,601,200 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 together with the adjustment of approximately RMB574,100,800 after, having taken into account of the valuation surplus for the Wuhan Capital Outlets arising from the 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 Latest Practicable Date, 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.

## III. 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 realise 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 HKFRS estimated to be approximately RMB783,785,900, the Disposals is expected to result in an accounting gain of approximately RMB267,394,800 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 part of 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 (including the independent non-executive Directors whose views have been formed after taking into account of the advice of the Independent Financial Adviser) consider that the Disposals are not conducted in the ordinary course of business of the Group and, after taking into account the reasons for and benefits of the Disposals set out above, 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 Latest Practicable Date, 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.

## IV. FINANCIAL EFFECTS OF THE GROUP SUBSEQUENT TO THE DISPOSALS

Upon Completion, each of the Target Companies will cease to be a subsidiary of the Company and the financial results of the Target Companies will no longer be consolidated with the financial statements of the Group following Completion.

As illustrated in the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, following the Completion, the total asset of the Group as at 31 December 2022 will be increased by RMB31,744,000, from approximately RMB19,810,293,000 to approximately RMB19,842,037,000 for the Remaining Group and the total liabilities of the Group as at 31 December 2022 will be reduced by RMB399,388,000, from approximately RMB15,416,818,000 to approximately RMB15,017,430,000 for the Remaining Group. Further, the proceeds from the Disposals will be applied to repay the Group's indebtedness of approximately RMB1,535,000,000, as well as other general working capital purposes.

Upon Completion, the profits attributable to the Target Companies will no longer be consolidated in the consolidated financial statements of the Remaining Group. For illustration, based on the unaudited pro forma consolidated statement of profit or loss of the Remaining Group as set out in Appendix III to this circular, the revenue will be reduced by RMB154,213,000, from approximately RMB1,124,138,000 for the year ended 31 December 2022 for the Group to approximately RMB969,925,000 for the Remaining Group. Shareholders should note that the expected gain from the Disposals is shown for reference only and the amount of gain or loss from the Disposals eventually to be recognised in the consolidated accounts of the Remaining Group depends on the financial positions of the Target Companies as at the date of Completion.

The excess of the Total Consideration over the audited consolidated net book value of the Target Companies as at 31 December 2022 is approximately RMB1,071,971,000.

## V. USE OF PROCEEDS

The estimated net proceeds from the Disposals is approximately RMB1,952,867,700, of which (i) approximately RMB1,535,000,000 will be applied towards the repayment of the Group's indebtedness; and (ii) approximately RMB417,867,700 will be applied for other general working capital purposes, including, without limitation, capital expenditure, repayment of trade payables and daily operation expenses.

## VI. 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:

| | **For the year ending 31 December 2023** | **For the year ending 31 December 2024** | **For the year ending 31 December 2025** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| 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:

| | For the year ending 31 December 2023 *RMB'000* | For the year ending 31 December 2024 *RMB'000* | For the year ending 31 December 2025 *RMB'000* |
|---|---|---|---|
| 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%.

## VII. REASONS FOR AND BENEFITS OF ENTERING INTO THE OPERATIONS ENTRUSTMENT AGREEMENTS

The core business of the Company includes operation and management of outlets 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 influence 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, 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 Latest Practicable Date, 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.

## VIII. INFORMATION ON THE PARTIES

Vendor A owns 65% of Target Company A as of the Latest Practicable Date, 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 owns 35% of Target Company A and also owns 38% of Target Company B as of the Latest Practicable Date, 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 Latest Practicable Date, 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 a connected person of the Company.

## IX. INFORMATION ON THE TARGET COMPANIES

### Target Company A

Target Company A is established in the PRC with limited liability and is owned as to 65% by Vendor A and 35% by Vendor B as of the Latest Practicable Date. 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 1,138 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:

| | **For the year ended 31 December** | |
|---|---|---|
| | **2021** | **2022** |
| | *RMB'000* | *RMB'000* |
| | *(approximately)* | *(approximately)* |
| 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 property valuation of Target Company A as at 31 May 2023 by the independent valuer as illustrated in Appendix IV to this circular was approximately RMB995,000,000.

The differences between the financial information of Target Company A prepared based on PRC GAAP set out above and the relevant financial information of Target Company A prepared based on HKFRS set out in Appendix II to this circular arises mainly due to adjustments relating to conversion from PRC GAAP to HKFRS including, among other things, the application of the cost method accounting for investment property under PRC GAAP and the fair value method accounting for investment property under HKFRS, the reclassification of PRC Land Appreciation Tax from the taxes and surcharges before income tax under PRC GAAP to the income tax under HKFRS. Please refer to Appendix II for further financial information of Target Company A prepared based on HKFRS.

**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 Latest Practicable Date. 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:

| | **For the year ended 31 December** | |
|---|---|---|
| | **2021** | **2022** |
| | *RMB'000* | *RMB'000* |
| | *(approximately)* | *(approximately)* |
| 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 property valuation of Target Company B as at 31 May 2023 by the independent valuer as illustrated in Appendix IV to this circular was approximately RMB1,039,000,000.

The differences between the financial information of Target Company B prepared based on PRC GAAP set out above and the relevant financial information of Target Company B prepared based on HKFRS set out in Appendix II to this circular arises mainly due to adjustments relating to conversion from PRC GAAP to HKFRS including, among other things, the application of the cost method accounting for investment property under PRC GAAP and the fair value method accounting for investment property under HKFRS. Please refer to Appendix II for further financial information of Target Company B prepared based on HKFRS.

## X. LISTING RULES IMPLICATIONS

### The Disposals

As at the Latest Practicable Date, 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 Operations Entrustment Agreements

As at the Latest Practicable Date, 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.

## XI. THE EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreements and the transactions contemplated thereunder by way of ordinary resolution(s). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries and as of the Latest Practicable Date, save for BECL Investment (holding an aggregate of 701,353,846 Shares, representing approximately 72.94% of the issued share capital of the Company as at the Latest Practicable Date) and Chinastar (holding an aggregate of 19,800,000 Shares, representing approximately 2.06% of the issued share capital of the Company as at the Latest Practicable Date), 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.

A notice convening the EGM to be held at 7th Floor, Jing An Centre, 8 North 3rd Ring East Road, Chaoyang District, Beijing, China on Friday, 18 August 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular and form of proxy are also enclosed herein.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so desire and, in such event, the instrument appointing a proxy will be deemed to be revoked.

## XII. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all of the independent non-executive Directors of the Company has been established to advise the Independent Shareholders regarding the terms and conditions of the Equity Transfer Agreements and the transactions contemplated thereunder.

The Company has, with the approval of the Independent Board Committee, appointed Opus Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the Equity Transfer Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## XIII. RECOMMENDATION

The Independent Board Committee, having considered the terms and conditions of the Equity Transfer Agreements and the transactions contemplated thereunder, and after taking into account the advice from the Independent Financial Adviser, considers that the Disposals are not conducted in the ordinary and usual course of business of the Group and the terms of the Equity Transfer Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The Directors consider that the Disposals are not conducted in the ordinary course of business of the Group and, after taking into account the reasons for and benefits of the Disposals set out above, are of the view that the terms of the Equity Transfer Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Equity Transfer Agreements and the transactions contemplated thereunder.

The text of the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 23 to 24 of this circular.

The text of the letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders with regard to the Equity Transfer Agreements and the transactions contemplated thereunder is set out on pages 25 to 56 of this circular.

**XIV. ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
**Beijing Capital Grand Limited**
**Fan Shubin**
*Chairman*

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)**

3 August 2023

*To the Independent Shareholders*

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION RELATING TO THE SALE OF THE ENTIRE EQUITY INTEREST OF THE TARGET COMPANIES AND NOTICE OF EGM**

We refer to the circular dated 3 August 2023 issued by the Company of which this letter forms part of (the "**Circular**"). Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

We have been authorised by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders in respect of the terms of the Equity Transfer Agreements and the transactions contemplated thereunder, details of which are set out in the section headed "Letter from the Board" contained in the Circular.

We wish to draw your attention to the letter from the Board set out on pages 7 to 22 of the Circular and the letter of advice from Opus Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Equity Transfer Agreements and the transactions contemplated thereunder, set out on pages 25 to 56 of the Circular.

Having considered, among other matters, the terms and conditions of the Equity Transfer Agreements and the transactions contemplated thereunder, and the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the Equity Transfer Agreements and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group and the terms of the Equity Transfer Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM in respect of the Equity Transfer Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee
**Beijing Capital Grand Limited**
**Yeung Chi Tat**
**Huang Wei**
**Xu Weiguo**
*Independent non-executive Directors*

*Set out below is the text of a letter from Opus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreements and the transactions contemplated thereunder, for the purpose of inclusion in this circular.*

Opus Capital Limited
創富融資有限公司

18th Floor, Fung House
19–20 Connaught Road Central
Central, Hong Kong

3 August 2023

*To: The Independent Board Committee and the Independent Shareholders of Beijing Capital Grand Limited*

Dear Sirs or Madams,

## VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION RELATING TO THE SALE OF THE ENTIRE EQUITY INTEREST OF THE TARGET COMPANIES

### INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Equity Transfer Agreements and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 3 August 2023 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

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 property valuation of Target Company A as at 31 May 2023 of RMB808,517,600, and Purchaser A also agreed to acquire the shareholder's loan owed by Target Company A to the Group as at the date of Completion (estimated to be approximately RMB157,092,800 in aggregate as of the Latest Practicable Date); 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 property valuation of Target Company B as at 31 May 2023 of RMB693,601,200, 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 of the Latest Practicable Date). Immediately upon Completion, Target Company A and Target Company B will cease to be subsidiaries of the Company.

As at the Latest Practicable Date, 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 Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreements and the transactions contemplated thereunder by way of ordinary resolution(s). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries and as of the Latest Practicable Date, save for BECL Investment (holding an aggregate of 701,353,846 Shares, representing approximately 72.94% of the issued share capital of the Company as at the Latest Practicable Date) and Chinastar (holding an aggregate of 19,800,000 Shares, representing approximately 2.06% of the issued share capital of the Company as at the Latest Practicable Date), 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.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries and as of the Latest Practicable Date, 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 INDEPENDENT BOARD COMMITTEE

The Independent Board Committee of the Company comprising Mr. Yeung Chi Tat, Dr. Huang Wei and Mr. Xu Weiguo, all being independent non-executive Directors, has been established to consider and make a recommendation to the Independent Shareholders on: (i) whether the entering into of the Equity Transfer Agreements is in the ordinary and usual course of business of the Group; (ii) whether the terms of the Equity Transfer Agreements and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as whole; and (iii) how the Independent Shareholders should vote in respect to the relevant resolutions to be proposed at the EGM to approve the Equity Transfer Agreements and the transactions contemplated thereunder. Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same respect has been approved by the Independent Board Committee pursuant to the Rule 13.84 of the Listing Rules.

## OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, Capital Group, BCCDG, the Purchasers or any of their respective connected persons and close associates or other parties that could reasonably be regarded as relevant to our independence. During the past two years immediately prior to this letter, we have not: (i) acted in the capacity as a financial adviser or as an independent financial adviser to the Company; (ii) provide any services to the Company; or (iii) had any relationship the Company. Apart from normal independent financial advisory fee paid or payable to us in connection with the current appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, Capital Group, BCCDG, the Purchasers or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent pursuant to Rule 13.84 of the Listing Rules.

## BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

(i) the Company's annual report for the year ended 31 December ("**FY**") 2022 (the "**2022 Annual Report**");

(ii) the Equity Transfer Agreements;

(iii) the financial information of the Target Companies as set out in Appendix II to the Circular;

(iv) the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to the Circular;

(v) the valuation report dated 3 August 2023 (the "**Property Valuation Report**") issued by Cushman & Wakefield Limited (the "**Independent Valuer**") in relation to the property valuation of the Target Properties as at the valuation date of 31 May 2023, as set out in Appendix IV to the Circular; and

(vi) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Equity Transfer Agreements and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Equity Transfer Agreements and the transactions contemplated thereunder, we have taken into consideration, *inter alia*, the following principal factors and reasons:

## 1. BACKGROUND INFORMATION OF THE GROUP

***Business profile***

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.

As at 31 December 2022, the Company had 15 self-owned outlets projects (which includes the two Target Projects) under Capital Outlets (首創奧特萊斯) brand in operation with an aggregate gross floor area ("**GFA**") of approximately 1,820,340 square meters ("**sq.m.**") and 5 development properties with an aggregate unsold GFA of approximately 341,526 sq.m..

***Financial information***

The following is a summary of the financial results of the Group for each of FY2021 and FY2022, as extracted from the 2022 Annual Report:

**Table 1: Highlights of the financial results of the Group**

| | **Audited** | |
|---|---|---|
| | **FY2022** | **FY2021** |
| | *(RMB'000)* | *(RMB'000)* |
| Revenue | 1,124,138 | 1,341,049 |
| — *Property development* | 46,737 | 148,161 |
| — *Investment property development and operation* | 866,835 | 914,088 |
| — *Sale of merchandise inventories* | 210,566 | 278,800 |
| Gross profit | 473,834 | 638,954 |
| Finance costs | (509,225) | (502,962) |
| Loss attributable to the Shareholders | (393,288) | (224,346) |

*Source: the 2022 Annual Report*

During FY2022, the Group recorded revenue of approximately RMB1,124.1 million, representing a decrease of approximately 16.2% from approximately RMB1,341.0 million for FY2021. The decrease in revenue was mainly attributable to the decrease in the rental income of the investment properties as affected by the outbreak of COVID-19 pandemic (the "**Pandemic**") in 2022 and the corresponding decrease of revenue from sales of goods and revenue from sales of properties.

The gross profit of the Group was approximately RMB473.8 million for FY2022, representing a decrease of approximately 25.8% from approximately RMB639.0 million for FY2021. The decrease in gross profit was mainly attributable to the decrease in revenue.

The Group recorded loss attributable to the Shareholders of approximately RMB393.3 million for FY2022, representing a significant increase in its existing loss position of RMB224.3 million for FY2021, by approximately 75.3%. The increase in the loss position of the Group for FY2022 was in line with the drop in revenue, which was mainly due to the impact of the Pandemic in 2022 was far greater than that of the previous year in terms of scope and duration, especially where 10 of the Group's 15 outlets were closed temporarily.

The following is a summary of the financial positions of the Group as at 31 December 2021 and 31 December 2022, as extracted from the 2022 Annual Report:

**Table 2: Highlights of the financial positions of the Group**

| | **Audited As at 31 December** | |
|---|---|---|
| | **2022** | **2021** |
| | *(RMB'000)* | *(RMB'000)* |
| Non-current assets | 15,452,783 | 15,155,753 |
| Current assets | 4,357,510 | 3,880,919 |
| — *Restricted cash* | 72,705 | 84,959 |
| — *Cash and cash equivalents* | 1,137,660 | 719,349 |
| Non-current liabilities | 11,502,127 | 11,173,287 |
| — *Borrowings* | 4,630,476 | 5,066,491 |
| Current liabilities | 3,914,691 | 3,073,332 |
| — *Borrowings* | 1,314,301 | 395,645 |
| Net asset value ("**NAV**") attributable to the Shareholders | 4,339,124 | 4,735,721 |

*Source: the 2022 Annual Report*

The non-current assets of the Group mainly comprised of property, plant and equipment, right-of-use assets, long-term prepaid expenses, investment properties, intangible assets and lease prepayment, investments accounted for using the equity method, deferred income tax assets, derivative financial assets and trade and other receivables and prepayments. The total non-current assets were relatively stable, registering a slight 2.0% increase from approximately RMB15,155.8 million as at 31 December 2021 to approximately RMB15,452.8 million as at 31 December 2022. The increase was primarily attributable to the increase in investment properties by approximately RMB229.7 million.

The current assets of the Group mainly consisted of inventories, incremental costs of obtaining a contract, trade and other receivables and prepayments, restricted cash as well as cash and cash equivalents. The total current assets increased from approximately RMB3,880.9 million as at 31 December 2021 to approximately RMB4,357.5 million as at 31 December 2022, representing an increase by approximately 12.3%. The rise was mainly due to a combination of factors being: (i) an increase in inventories by approximately RMB255.6 million; (ii) a drop in trade and other receivables and prepayments by approximately RMB188.6 million; and (iii) an increase in cash and cash equivalents by approximately RMB418.3 million.

Based on the above, the Group had total assets of approximately RMB19,810.3 million as at 31 December 2022, representing a slight increase of approximately 4.1% as compared to the position as at 31 December 2021.

The major components of the non-current liabilities of the Group as at 31 December 2022 were mainly borrowings, lease liabilities, other payables and accruals and deferred income tax liabilities. The Group recorded a slight increase of approximately 2.9% in its non-current liabilities from approximately RMB11,173.3 million as at 31 December 2021 to approximately RMB11,502.1 million as at 31 December 2022. Such increase was largely due to a combination of factors being: (a) the reduction in borrowings of approximately RMB436.0 million; and (b) the increase of approximately RMB672.4 million in other payables and accruals.

The major components of the current liabilities of the Group as at 31 December 2022 were trade payables, other payables and accruals, contract liabilities, borrowings, lease liabilities and current income tax liabilities. As at 31 December 2022, the Company was faced with a rise in total current liabilities to approximately RMB3,914.7 million, representing a considerable increase of approximately 27.4% from approximately RMB3,073.3 million as at 31 December 2021. The increase was mainly attributable to a combination of factors being: (i) the drop in trade payables by approximately RMB175.7 million; and (ii) the surge in borrowings of approximately RMB918.7 million.

Of particular relevance to the Disposals is that as at 31 December 2022, the total borrowings of the Company (including accrued interest payables) were approximately RMB5,944.8 million, and together with the asset-backed securities schemes, senior class (including accrued interests payables) of approximately RMB5,292.3 million, China Life Investment-BCG Outlets First Stage Asset Support Scheme (including accrued interests payables) of approximately RMB668.1 million and lease liabilities of approximately RMB11.6 million, totalling to approximately RMB11,916.8 million, after subtracting of which with the cash and cash equivalents plus restricted cash of approximately RMB1,210.4 million, the net debt of the Group culminated at approximate RMB10,706.4 million and a net gearing ratio[1] of approximately 244% (31 December 2021: 208%). With such level of gearing, the finance costs of the Group reached approximately RMB509.2 million for FY2022 (FY2021: RMB503.0 million). For our due diligence purpose, we have obtained a list of indebtedness maintained by the Group as at 31 July 2023 including the repayment schedule from the Management and noted that the Management currently estimated that it would require approximately RMB7,199.8 million to repay its external outstanding debts within the next 18 months.

As a result of a combination of movements in total assets and total liabilities of the Group highlighted above, the NAV attributable to the Shareholders as at 31 December 2022 amounted to approximately RMB4,339.1 million, representing a decrease of approximately 8.4% from approximately RMB4,735.7 million as at 31 December 2021.

## 2. BACKGROUND INFORMATION OF THE VENDOR A, VENDOR B AND VENDOR C (COLLECTIVELY, THE "VENDORS")

Vendor A, namely Beijing Hengsheng Huaxing Investment Management Co., Ltd.* (北京恒盛華星投資管理有限公司), owns 65% of Target Company A as of the Latest Practicable Date, 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, namely Shanghai Juque Investment Management Co., Limited* (上海鉅礐投資管理有限公司) owns 35% of Target Company A and also owned 38% of Target Company B as of the Latest Practicable Date, 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, Capital Juda Outlets Development Limited (首創鉅大奧萊發展有限公司) owns 62% of the Target Company B as of the Latest Practicable Date, 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.

## 3. BACKGROUND INFORMATION OF THE PURCHASERS

Purchaser A, namely Jinan Commercial Management Co., Ltd.* (濟南首城商業管理有限公司), 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.

1 The Group calculates the net gearing ratio based on net debt divided by total equity. Net debt includes interest-bearing bank and other financial institution borrowings (including accrued interests payables), asset-backed securities schemes, senior class (including accrued interests payables), outlets schemes (including accrued interests payables) and lease liabilities less cash and cash equivalents and restricted cash.

Purchaser B, namely Wuhan Commercial Management Co., Ltd.* (武漢市首城商業管理有限公司), 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.

Capital Group, namely Beijing Capital Group Co., Ltd.* (北京首都創業集團有限公司), is a state-owned enterprise established in the PRC with limited liabilities and under the direct supervision of the Beijing Municipal Government. Capital Group, similar to BCCDG, is a connected person of the Company.

## 4. BACKGROUND INFORMATION OF THE TARGET COMPANIES

### Target Company A

Target Company A is established in the PRC with limited liability and is owned as to 65% by Vendor A and 35% by Vendor B as of the Latest Practicable Date. 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 sq.m. and an aggregate GFA of approximately 116,240 sq.m.. Jinan Capital Outlets has 324 retail shops with a leaseable area of approximately 51,610 sq.m. and around 1,138 car park spaces, and it commenced operations in January 2019.

Set out below is the key financial information on the Target Company A for each of the FY2020, FY2021 and FY2022 and the three months ("**3M**") ended 31 March 2022 and 2023 as extracted from Appendix II to the Circular, prepared in accordance HKFRS:

**Table 3: Summarised financial results of Target Company A**

| | Unaudited<br>3M2023<br>*(RMB'000)* | Unaudited<br>3M2022<br>*(RMB'000)* | FY2022<br>*(RMB'000)* | FY2021<br>*(RMB'000)* | FY2020<br>*(RMB'000)* |
|---|---|---|---|---|---|
| Revenue | 36,378 | 27,146 | 86,766 | 73,887 | 42,321 |
| Gross Profit | 29,447 | 21,366 | 83,808 | 58,157 | 25,776 |
| Profit before income tax | 51,321 | 34,874 | 69,497 | 11,028 | 188,098 |
| Profit for the year/period attributable to the shareholders of the Target Company A | 34,742 | 24,688 | 43,654 | 2,497 | 140,789 |

*Source: Appendix II to the Circular*

The revenue of the Target Company A increased significantly by approximately 74.6% from approximately RMB42.3 million for FY2020 to approximately RMB73.9 million for FY2021, such improvement in revenue was mainly attributable to the increase in rental income generated from investment properties for FY2021. However, the profit attributable to the shareholders of the Target Company A declined significantly by approximately 98.2% from approximately RMB140.8 million for FY2020 to approximately RMB2.5 million for FY2021 offsetting the positive financial effects brought about by the revenue increase. As advised by the Management, such significant decrease in net profit was mainly attributable to the decrease in other gains/(losses), primarily due to the decrease in the fair value adjustment of investment properties held by Target Company A during FY2021.

For FY2022, Target Company A recorded revenue of approximately RMB86.8 million, represented an increase of approximately 17.4% from approximately RMB73.9 million for FY2021.

The profit attributable to the shareholders of Target Company A was approximately RMB43.7 million for FY2022, registered a significant increase by sixteen-fold from approximately RMB2.5 million for FY2021. As advised by the Management, such increase in net profit was mainly attributable to the increase in other gains/(losses) primarily derived from the upward adjustment in fair value of investment properties held by Target Company A during FY2022.

The revenue of the Target Company A increased by approximately 34.0% from approximately RMB27.1 million for 3M2022 to approximately RMB36.4 million for 3M2023, such increase in revenue is also attributable to the increase in rental income generated from investment properties for 3M2023. Correspondingly, the profit attributable to the shareholders of the Target Company A increased by approximately 40.7% from approximately RMB24.7 million for 3M2022 to RMB34.7 million for 3M2023. As advised by the Management, such increase in net profit was mainly attributable to the increase in other gains/(losses) primarily derived from the increase in fair value of investment properties by approximately RMB17.0 million during 3M2023.

The following is a summary of the financial positions of Target Company A as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 March 2023, as extracted from Appendix II to the Circular:

**Table 4: Summarised financial position of Target Company A**

| | Unaudited | | | |
|---|---|---|---|---|
| | **As at 31 March** | **As at 31 December** | | |
| | **2023** | **2022** | **2021** | **2020** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Non-current assets | 998,218 | 953,400 | 931,080 | 940,517 |
| Current assets | 344,085 | 307,255 | 380,702 | 376,966 |
| Non-current liabilities | 545,465 | 533,828 | 513,663 | 359,347 |
| Current liabilities | 113,944 | 78,675 | 194,129 | 356,990 |
| NAV attributable to the shareholders of the Target Company A | 682,894 | 648,152 | 603,990 | 601,146 |

*Source: Appendix II to the Circular*

As at 31 March 2023, the total assets of the Target Company A were approximately RMB1,342.3 million, raised by approximately RMB81.6 million or 6.5% as compared to approximately RMB1,260.6 million as at 31 December 2022. The increase in the total assets was mainly attributable to, among others, the increase in investment properties of approximately RMB46.0 million as a result of the upward fair value adjustment of certain investment properties.

The Target Company A's total liabilities were approximately RMB659.4 million as at 31 March 2023, represented an increase of approximately RMB46.9 million or 7.7% as compared to approximately RMB612.5 million as at 31 December 2022. Such increase was mainly attributable to, among others, (i) the increase in deferred income tax liabilities of approximately RMB12.7 million; (ii) the rise in other payables and accruals of approximately RMB25.0 million; and (iii) the increase in current income tax liabilities of approximately RMB3.8 million.

As a result of the combination of movements of total assets and total liabilities of Target Company A highlighted above, the NAV attributable to the shareholders of the Target Company A recorded an increase of approximately RMB34.7 million or 5.4% from approximately RMB648.2 million as at 31 December 2022 to approximately RMB682.9 million as at 31 March 2023.

**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 Latest Practicable Date. 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 sq.m. and an aggregate GFA of approximately 94,970 sq.m.. Wuhan Capital Outlets has 292 retail shops with a leaseable area of approximately 48,050 sq.m. and around 1,267 car park spaces, and it commenced operations in April 2018.

Set out below is the key financial information on the Target Company B for each of the FY2020, FY2021 and FY2022 and 3M2022 and 3M2023 as extracted from Appendix II to the Circular, prepared in accordance with HKFRS:

**Table 5: Summarised financial results of Target Company B**

| | | | **Unaudited** | | |
|---|---|---|---|---|---|
| | **3M2023** | **3M2022** | **FY2022** | **FY2021** | **FY2020** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Revenue | 28,908 | 21,640 | 82,162 | 73,981 | 44,619 |
| Gross Profit | 22,684 | 16,431 | 59,583 | 51,234 | 25,446 |
| Profit before income tax | 258,838 | 22,460 | 52,068 | 59,530 | 13,727 |
| Profit for the year/period attributable to the shareholders of the Target Company B | 194,113 | 16,824 | 38,979 | 44,450 | 10,175 |

*Source: Appendix II to the Circular*

The revenue of Target Company B demonstrated an increasing trend for the three years ending FY2020, FY2021 and FY2022, registered an increase by approximately 65.8% from approximately RMB44.6 million for FY2020 to approximately RMB74.0 million for FY2021 and was further increased by approximately 11.1% to approximately RMB82.2 million for FY2022, such increase in revenue was mainly attributable to the increase in rental income generated from investment properties during the relevant period. The profit attributable to the shareholders of the Target Company B increased significantly by approximately 336.9% from approximately RMB10.2 million for FY2020 to approximately RMB44.5 million for FY2021, which was mainly due to the similar movement in other gains, primarily derived from the upward adjustment in fair value of investment properties held by Target Company B. The profit attributable to the shareholders of the Target Company B in FY2021 subsequently decreased by approximately 12.3% to approximately RMB39.0 million for FY2022, which was mainly due to the similar movement in other gains, primarily derived from the downward adjustment in fair value of investment properties held by Target Company B.

The revenue of the Target Company B increased by approximately 33.6% from approximately RMB21.6 million for 3M2022 to approximately RMB28.9 million for 3M2023. The profit attributable to the shareholders of the Target Company B increased significantly by approximately 1,053.8% from approximately RMB16.8 million for 3M2022 to RMB194.1 million for 3M2023. As advised by the Management, such increase in net profit was mainly attributable to the increase in other gains by approximately RMB229.7 million, primarily derived from the upward adjustment in fair value of investment properties held by Target Company B during 3M2023.

The following is a summary of the financial positions of Target Company B as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 March 2023, as extracted from Appendix II to the Circular:

**Table 6: Summarised financial position of Target Company B**

| | **Unaudited** | | | |
|---|---|---|---|---|
| | **As at 31 March** | **As at 31 December** | | |
| | **2023** | **2022** | **2021** | **2020** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Non-current assets | 1,029,356 | 788,917 | 778,917 | 738,929 |
| Current assets | 41,572 | 42,352 | 95,464 | 70,809 |
| Non-current liabilities | 181,439 | 116,809 | 130,960 | 134,806 |
| Current liabilities | 462,632 | 481,716 | 549,656 | 525,717 |
| NAV attributable to the shareholders of the Target Company B | 426,857 | 232,744 | 193,765 | 149,215 |

*Source: Appendix II to the Circular*

As at 31 March 2023, the total assets of the Target Company B were approximately RMB1,070.9 million, raised significantly by approximately RMB239.7 million or 28.8% as compared to approximately RMB831.3 million as at 31 December 2022. The increase in the total assets was mainly attributable to, among others, the increase in investment properties of approximately RMB241.0 million as a result of the upward fair value adjustment of certain investment properties.

The Target Company B's total liabilities were approximately RMB644.1 million as at 31 March 2023, represented an increase of approximately RMB45.5 million or 7.6% as compared to approximately RMB598.5 million as at 31 December 2022. Such increase was mainly attributable to, among others, the increase in deferred income tax liabilities of approximately RMB64.7 million.

As a result of the combination of movements of total assets and total liabilities of Target Company B highlighted above, the NAV attributable to the shareholders of the Target Company B recorded a significant rise of approximately RMB194.1 million or 83.4% from approximately RMB232.7 million as at 31 December 2022 to approximately RMB426.9 million as at 31 March 2023.

## 5. INDUSTRY PROSPECTS

As discussed in the 2022 Annual Report, the international geopolitical situation was turbulent with increased downside risk of the world economy in 2022. The domestic economy was impacted by multiple factors such as the sporadic and frequent outbreak of the Pandemic and extreme weather under the triple pressure of shrinking demand, reduction of supply and the expectation of weaker growth. The PRC government has risen to the challenges by tightening macroeconomic control and effectively dealing with the impact of unexpected factors, resulting in stable economic and social development in general. Set forth below is the gross domestic product ("**GDP**") of the PRC over the past six years:

**Table 7: GDP of the PRC (2017 to 2022)**

| | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** |
|---|---|---|---|---|---|---|
| GDP*(RMB billion)* | 83,203.59 | 91,928.11 | 98,651.52 | 101,356.70 | 114,923.70 | 121,020.72 |
| GDP growth rate *(%)* | 6.9 | 6.7 | 6.0 | 2.2 | 8.4 | 3.0 |

*Source: the National Bureau of Statistics of China (國家統計局) (the "**NBS**")*

As published by the NBS, the GDP of the PRC has experienced a year-on-year increase from approximately RMB83,203.6 billion in 2017 to approximately RMB121,020.7 billion in 2022, registered a compound annual growth rate ("**CAGR**") of approximately 6.4%. As complied by the NBS, the GDP growth rates of the PRC varied ranging from approximately 2.2% in 2020 to approximately 8.4% in 2021. During 2020, owing to the Pandemic, China recorded a low point in domestic GDP growth rates in recent years. The PRC economy rebounded swiftly in 2021 and achieved a GDP growth rate of approximately 8.4%. For 2022, GDP expanded approximately 3.0%, missing the official target of around 5.5%. Affected by the Pandemic in the fourth quarter of 2022 and the downturn in the property market, China's economic growth rate in 2022 fell short of expectations. In this regard, the market generally expects that the Chinese Government will introduce more economic stimulus measures in 2023.

Set forth below is the per capita disposable income ("**PCDI**") of residents in the PRC over the past six years:

**Table 8: Per capita disposable income of residents in the PRC (2017 to 2022)**

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| PCDI *(RMB)* | 25,974 | 28,228 | 30,733 | 32,189 | 35,128 | 36,883 |
| Growth rate *(%)* | 7.3% | 6.5% | 5.8% | 2.1% | 8.1% | 2.9% |

*Source: the NBS*

As extracted from the NBS, PCDI of residents in the PRC increased from approximately RMB25,974 in 2017 to approximately RMB36,883 in 2022, representing a CAGR of approximately 6.0%. Nevertheless, as calculated by NBS, the PCDI growth rates varied ranging from approximately 2.1% in 2020 to approximately 8.1% in 2021. Although the above figures demonstrated a continuing positive growth rate, we note that the trend of the PCDI growth rates were generally in line with the GDP growth rates as discussed above during the period from 2020 to 2022, which was inevitably affected by the Pandemic and the instability of the global environment.

According to 中國奧特萊斯行業白皮書 2022–2023 (China's Outlets Industry White Paper 2022–2023) (the "**Industry White Paper**") published in July 2023 issued by 中國百貨商業協會 (the China Commerce Association for General Merchandise), an association established in 1990 with the approval of 中華人民共和國民政部 (the Ministry of Civil Affairs of the PRC), the retail industry in the PRC was significantly impacted by the Pandemic. The outlets industry however outgrew against the broader market during 2022, with year-on-year growth approximately 8%, which is the best growth rate amongst all major industry sub-segments under the retail industry. The main driving forces, as explained by the Industry White Paper, were (i) the fact that the outlets industry grew from a small base of scale; (ii) the support from the growing middle-income population; and (iii) the improvement of purchasing power from the lower-tier markets/cities.

As noted in the Industry White Paper, the PRC currently has 226 operating outlets projects[2] of which generated a total sales revenue of approximately RMB210 billion. During 2022, 23 outlets opened, which represented an increase of approximately 11% by the number of outlets compared to that of 2021. Once again, such growth rate by the number of stores, is the highest amongst all major industry sub-segments under the retail industry during 2022. Notably, out of the 23 new outlets, 10 were opened in lower-tier cities, which accounted for almost half of the new outlets openings.

2 According to the Industry White Paper, it only counted those operating outlets projects that have a GFA of over 30,000 sq.m..

However, not all is positive for the prospect of the outlets industry, the Industry White Paper highlighted the following challenges faced by the outlets industry which include: (i) the supply of land parcels for the development of commercial properties has been shrinking in recent years; (ii) the intense competition amongst outlets, shopping malls and department stores is creating homogeneity at risk of the industry's sustainability; (iii) more online luxury goods sales has been generated on online and e-commerce platforms; (iv) the relaxation of travel restrictions worldwide in the post-Pandemic environment has diverted some domestic customer traffics to overseas shopping destinations; and (v) the outlets industry is suffering from talent drain which creates challenges to the innovation and development of the industry (collectively, the "**Inherent Challenges**").

Last but not least, as noted in "2023 China Consumer Insight and Market Outlook White Paper" (the "**Consumer White Paper**") issued by Deloitte China, the consumer confidence in China reached a low point in recent years which reflected a cautious attitude towards the economy and consumer trends. As further noted in the Consumer White Paper, consumers reduced their willingness to spend on non-essential items such as luxury goods, toys, alcohol and tobacco while the willingness to spend on staples such as food and beverage, personal care, and household goods remained strong. As represented in the Consumer White Paper, the decline in spending on non-essentials is mainly attributed to the impact of the Pandemic on consumers' willingness or need to go out and consumers' attitudes towards spending.

Based on the above, we are of the view that although the outlets industry outgrew the rest of the retail industry's sub-segments, the prospects of the industry are overshadowed by, among others, (i) the Inherent Challenges; (ii) the economic slowdown in the PRC economy; and (iii) the low consumer confidence level in recent years created an overall weak consumption environment for the retailing of non-essentials. We are of the view that the declines in revenue and the increase in the loss position of the Group for the FY2022 would have cautioned the Group to take decisive decisions to manage its financial positions and to ensure its operation is stable and sound during this difficult period.

## 6. REASONS FOR AND BENEFITS OF THE DISPOSALS

As set out in the above section headed "1. Background information of the Group", the Company was faced with a rise in total current liabilities to approximately RMB3,914.7 million as at 31 December 2022, representing a considerable increase of approximately 27.4% from approximately RMB3,073.3 million as at 31 December 2021. The increase was mainly attributable to a combination of factors being: (i) the drop in trade payables by approximately RMB175.7 million; and (ii) the surge in borrowings of approximately RMB918.7 million. As at 31 December 2022, the total borrowings of the Group due within one year and between one and two years amounted to approximately RMB1,314.3 million and RMB2,962.5 million respectively. Furthermore, as abovementioned that as at 31 December 2022, the total borrowings of the Company reached approximately RMB5,944.8 million coupled with the asset-backed securities schemes of approximately RMB5,292.3 million and other debts, whereas the cash and cash equivalents of the Group stood at approximately RMB1,137.7 million along with other restricted cash, the net debt therefore peaked at approximately RMB10,706.4 million. As a result of such increase in the Group's net debt for FY2022, the net gearing ratio of the Group reached approximately 244% as at 31 December 2022, represented a notably increase in net gearing ratio from 208% as at 31 December 2021. In this respect, although the Group has been able to receive ongoing financial support from Capital Group and BCL by way of financial guarantees on certain bank borrowings, the Group may potentially face pressure, in light of its existing internal financial resources, to meet its short-term obligations and to lower the size of interest-bearing borrowings.

As disclosed in the Letter from the Board, the Company considers that the Disposals represent a good opportunity for the Group to realise 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 approximately RMB1,502,118,800 and after deducting the aggregate NAV of the Target Companies as at 31 May 2023 prepared based on PRC GAAP of approximately RMB450,938,100 and the adjustments relating to HKFRS estimated to be approximately RMB783,785,900, the Disposals are 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). Most of the net proceeds from the Disposals will be used to repay part of the outstanding debts owed by the Group, the total liabilities of the Group are expected to decrease. We note this is of particular importance to the Company given the high net gearing ratio of the Company, the net proceeds from the Disposals can be allocated to repay the external outstanding debts owed by the Group which are expected to mature within the next 12 to 18 months.

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.

As stated in the Letter from the Board, the estimated net proceeds from the Disposals is approximately RMB1,952,867,700, of which (i) approximately RMB1,535,000,000 will be applied towards the repayment of the Group's indebtedness; and (ii) approximately RMB417,867,700 will be applied for general working capital purposes, including, without limitation, capital expenditure, repayment of trade payables and daily operation expenses.

With reference to the 2022 Annual Report, the Group will adopt diversified strategies and to steadily promote the strategic deployment of light assets, adopt diversified approaches such as management export, overall leasing and equity cooperation to implement light asset projects, realise the export of commercial management capabilities and brand resources, and further consolidate the Group's leading position in outlets industry while realising diversified revenue growth. In this regard, the Disposals would enable the Group to adopt the asset-light model consistently by selling some of its existing businesses for cash as the commercially viable option to increase its cash resources and to realise the intrinsic value of the Target Properties, and at the same time to facilitate the Group to pursue its strategic objective of transforming away from an asset heavy business model to an asset light business model focused on selected outlets projects. We consider that the Disposals are part of an overall strategy to facilitate the Group's transformation away from an asset heavy business model to the asset-light operation model. Pursuant to the Entrustment Agreements, typical of an asset-light operation model, the Group will continue to utilise its expertise and experience to manage the Target Properties and enhance the brand influence of the Group by way of providing property operation and management services to the Target Properties after Completion.

In light of the above and having considered in particular: (i) the Disposals would offer an exit strategy to allow the Group realise the intrinsic value of the Target Properties; (ii) the gearing of the Group is expected to improve with the utilisation of proceeds on the repayment of part of the outstanding debts owed by the Group; and (iii) the Disposals are in line with the Group's strategic objective of transforming away from asset heavy business model to an asset light business model focused on selected outlets projects, we consider the Equity Transfer Agreements, albeit not entered into in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

## 7. PRINCIPAL TERMS AND CONDITIONS OF THE EQUITY TRANSFER AGREEMENTS

Set out below are the principal terms and conditions of the Equity Transfer Agreements.

***Equity Transfer Agreement A***

| | |
|---|---|
| **Date:** | 10 July 2023 |
| **Parties:** | (a) Vendor A;<br>(b) Vendor B;<br>(c) Purchaser A; and<br>(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 of the Latest Practicable Date). |

**Consideration:**

The consideration for the entire equity interest of Target Company A based on the unaudited NAV and property valuation of Target Company A as at 31 May 2023 is RMB808,517,600, and the aggregate shareholder's loans owed by Target Company A to the Group as at the date of Completion is estimated to be approximately RMB157,092,800 as of the Latest Practicable Date. 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 of RMB808,517,600 was determined after arm's length negotiation between Purchaser A, Vendor A and Vendor B, which is based on the unaudited NAV of Target Company A as at 31 May 2023 prepared based on PRC GAAP of approximately RMB331,437,700 together with the adjustment of approximately RMB477,079,900 after, having taken into account of the valuation surplus for the Jinan Capital Outlets and related inventories arising from the property valuation of the Target Company A as at 31 May 2023 by the Independent Valuer.

**Conditions 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 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. 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 Latest Practicable Date, 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, assets and liabilities of Target Company A will no longer be consolidated in the Company's financial statements.

***Equity Transfer Agreement B***

**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 Latest Practicable Date).

**Consideration:** The consideration for the entire equity interest of Target Company B based on the unaudited NAV and property valuation of Target Company B as at 31 May 2023 is RMB693,601,200, and 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 is estimated to be approximately RMB327,053,500 as of the Latest Practicable Date. 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 of RMB693,601,200 was determined after arm's length negotiation between the Purchaser B, Vendor B and Vendor C, which is based on the unaudited NAV of Target Company B as at 31 May 2023 prepared based on PRC GAAP of approximately RMB119,500,400 together with the adjustment of approximately RMB574,100,800 after, having taken into account of the valuation surplus for the Wuhan Capital Outlets arising from the property valuation of the Target Company B as at 31 May 2023 by the Independent Valuer.

| | |
|---|---|
| **Conditions 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. The condition is incapable of being waived.<br><br>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 Latest Practicable Date, 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, assets and liabilities of Target Company B 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.

## 8. ANALYSIS ON THE FAIRNESS AND REASONABLENESS OF THE TOTAL CONSIDERATION

As set out in the Letter from the Board, the consideration for the entire equity interest of Target Company A was determined after arm's length negotiation between Purchaser A and Vendor A and Vendor B, which is based on the unaudited NAV and property valuation of Target Company A as at 31 May 2023 is RMB808,517,600, and the aggregate shareholder's loans owed by Target Company A to the Group as at the date of Completion is estimated to be approximately RMB157,092,800 as of the Latest Practicable Date. On the other hand 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 NAV and property valuation of Target Company B as at 31 May 2023 is RMB693,601,200, and 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 is estimated to be approximately RMB327,053,500 as of the Latest Practicable Date.

### I. Equity interest consideration

#### (a) *Determination of the consideration for the entire equity interests of the Target Companies*

We have discussed with the Management and assessed the components of each of the consideration for the entire equity interest of Target Company A and the consideration for the entire equity interest of Target Company B. We note such considerations are akin to the reassessed NAVs of each of Target Companies as at 31 May 2023. Set out below is the illustrative computations of the reassessed NAVs of each of the Target Companies having adjusted for the valuation surplus to reflect the market value of the properties held by the Target Companies as set out in the Property Valuation Report prepared by the Independent Valuer as set out in the Appendix IV to the Circular.

**Table 9: Computations of the reassessed NAVs of each of the Target Companies**

| **(i) Target Company A** | Approximate *(RMB'000)* |
|---|---|
| NAV attributable to the shareholders of Target Company A prepared based on PRC GAAP as at 31 May 2023 | 331,437.7 |
| Less: Carrying amount of the properties held by Target Company A as at 31 May 2023 prepared based on PRC GAAP as at 31 May 2023 | (524,053.0) |
| Add: Investment value of the properties held by Target Company A as at 31 May 2023 | 995,000.0 |
| Add: Miscellaneous revaluation surplus on certain inventories | 6,132.9 |
| **Reassessed NAV of Target Company A (i.e. the consideration for the entire equity interest of Target Company A)** | 808,517.6 |

| **(ii) Target Company B** | Approximate *(RMB'000)* |
|---|---|
| The NAV attributable to the shareholders of Target Company B prepared based on PRC GAAP as at 31 May 2023 | 119,500.4 |
| Less: Carrying amount of the properties held by Target Company B as at 31 May 2023 prepared based on PRC GAAP as at 31 May 2023 | (464,899.2) |
| Add: Investment value of the properties held by Target Company B as at 31 May 2023 | 1,039,000.0 |
| **Reassessed NAV of Target Company B (i.e. the consideration for the entire equity interest of Target Company B)** | 693,601.2 |

**(b) *Valuation on the Target Properties***

In assessing the fairness and reasonableness of the consideration for the entire equity interests of the Target Companies, we have primarily taken into account the appraised values of the Target Properties (the "**Property Valuations**") as at 31 May 2023 based on the Property Valuation Report prepared by the Independent Valuer as set out in the Appendix IV to the Circular. The following is a summary of the Target Properties:

**Table 10: Summary of the Property Valuations**

| **Address** | **Approximate total site area** *(sq.m.)* | **Investment value in existing state attributable to the Group as at 31 May 2023** *(RMB)* |
|---|---|---|
| Jinan Capital Outlets (held by Target Company A), West of Tangye East Road, North of Century Avenue, Tangye New Area, Licheng District, Jinan, Shandong Province, the PRC | 114,929.00 | 995,000,000 |
| Phase I of Wuhan Capital Outlets (held by Target Company B), East of Wuhan-Guangzhou High-speed Railway, North of Gaoxin 2nd Road, Donghu New Technology District, Wuhan, Hubei Province, the PRC | 89,755.75 | 1,039,000,000 |
| **Total:** | | 2,034,000,000 |

*Source: the Property Valuation Report*

For our due diligence purpose, we have reviewed and discussed with the Independent Valuer (i) the methodology of, and bases and assumptions adopted for the Property Valuations; (ii) the steps and due diligence measures taken by the Independent Valuer; and (iii) details of the comparable transactions and parameters adopted for the Property Valuations as set out in the Property Valuation Report in Appendix IV to the Circular.

We understand from the Independent Valuer that as the Target Properties are subject to non-alienation restrictions, in default of complete legitimate procedures or in lack of marketability such that market value is not applicable in the Property Valuations. Under this circumstance, the Property Valuations are conducted on the basis of investment value as the transactions involving similar scale of properties of the same nature and tenancy structure in the same district are not frequent. The investment method is a commonly adopted method for valuation of investment properties and such valuation method is undertaken by capitalising the net rental income of the real properties being held under existing tenancies with due allowance for the reversionary potential of the real properties. For the reversionary rent of the Target Properties, the Independent Valuer has mainly made reference to lettings within the subject property as well as other relevant comparable rental evidences of properties of similar use type, subject to appropriate adjustments including but not limited to size, location, accessibility, condition and environment, trade mix etc.. As the Target Properties are currently let to retail tenants and will continue to operate in the future, we therefore consider that the valuation methodology, bases and assumptions adopted in relation to the appraisal of the Target Properties by the Independent Valuer are reasonable and in line with market practice.

As discussed with the Independent Valuer, we understand that the investment values of the Target Properties are arrived at by capitalising the rental income derived from the existing tenancies, if any, with due provision for the reversionary potential of each constituent portion of the Target Properties at appropriate capitalisation rates. Upon expiries of the existing leases and for vacant units, the Independent Valuer will adopt market rent and capitalised at rates which are made reference to properties with similar features as the Target Properties during their respective useful life.

Furthermore, we also understand from the Independent Valuer that the adopted market rents were derived by analysing characteristics (i.e. size, property type, the number of floors and locality etc.) of the rental comparables obtained from market evidences. The Independent Valuer has adopted monthly market rents range from approximately RMB56.4 to RMB161.2 per sq.m. for Jinan Capital Outlets and from approximately RMB70.5 to RMB156.7 per sq.m. for Wuhan Capital Outlets. As confirmed by the Independent Valuer, the selected rental comparables are appropriate to be considered in the valuation of the Target Properties.

As advised by the Independent Valuer and pursuant to the Property Valuation Report, we understood that the capitalisation rates adopted are mainly based on the selection criteria of, among others, (i) analysis of yields of properties of similar use type after due adjustments. Such capitalisation rates are estimated by reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflects the type and quality of the properties, the expectation of the potential future rental growth, the capital appreciation and relevant risk factors; (ii) related in-house research reports in regards to capitalisation rates; and (iii) the capitalisation rates applied in the property valuation exercise undertaken by the Independent Valuer in relation to other outlets of the Group. As a result, the Independent Valuer has adopted a range of 6% to 6.5% for Jinan Capital Outlets and 6.5% for Wuhan Capital Outlets.

As set out in the Property Valuation Report, in arriving at the value of the Target Properties, the Independent Valuer has complied with the requirements set out in Chapter 5 and Practice Note 12 of the Listing Rules published by the Stock Exchange and the Hong Kong Institute of Surveyors (the "**HKIS**") Valuation Standards 2020 published by the HKIS.

Based on all of the foregoing, we concur with the Independent Valuer's view that: (i) the valuation methodologies adopted by the Independent Valuer are common and appropriate for determining the investment value of the Target Properties; and (ii) the bases and assumptions for the Property Valuations are customary bases and assumptions adopted in the investment method are fair and reasonable. Nevertheless, the Independent Shareholders should note that the Property Valuations involved certain valuation assumptions and therefore the appraised value of the Target Properties of RMB2,034 million as at 31 May 2023 may not reflect the exact transaction value of the Target Properties should they be sold in the market.

**(c)** ***Our due diligence work on the Independent Valuer***

For our due diligence purpose, we have interviewed the Independent Valuer and made enquiry into their experiences and qualifications. We understand that Ms. Grace S.M. Lam, the person in charge of the Property Valuations, has over 30 years of extensive experience in conducting valuation on similar assets as that of the Target Properties in various industry and locations. We understand that Ms. Lam is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors (General Practice Division) and Registered Professional Surveyor (General Practice). In view of the above, we consider that the Independent Valuer is qualified and possesses sufficient relevant experience in performing the Property Valuation.

The Independent Valuer has confirmed with us that it is independent from the Company, the parties to the Disposals and their respective core connected persons, close associates and associates. With respect to the steps and due diligence measures taken by the Independent Valuer in performing the Property Valuations, we note that the Independent Valuer mainly carried out its due diligence through on-site inspection, internal background check, management interviews and conducted its own proprietary research based on the key parameters adopted in the Property Valuations and has relied on publicly available information obtained through its own research as well as the financial information provided by the Management. We are advised by the Independent Valuer that it has assumed such information to be true, complete and accurate and has accepted it without verification.

We have also reviewed the terms of engagement of the Independent Valuer for the Property Valuations, in particular the appropriateness of the scope of work. We noted the scope of work performed by the Independent Valuer is consistent with the market practice and appropriate to give the opinion. Based on our review, we are not aware of any limitations on the scope of work which might have a negative impact on the degree of assurance given by the Property Valuation Report.

In light of the above, we are not aware of any matters that would cause us to question the Independent Valuer's expertise and independence and we consider that the Independent Valuer has sufficient expertise and in independent to perform the Property Valuations.

**II. Debt interest consideration**

Pursuant to the terms of the Equity Transfer Agreements, the Purchasers have agreed to acquire the shareholder's loans estimated to be approximately RMB484,146,300, owed by the Target Companies to the Group as at the Latest Practicable Date.

As at the date of Completion and as at the date when the Equity Transfer Agreement B becomes effective (as the case maybe, depending on the terms of the Equity Transfer Agreement A and the Equity Transfer Agreement B), the relevant shareholder's loans of the Target Companies will be assigned by the Vendors to the Purchasers on a dollar-to-dollar basis, taking into account the debt consideration have been determined with reference to the total amount of the debt of Target Companies owed to the Group at its face value on a dollar-to-dollar basis, we are of the view that the basis of the debt interest consideration is fair and reasonable.

**9. FINANCIAL EFFECTS OF THE DISPOSALS**

Upon Completion, the Group will cease to hold any interest in each of the Target Companies and each of the Target Companies will cease to the subsidiaries 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 Group following Completion.

The financial effects of the Disposals on the Group's earnings, working capital, gearing and NAV are set out below. Nevertheless, it should be noted that the analysis below is for illustrative purposes only and does not purport to represent the actual financial performance and position of the Group upon Completion. The actual amount of accounting gain or loss as a result of the Disposals will be assessed based on the financial position of the Target Companies as at Completion, and eventually be recognised in the audited consolidated financial statements of the Company.

***Earnings***

As stated in the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to the Circular, assuming the Disposals had taken place on 1 January 2022, the revenue of the Group will be reduced from approximately RMB1,124.1 million for FY2022 to approximately RMB969.9 million for the Remaining Group.

As discussed under the section headed "4. Background Information of the Target Companies", the Target Company A recorded a profit attributable to the shareholders of the Target Company A of approximately RMB140.8 million, RMB2.5 million and RMB43.7 million for FY2020, FY2021 and FY2022 respectively, whereas Target Company B was also profit making, registered a profit attributable to the shareholder of the Target Company B of approximately RMB10.2 million, RMB44.5 million and RMB39.0 million for FY2020, FY2021 and FY2022 respectively. Upon deconsolidating the Target Companies' financial results from the Group, it would nevertheless affect the future earnings of the Group in this respect. Independent Shareholders should note however a majority of the earnings attributable to the shareholders of Target Company A, and to a lesser extent, Target Company B during FY2020, FY2021 and FY2022, were attributed from the upward fair value adjustments of the investment properties held by the Target Companies which arguably may not be of a recurrent nature. Nevertheless, as set out in the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to the Circular, assuming the Disposals had taken place on 31 December 2022, it is estimated that the Company would record a net gain of approximately RMB431.1 million from the Disposals, which is one-off in nature, calculated based on subtracting the net assets of the Target Companies derecognised and estimated disposal costs attributed to the Disposals of the Target Companies as at 31 December 2022 from the aggregate consideration for the entire equity interest of the Target Companies of approximately RMB1,502.1 million while taking into account the estimated stamp duty and income tax expense in relation to the Disposals. The actual gain will be determined based on the net proceeds received, the financial position of the Target Companies at Completion and subject to the review and final audit by the auditors of the Company.

On a separate note, as stipulated under the Operations Entrustment Agreements, the Group will continue to provide property operation and management services to the Target Properties after Completion in return for a management fee of not more than: (i) RMB10.8 million, RMB11.1 million and RMB11.4 million payable by Target Company A for FY2023, FY2024 and FY2025 respectively; and (ii) RMB10.8 million, RMB11.1 million and RMB11.4 million payable by Target Company B for FY2023, FY2024 and FY2025 respectively, which would serve as an additional income stream of the Group.

***Working capital***

The Management expects that the net proceeds of the Disposals will be primarily utilised for the repayment of outstanding debt obligations maturing within the next 12 to 18 months and the remaining balance to fund the general working capital of the Group. Since the Total Consideration which amount to approximately RMB1,952.9 million will be settled in cash (on a pro rata basis) by the Purchasers and approximately RMB1,884.5 million (being the Total Consideration nett of transactions, stamp duty and relevant income tax expenses). According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to the Circular, assuming the Disposals had taken place on 31 December 2022, the Group's current assets would increase from approximately RMB4,357.5 million to approximately RMB6,131.6 million and hence its working capital position is expected to improve upon Completion.

***NAV***

According to the 2022 Annual Report, the NAV attributable to the Shareholders was approximately RMB4,339.1 million as at 31 December 2022. Given the unaudited NAV attributable to shareholders of the Target Company A and Target Company B was approximately RMB682.9 million and RMB426.9 million as at 31 March 2023 respectively. As discussed above, the consideration of entire equity interests of Target Company A and Target Company B will immediately increase the Group's cash position upon Completion. This is expected to allow the Group to recognise a net gain on the Disposals of approximately RMB431.1 million assuming the Disposals had taken place on 31 December 2022, and hence improve the Group's NAV. According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to the Circular, assuming the Disposals had taken place on 31 December 2022, the NAV attributable to the Shareholders would increase from approximately RMB4,339.1 million to approximately RMB4,770.3 million.

***Gearing***

According to the 2022 Annual Report, the net gearing ratio of the Group, calculated as net debt divided by total equity, net debt includes total bank and other borrowings, guaranteed notes (including current and non-current portions) and the asset-backed securities scheme, senior class (including current and non-current portions) and lease liabilities less cash and cash equivalents and restricted cash, was approximately 244% as at 31 December 2022 (208% as at 31 December 2021). It is expected by the Management that the Disposals will facilitate the Group to alleviate its financial burden through reduction of debt on its balance sheet and finance costs on its profit and loss statement. Accordingly, the Group's net gearing ratio is expected to be reduced following the completion of the Disposals from 244% as at 31 December 2022.

Based on the above analysis, we noted that the Disposals would have positive effects on Group's working capital, gearing and NAV.

## OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, in particular that:

(i) the net debt of the Group was approximate RMB10,706.4 million as at 31 December 2022 with a net gearing ratio of approximately 244% (31 December 2021: 208%). With such level of gearing, the Group was responsible for heavy finance expenses of approximately RMB509.2 million for FY2022 (FY2021: RMB503.0 million);

(ii) although the outlets industry outgrew the rest of the retail industry's sub-segments, the prospects of the industry are overshadowed by, among others, (i) the Inherent Challenges; (ii) the economic slowdown in the PRC economy; and (iii) the low consumer confidence level in recent years created an overall weak consumption environment for the retailing of non-essentials;

(iii) the Disposals would represent a good opportunity for the Group to realise the intrinsic value of the Target Properties to repay part of the external outstanding debts owed by the Group which will mature in the next 12 to 18 months, and to facilitate the Group to pursue its strategic objective of transforming away from an asset heavy business model to an asset light business model focused on selected outlets projects;

(iv) the Total Consideration is made up of (a) the consideration for the entire equity interest of Target Companies; and (b) the aggregate shareholder's loans owed by the Target Companies to the Group, whereby (a) the consideration for the entire equity interest of Target Companies was determined after arm's length negotiation amongst the parties, which is based on the unaudited NAV of the respective Target Companies as at 31 May 2023 prepared based on PRC GAAP, having taken into account of the Property Valuations of the Target Companies as at 31 May 2023 by the Independent Valuer, we consider the relevant appraised value was fairly appraised by the Independent Valuer under the Property Valuations for which we took comfort; and (b) the aggregate shareholder's loans owed by the Target Companies to the Group will be fairly determined based on a dollar-to-dollar basis; and

(v) the Disposals are expected to have positive effects on the Group's working capital, NAV and the gearing ratio,

we are of the view that although the entering into of the Equity Transfer Agreements is not in the ordinary and usual course of business of the Group, the terms of the Equity Transfer Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board

Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution approving the Equity Transfer Agreements and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
**Opus Capital Limited**
**Cheung On Kit Andrew**
*Executive Director*

*Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital Limited and is licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activity. Mr. Cheung has over 15 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.*

* *For identification purpose only*

## 1. CONSOLIDATED FINANCIAL STATEMENTS

Details of the financial information of the Group for each of the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 are disclosed in the following documents which have been published on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.bcgrand.com):

- annual report of the Group for the year ended 31 December 2022 published on 3 April 2023 (pages 69 to 163) (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0403/2023040303569.pdf);

- annual report of the Group for the year ended 31 December 2021 published on 25 March 2022 (pages 65 to 159) (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0325/2022032500594.pdf); and

- annual report of the Group for the year ended 31 December 2020 published on 1 April 2021 (pages 57 to 142) (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0401/2021040104717.pdf).

## 2. INDEBTEDNESS STATEMENT

At the close of business on 30 June 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had an aggregate outstanding borrowings of approximately RMB6,145,300,000 comprising:

(a) outstanding bank borrowings of approximately RMB2,645,300,000 among which RMB310,487,000 were secured by certain relevant investment properties; RMB904,075,000 were secured by certain relevant investment properties and guaranteed by the Company, BCL or Capital Group; RMB1,430,738,000 were guaranteed by the Company, BCL or Capital Group.

(b) outstanding other borrowings of approximately RMB3,500,000,000 which were guaranteed by the Company, BCL or Capital Group.

As at 30 June 2023, the Group had an aggregate outstanding lease liabilities of approximately RMB9,616,000.

As at 30 June 2023, the Group had an aggregate outstanding unsecured amount (exclude trading payables) due to related parties and minority shareholders of approximately RMB123,059,000.

On 9 December 2019, the Group issued an asset-backed securitization scheme known as Phase I ABS. The amortized cost of the scheme on 30 June 2023 was RMB2,698,709,000.

On 28 May 2021, the Group issued an asset-backed securitization scheme known as Phase II ABS. The amortized cost of the scheme on 30 June 2023 was RMB2,595,564,000.

On 27 April 2022, the Group issued an asset-backed securitization scheme known as China Life Scheme. The amortized cost of the scheme on 30 June 2023 was RMB1,344,897,000.

As at 30 June 2023, the Group provided guarantees amounted to RMB314,202,000 to secure repayments obligations of mortgage loan for certain customers.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, at the close of business on 30 June 2023, the Group did not have any outstanding loan capital, debt securities, bank over drafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases commitments or guarantees.

## 3. WORKING CAPITAL

In determining the sufficiency of the working capital of the Group, the Directors have assumed that the Group will be able to obtain a loan facility of RMB1,169,400,000 from a bank for a term of seven years. As at the Latest Practicable Date, the Group have not entered into any agreement in relation to such financing arrangements. According to a letter from the bank on 27 July 2023, the application for this facility is in progress and subject to final approval. Considering the business relationship with the bank, the Directors are of the opinion that the aforesaid financing arrangements will be granted to the Group in the near future and will be available to the Group for the remaining period of the next 12 months from the date of this circular.

Taking into account the expected completion of the Disposals and the financial resources available to the Group, including the internally generated funds and the available facilities, and based on the assumptions regarding financing arrangements as set out above, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

## 4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 5. VALUATION RECONCILIATION STATEMENT

The Company has engaged Cushman & Wakefield Limited, an independent professional valuer, to value the Target Properties and prepare the property valuation report, the text of which is set out in Appendix IV to this circular.

The table below sets forth the reconciliation of the book value of Jinan Capital Outlets as at 31 March 2023 as set out in Appendix II to this circular to the investment value of Jinan Capital Outlets as at 31 May 2023 as included in the valuation report in Appendix IV to this circular.

| | *RMB* |
|---|---|
| Book value of Jinan Capital Outlets as at 31 March 2023 as set out in Appendix II to this circular | 990,000,000 |
| Valuation surplus | 5,000,000 |
| Investment value of Jinan Capital Outlets as at 31 May 2023 as included in the valuation report in Appendix IV to this circular | 995,000,000 |

The table below sets forth the reconciliation of the book value of Wuhan Capital Outlets as at 31 March 2023 as set out in Appendix II to this circular to the investment value of Wuhan Capital Outlets as at 31 May 2023 as included in the valuation report in Appendix IV to this circular.

| | *RMB* |
|---|---|
| Book value of Wuhan Capital Outlets as at 31 March 2023 as set out in Appendix II to this circular | 1,028,000,000 |
| Valuation surplus | 11,000,000 |
| Investment value of Wuhan Capital Outlets as at 31 May 2023 as included in the valuation report in Appendix IV to this circular | 1,039,000,000 |

## 6. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Consumption is the "stabilizer" and "ballast" of the national economy, and boosting consumption and expanding domestic demand are also the important base for the State to further enhance the economic growth. The outlets industry is an important domestic retail consumption industry with the characteristics of strong resilience, high potential, vitality and counter-cyclical, and is expected to enjoy a faster recovery and growth.

The Remaining Group will closely follow the adjustment of national policies, seize the opportunity and innovate continuously. Based on the nature of business, we will grasp the customer needs for product, price, service and experience, focus on highlighting the shopping experience of "grand brand, low price, good service", enrich the consumption scenarios, build its competitive advantage, and continue to promote a series of IP marketing activities to maximize the shopping atmosphere. We will further study the consumer market, explore the potential needs of consumers, and continuously enrich the supply side. We will explore the integration of empowering business such as pet economy, outdoor socializing, trendy home furnishing and lifestyle with tea and coffee into the operation of outlets to provide valuable services to consumers. We will continue to strengthen the operation of private traffic and refine operations for members. Furthermore, we will complete the transformation from online shopping mall to member shopping mall, open up private community traffic, construct online retail channels, increase the members' benefits, expand the number of effective members, and continuously increase the loyalty, activity and repurchase rate of our members.

The Remaining Group will further deepen its transformation and upgrade from a real estate enterprise to a retail enterprise, strengthen its "profit-centered" business philosophy and "customer-centered" service philosophy, build an efficient and agile market-oriented commercial management team, and consolidate our base for long-term corporate development by focusing on merchandizing capability, operation capability, digitalization capability and innovation and development capability. Our leasing capability will focus on high conversion, high yield brand leasing, and upgrade international brand leasing and community commercial leasing, establish a more extensive and in-depth brand database, improve the analysis and judgment ability of investment investigation, and build an "iron army of leasing" with extremely strong capability. Operational capability will focus on value creation and environmental enhancement, improve fine-tuned and coordinated operational capability, and create a convenient and efficient business environment for tenants by always focusing on our "customer- centered" philosophy. Digitalization capability will focus on top-level system design, strengthen data governance, and gradually realize the enhancement of digitalization for consumers, products and outlets. Innovation and development capabilities will focus on scenarios, membership and marketing innovation, with emphasis on the application of new technologies and methods in the retail industry, the launch of new IP of Capital Outlets, and the exploration of a new business format of Internet celebrity live-streaming.

The Remaining Group will steadily promote the strategic deployment of light assets, adopt diversified approaches such as management export, overall leasing and equity cooperation to implement light asset projects, realize the export of commercial management capabilities and brand resources, and further consolidate the Group's leading position in outlets industry while realizing diversified revenue growth.

## 7. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Upon completion of the Disposals, the Company will no longer hold any interest in the Target Companies and each of the Target Companies will cease to be a subsidiary of the Company, and the financial results of the Target Companies will no longer be consolidated into the consolidated financial statements of the Company.

In addition, upon completion of the Disposals, the Remaining Group will continue to carry out its existing businesses and there will be no change to the principal business of the Remaining Group.

On this basis, the management discussion and analysis on the Remaining Group for the years ended 31 December 2020 ("**FY2020**"), 31 December 2021 ("**FY2021**") and 31 December 2022 ("**FY2022**") is set out below.

**BUSINESS REVIEW**

**For the year ended 31 December 2020**

During FY2020, with the newly added Kunming Capital Outlets, the Remaining Group had 10 investment properties with a total gross floor area of approximately 1,131,330 square meters in operation, and three investment properties with a total gross floor area of approximately 368,060 square meters expected to launch in FY2021 and FY2022. In addition, the Remaining Group had 5 development properties with aggregate unsold gross floor area of approximately 372,590 square meters. The Kunming Capital Outlets officially opened for business in December 2020 and achieved a customer traffic flow of more than 80,000 visits, sales of more than RMB15 million and a 80% member consumption rate on the first day of operations.

During FY2020, the Remaining Group's business was affected by multiple factors, such as the COVID-19 pandemic, the global recession and the external international situation becoming complex and severe. In particular, the outbreak of the COVID-19 pandemic in early 2020 had a huge impact on the retail industry, causing a significant drop in customer traffic and revenue of the physical retail industry in the short term, the retail enterprises have been under huge financial pressure.

Under the pressure of the COVID-19 pandemic, the Remaining Group actively responded and adopted various self-rescue measures and the Remaining Group's sales gradually returned to normal. The Remaining Group also implemented the government's new development for prevention and control, and actively responded to the government's call to help communities prevent epidemics, protect the needs of local residents and actively assumed corporate social responsibilities. The Remaining Group also effectively increased the sales and customer traffic and promoted the overall operation recovery of the projects by focusing on four major marketing systems, strengthening centralized holiday operation, enhancing off-season marketing, innovating community operation, empowering multi-dimensional IP, activating member potential and increasing contribution and repurchase rate of single customer. Further, the Remaining Group aimed to fully promote digitalization and activation of digital assets, and to integrate the membership management system and explore the potential of membership consumption.

**For the year ended 31 December 2021**

During FY2021, with the newly added Qingdao Capital Outlets and Nanning Capital Outlets, the Remaining Group had 12 investment properties with a total gross floor area of approximately 1,374,520 square meters in operation, and one investment property with a total gross floor area of approximately 124,870 square meters expected to launch in 2022. In addition, the Remaining Group had 5 development properties with aggregate unsold gross floor area of approximately 363,620 square meters. The Qingdao Capital Outlets and Nanning Capital Outlets officially opened for business in 2021. In particular, the Nanning Capital Outlets is the first authentic European-style outlets complex in Guanxi, targeting customers from all over Guangxi Province. The three days opening campaign of Nanning Capital Outlets achieved a customer traffic flow of more than 400,000 visits and sales of more than RMB34.86 million, breaking the sales record of the opening of commercial projects in Nanning and that of Capital Outlets.

During FY2021, the COVID-19 pandemic was generally under control in the PRC in 2021 and the economic development remained stable, however, the locally recurring pandemic hindered the growth of certain consumption sectors and the consumption had not recovered to pre-pandemic level. During FY2021, in order to stimulate consumption and build new patterns with 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 to drive the Chinese consumption market. In the same period, various local governments launched diverse policies of promoting consumption.

Certain stores of the Remaining Group experienced temporary closure and major sales promotion events were affected to some extent in FY2021. Nonetheless, with the strenuous efforts and dedication of all the employees, the Remaining Group had effectively enhanced the flexibility and resilience of sales under the normalization of the COVID-19 pandemic, thereby realize quick improvement of the overall results. The Remaining Group also launched unified marketing campaigns for Capital Outlets projects nationwide under the theme of "Come Together to Capital Outlets and Celebrate each Festival". Through these campaigns in different seasons and festivals, the Remaining Group achieved boosts in sales and customer traffic flow, broadened the marketing channels and consolidating the "loyal fans" base of Capital Outlets. The Remaining Group also responded to the changes in the retail market, it promoted the development of digital outlets and enhanced precise marketing capability through technological means. The Remaining Group also established the e-commerce platform for outlets business and developed the omni-channel model to promote marketing and consumption. During FY2021, the Remaining Group intensified its efforts in increasing revenue at lower costs while ensuring quality and improving efficiency The Remaining Group also 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.

**For the year ended 31 December 2022**

During FY2022, with the newly added Xiamen Capital Outlets, the Remaining Group had 13 investment properties with a total gross floor area of approximately 1,499,390 square meters in operation. In addition, the Remaining Group had 5 development properties with aggregate unsold gross floor area of approximately 341,530 square meters.

During FY2022, the domestic economy was affected by multiple factors such as the sporadic and frequent outbreak of the COVID-19 pandemic and extreme weather under the triple pressure of shrinking demand, reduction of supply and the expectation of weaker growth. The PRC government has risen to the challenges by tightening macroeconomic control and effectively dealing with the impact of unexpected factors, resulting in stable economic and social development in general.

The Remaining Group proactively adopted measures to soften the adverse impact of the COVID-19 pandemic and, whilst implementing safety measures for the COVID-19 pandemic, strengthened marketing innovation, paid close attention to product and discount management, tapped the potential of in-store customers, increased the rate of consecutive orders and associated purchase, and, in particular, seized the opportunity arising from the stabilization of the pandemic and the reopening after pandemic, and strengthen the unified marketing. The Remaining Group also worked together with the tenants and stepped up efforts to assist operations, and boosted the cooperation and confidence of the tenants with rent reduction. The Remaining continued to enrich its own IP unified marketing activities to enhance marketing and boost consumption. During FY2022, the Remaining Group also completed the renewal and upgrade of the membership system, established new member benefits, new member marketing and new member services, and the Remaining Group's total membership significantly increased in 2022 as compared with 2021. Further, in FY2022, Wanning Outlets, a project under the Remaining Group's entrusted management, was listed for sale at a better price, contributing to a better investment return for the owner (BCCDG). Through the Remaining Group's sound operation, the property value of Wanning Outlets was significantly improved.

## FINANCIAL REVIEW

### Segmental information

The Remaining 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.

A summary of the revenue and operating results of each business segment of the Remaining Group for the years ended 31 December 2020, 2021 and 2022 is as follows:

| | **Property development** *RMB'000* | **Investment property development and operation** *RMB'000* | **Sale of merchandise inventories** *RMB'000* | **Other Segment** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|---|
| *For the year ended 31 December 2020* | | | | | |
| Revenue | 134,268 | 558,771 | 244,513 | – | 937,552 |
| Segment operating profit/(loss) | 29,700 | 85,304 | 16,379 | (103,454) | 27,929 |
| *For the year ended 31 December 2021* | | | | | |
| Revenue | 148,161 | 766,220 | 278,800 | – | 1,193,181 |
| Segment operating profit/(loss) | 63,715 | 303,262 | 28,384 | (67,740) | 327,621 |
| *For the year ended 31 December 2022* | | | | | |
| Revenue | 46,737 | 700,209 | 210,566 | 12,413 | 969,925 |
| Segment operating profit/(loss) | (40,892) | 133,328 | 6,880 | (65,313) | 34,003 |

The revenue of the Remaining Group was approximately RMB937,552,000, RMB1,193,181,000 and RMB969,925,000 for FY2020, FY2021 and FY2022, respectively, which was mainly derived from the investment property development and operation business segment in each of the financial years. The revenue of the Remaining Group increased from approximately RMB937,552,000 in FY2020 by approximately 27.3% to approximately RMB1,193,181,000 in FY2021 mainly attributable to the increase in rental income as a result of the growth of sales performance from outlets during FY2021 while the rental income for FY2020 was relatively low as affected by the outbreak of COVID-19 pandemic. The revenue of the Remaining Group decreased from approximately RMB1,193,181,000 in FY2021 by approximately 18.7% to approximately RMB969,925,000 in FY2022 mainly attributable to the decrease in the rental income of the investment properties as affected by the outbreak of COVID-19 pandemic in FY2022 and the corresponding decrease of revenue from sales of goods and revenue from sales of properties.

The segment operating profit of the Remaining Group was approximately RMB27,929,000, RMB327,621,000 and RMB34,003,000 for FY2020, FY2021 and FY2022, respectively. The segment operating profit of the Remaining Group increased from approximately RMB27,929,000 in FY2020 by approximately 1,073.0% to approximately RMB327,621,000 in FY2021 mainly attributable to the increase in revenue and the control over expenditure. The segment operating profit of the Remaining Group decreased from approximately RMB327,621,000 in FY2021 by approximately 89.6% to approximately RMB34,003,000 in FY2022 mainly attributable to (i) the decrease of approximately 16% in the Remaining Group's total income from rental of investment properties, sale of properties and sale of goods in FY2022 as compared to FY2021; and (ii) the decrease of approximately 55% in the aggregate from the other net income in FY2022 as compared to FY2021.

**Liquidity and Financial Resources**

The Remaining Group has sufficient funds to meet its operating requirements. As at 31 December 2020, the Remaining Group's cash and cash equivalents and restricted cash totaled approximately RMB757,312,000, of which approximately RMB754,547,000, approximately RMB946,000 and approximately RMB1,819,000 were denominated in RMB, Hong Kong Dollar ("**HK$**") and US Dollar ("**US$**"), respectively. As at 31 December 2021, the Remaining Group's cash and cash equivalents amounted to approximately RMB693,874,000, approximately 99.8% of which were denominated in RMB and the remaining in HK$ and US$. As at 31 December 2022, the Remaining Group had total cash and cash equivalents and restricted cash of approximately RMB1,151,271,000, of which, approximately RMB1,150,549,000, approximately RMB690,000, approximately RMB32,000 are presented in RMB, Hong Kong dollars ("**HK$**") and United States dollars ("**US$**") respectively. Substantially all of the Remaining Group's cash and cash equivalents and restricted cash are deposited with creditworthy banks with no recent history of default.

The Remaining Group's current ratio was 0.55 as at 31 December 2020, 1.46 as at 31 December 2021 and 1.19 as at 31 December 2022.

As at 31 December 2020, the principal amount of the Remaining Group's interest-bearing debts totaled approximately RMB9,170,417,000, approximately 53.0% of which were non-current portion. As at 31 December 2021, the principal amount of the Remaining Group's interest-bearing debts totaled approximately RMB10,639,557,000, approximately 96.5% of which were non-current portion. As at 31 December 2022, the principal amount of interest-bearing debts of the Remaining Group amounted to approximately RMB11,816,241,000, of which approximately 89.1% was non-current portion. The main purpose of the interest-bearing debt was to meet the funding requirements for property development and construction, operation and business development.

The Remaining Group had a net gearing ratio of 169% as at 31 December 2020, 208% as at 31 December 2021 and 243% as at 31 December 2022. The net gearing ratio was calculated as net debt divided by total equity for the relevant financial year end. Net debt includes total bank and other borrowings, guaranteed notes (including current and non-current portions) and the asset-backed securities scheme, senior class (including current and non-current portions) and lease liabilities less cash and cash equivalents and restricted cash (as the case may be). The increase in the net gearing ratios was primarily due to the respective increase in the Remaining Group's net debt for the years ended 31 December 2021 and 31 December 2022.

**Changes in principal subsidiaries and major non-controlling interests**

The Remaining Group had no changes in major subsidiaries and major non-controlling interests during FY2020, FY2021 and FY 2022.

**Borrowings, guaranteed notes and asset-backed securities scheme**

As at 31 December 2020, the Remaining Group's borrowings from banks, related parties and other financing institutions were approximately RMB3,861,140,000. The borrowings from bank of approximately RMB591,504,000 were secured by the land use rights and the buildings and guaranteed by Beijing Capital Land Co., Ltd. ("**BCL**") or the Remaining Group. The borrowings from bank of approximately RMB604,696,000 were secured by the land use rights and guaranteed by BCL. The borrowings from bank and related parties of approximately RMB164,940,000 were credit borrowings. The borrowings from other financial institutions of approximately RMB2,500,000,000 were guaranteed by BCL.

As at 31 December 2021, the Remaining Group's borrowings from banks, related parties and other financial institutions totaled approximately RMB5,352,983,000. Of the total amount, approximately RMB1,429,993,000 was secured by land use rights or investment properties; of the total amount, approximately RMB5,297,196,000 was guaranteed by BCL or Capital Group.

As at 31 December 2022, the Remaining Group's borrowings from banks, related parties and other financial institutions amounted to approximately RMB5,855,859,000. Of the total amount, bank borrowings of RMB1,282,045,000 were secured by land use rights and buildings and guaranteed by BCL or the Remaining Group. Bank borrowings and related party borrowings of approximately RMB Nil were credit borrowings. Borrowings from other financial institutions of approximately RMB1,000,000,000 were guaranteed by BCL. Bank borrowings of approximately RMB1,368,479,000 were guaranteed by Capital Group. Borrowings from other financial institutions of approximately RMB2,200,000,000 were guaranteed by Capital Group.

In August 2018, the Remaining Group issued the three-year floating-rate guaranteed notes with a nominal value of US$400,000,000 (the "**Notes**"). The details of the Notes are set out in the Company's announcements dated 27 July 2018 and 2 August 2018. As at 31 December 2020, the amortised cost of the Remaining Group's Notes was approximately RMB2,612,936,000, including the current portion of RMB2,612,936,000 and the non-current portion of RMB Nil. The Notes were repaid in full in August 2021.

On 9 December 2019, the Remaining 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) (the "**Phase I ABS**") for the purpose of securitizing the two properties held by the Remaining 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 Remaining Group. The Subordinated Class ABS will not be listed. Details are set out in the Company's announcement dated 9 December 2019. The Phase I ABS remained in issuance as at 31 December 2020, 31 December 2021 and 31 December 2022.

On 28 May 2021, the Remaining 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) (the "**Phase II ABS**") for the purpose of securitizing the four properties held by the Remaining Group, namely the Hefei Capital Outlets, the Hangzhou Capital Outlets, the Jinan Capital Outlets (which is subject to the Disposals) 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, all of which were subscribed by qualified third party investors and are 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 RMB668,000,000 with no fixed coupon rate, all of which were subscribed by Hengsheng Huachuang. The Subordinated Class ABS will not be listed. Details are set out in the Company's announcement dated 28 May 2021. The Phase II ABS remained in issuance as at 31 December 2021 and 31 December 2022.

On 27 April 2022, the Remaining Group issued an asset-backed securitized product known as China Life Investment — BCG Outlets First Stage Asset Support Scheme (國壽投資 — 首創鉅大奧特萊斯第一期資產支持計劃) (the "**China Life Scheme**") for the purpose of issuing beneficiary certificates with a total principal amount of not more than RMB1,350,000,000. Under the Scheme, Hengsheng Huachuang (as the Scheme's originator) will provide loans to Chongqing BCG Outlets Properties Co., Ltd. (an indirect wholly-owned subsidiary of the Company) and Kunming Beijing Capital Outlets Commercial Operation Management Co., Ltd. (an indirect non wholly-owned subsidiary of the Company). The creditor's right and interests that Hengsheng Huachuang is entitled thereto will be used as the underlying assets for securitization under the Scheme for the purpose of raising funds for the Remaining Group's operation and development. As at 31 December 2022, the Remaining Group had issued asset-backed securities in the principal amount of RMB670,000,000 with a fixed coupon rate of 4.85% and a maturity term of three years. Details are set out in the Company's announcement dated 27 April 2022. The China Life Scheme remained in issuance as at 31 December 2022.

**Foreign exchange exposure**

Major subsidiaries of the Remaining Group operate in the PRC and most of the transactions are denominated in RMB. In August 2018, the Remaining Group had issued guaranteed notes with a face value of US$400,000,000. The Remaining Group had US$ denominated bank borrowings amounting to US$400,000,000 as at 31 December 2020, US$197,900,000 as at 31 December 2021 and US$197,700,000 as at 31 December 2022. Accordingly, the Remaining Group has entered into a cross interest rate swap agreements to manage the risk of US$ exchange rate fluctuations. In addition, certain of the Remaining Group's monetary assets and liabilities are denominated in HK$ and US$, the amount of which is not significant. Hence, it is expected that exchange rate fluctuations in FY2020, FY2021 and FY2022 will have no significant impact on the finance of the Remaining Group.

**Financial guarantees**

The Remaining Group provided guarantees in respect of the mortgage facilities granted by certain banks to purchasers of properties. The financial guarantees amounted to approximately RMB909,479,000 as at 31 December 2020, approximately RMB534,779,000 as at 31 December 2021 and approximately RMB647,176,000 as at 31 December 2022.

**Capital commitments**

The Remaining Group had capital commitments relating to the development properties under construction of approximately RMB86,981,000 as at 31 December 2020, approximately RMB423,204,000 as at 31 December 2021 and approximately RMB403,438,000 as at 31 December 2022. In addition, the Remaining Group had capital commitments relating to the investment properties under construction of approximately RMB476,489,000 as at 31 December 2020, approximately RMB51,977,000 as at 31 December 2021 and nil as at 31 December 2022.

**Significant investments, material acquisitions and disposals, and future plans for significant investment or acquisition of capital assets**

As at 31 December 2020, 31 December 2021 and 31 December 2022, the Remaining Group did not make any significant investment or material acquisition and disposal and has no future plans for significant investments or acquisitions of capital assets.

**Pledge of assets**

The total amount of the Remaining Group's pledge of investment properties and land use rights arising from borrowings was approximately RMB2,442,430,000 as at 31 December 2020, approximately RMB2,093,015,000 as at 31 December 2021 and approximately RMB2,807,921,000 as at 31 December 2022.

**Contingent liabilities**

As at 31 December 2020, 31 December 2021 and 31 December 2022, the Remaining Group did not have any material contingent liabilities.

**Human resources and remuneration policies**

As at 31 December 2020, the Remaining Group had 1,234 employees, of which 654 were male and 580 were female. For FY2020, the employee benefit expenses (excluding remunerations of Directors and the chief executive officer) of the Remaining Group amounted to approximately RMB188,835,000. The remuneration policy and package of the Remaining Group's employees are structured in accordance to market conditions, the performance, educational background and experience of individual employees as well as statutory requirements where appropriate. In addition, the Remaining Group also provides other staff benefits such as pension scheme, medical insurance scheme, unemployment insurance scheme, housing provident fund and share options to motivate and reward employees at all levels to meet the Remaining Group's business performance targets.

As at 31 December 2021, the Remaining Group employed 1,181 employees, of which 614 were male and 567 were female. For FY2021, the employee benefit expenses (excluding remunerations of Directors and the chief executive officer) of the Remaining Group amounted to approximately RMB197,525,000. The remuneration policy and package of the Remaining Group's employees are structured in accordance to market terms, individual employee performance, qualifications and experience and statutory requirements where appropriate. The Remaining 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 Remaining Group's business performance targets. In addition, the Remaining Group provided trainings, including professional skill training, and development programmes on an ongoing basis.

As at 31 December 2022, the Remaining Group employed 722 employees, of which 355 were male and 367 were female. For FY2022, the employee benefit expenses (excluding remunerations of Directors and the chief executive officer) of the Remaining Group amounted to approximately RMB183,373,000. The remuneration policy and package of the Remaining Group's employees are structured in accordance with market conditions, individual employee performance, qualifications and experience and statutory requirements where appropriate. The Remaining 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 Remaining Group's business performance targets. In addition, the Remaining Group provides trainings, including professional skill training, and development programmes on an ongoing basis.

## HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANIES

Set out below are the historical financial information of the Target Companies which comprise the statements of financial position of the Target Companies as at 31 December 2020, 2021 and 2022 and 31 March 2023, the statements of profit or loss, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the years ended 31 December 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023 (collectively, the "Historical Financial Information of the Target Companies").

The Historical Financial Information of the Target Companies has been prepared and presented in accordance with the basis of preparation set out in note 2 to the Historical Financial Information of the Target Companies on page II-10, and II-19 to II-20 of this circular and Rule 14.68(2)(a)(i)(A) of the Listing Rules and has been prepared by the directors of Beijing Capital Grand Limited (the "Company") solely for the purpose of inclusion in the circular to be issued by the Company in connection with the disposal of the Target Companies.

PricewaterhouseCoopers, the reporting accountant of the Company, was engaged to review the Historical Financial Information of the Target Companies set out on pages II-2 to II-20 of this circular in accordance with Hong Kong Standard on Review Engagements 2400 (Revised), Engagements to Review Historical Financial Statements issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with reference to Practice Note 750, Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal issued by the HKICPA.

A review of Historical Financial Information in accordance with HKSRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountant to obtain assurance that the reporting accountant would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountant does not express an audit opinion on the Historical Financial Information.

Based on the review of the Historical Financial Information of the Target Companies, nothing has come to the reporting accountant's attention that causes them to believe the Historical Financial Information of the Target Companies is not prepared, in all material respects, in accordance with the basis of preparation as set out in note 2 to the Historical Financial Information of the Target Companies.

## A. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY A

### STATEMENTS OF PROFIT OR LOSS

| | Unaudited | | | | |
|---|---|---|---|---|---|
| | Year ended 31 December | | | Three months ended 31 March | |
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue | 42,321 | 73,887 | 86,766 | 27,146 | 36,378 |
| Cost of sales | (16,545) | (15,730) | (2,958) | (5,780) | (6,931) |
| **Gross profit** | 25,776 | 58,157 | 83,808 | 21,366 | 29,447 |
| Other gains/(losses) — net | 189,549 | (258) | 60,635 | 29,431 | 46,466 |
| Other income | 343 | 236 | 180 | 50 | 51 |
| Selling and marketing expenses | (5,443) | (1,277) | – | – | – |
| Administrative expenses | (11,048) | (972) | (542) | (177) | (62) |
| **Operating profit** | 199,177 | 55,886 | 144,081 | 50,670 | 75,902 |
| Finance costs | (11,079) | (44,858) | (74,584) | (15,796) | (24,581) |
| **Profit before income tax** | 188,098 | 11,028 | 69,497 | 34,874 | 51,321 |
| Income tax expenses | (47,309) | (8,531) | (25,843) | (10,186) | (16,579) |
| **Profit for the year/period** | 140,789 | 2,497 | 43,654 | 24,688 | 34,742 |
| **Profit for the year/period attributable to owners of the Target Company A** | 140,789 | 2,497 | 43,654 | 24,688 | 34,742 |

**STATEMENTS OF COMPREHENSIVE INCOME**

| | Unaudited | | | | |
|---|---|---|---|---|---|
| | Year ended 31 December | | | Three months ended 31 March | |
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Profit for the year/period** | 140,789 | 2,497 | 43,654 | 24,688 | 34,742 |
| **Other comprehensive income for the year/period, net of tax** | – | – | – | – | – |
| **Total comprehensive income for the year/period** | 140,789 | 2,497 | 43,654 | 24,688 | 34,742 |
| **Total comprehensive income attributable to owners of the Target Company A** | 140,789 | 2,497 | 43,654 | 24,688 | 34,742 |

## STATEMENTS OF FINANCIAL POSITION

| | Unaudited | | | |
|---|---|---|---|---|
| | As at 31 December | | | As at 31 March |
| | 2020 | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 1,374 | 702 | 284 | 251 |
| Investment property | 914,000 | 914,000 | 944,000 | 990,000 |
| Intangible assets | 448 | 394 | 339 | 325 |
| Prepayments | 24,695 | 15,984 | 8,777 | 7,642 |
| **Total non-current assets** | 940,517 | 931,080 | 953,400 | 998,218 |
| **Current assets** | | | | |
| Inventories | 15,041 | 15,041 | 14,381 | 14,013 |
| Trade and other receivables and prepayments | 307,083 | 331,432 | 257,543 | 278,867 |
| Restricted cash | 210 | 6,077 | 10,644 | 12,288 |
| Cash and cash equivalents | 54,632 | 28,152 | 24,687 | 38,917 |
| **Total current assets** | 376,966 | 380,702 | 307,255 | 344,085 |
| **Total assets** | 1,317,483 | 1,311,782 | 1,260,655 | 1,342,303 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | 310,400 | – | – | – |
| Other payables | 5,079 | 433,021 | 430,658 | 429,614 |
| Deferred income tax liabilities | 43,868 | 80,642 | 103,170 | 115,851 |
| **Total non-current liabilities** | 359,347 | 513,663 | 533,828 | 545,465 |

| | Unaudited | | | |
|---|---|---|---|---|
| | As at 31 December | | | As at 31 March |
| | 2020 | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Current liabilities** | | | | |
| Trade payables | 157,355 | 114,174 | 12,002 | 15,626 |
| Other payables and accruals | 49,124 | 74,279 | 57,979 | 82,993 |
| Contract liabilities | 5,291 | 5,676 | 5,379 | 8,181 |
| Borrowings | 6,722 | – | – | – |
| Current income tax liabilities | 138,498 | – | 3,315 | 7,144 |
| **Total current liabilities** | 356,990 | 194,129 | 78,675 | 113,944 |
| **Total liabilities** | 716,337 | 707,792 | 612,503 | 659,409 |
| **Net assets** | 601,146 | 603,990 | 648,152 | 682,894 |
| **EQUITY** | | | | |
| **Equity attributable to owners of the Target Company A** | | | | |
| Share capital | 362,960 | 362,960 | 362,960 | 362,960 |
| Other reserves | 16,788 | 17,135 | 17,643 | 17,643 |
| Retained earnings | 221,398 | 223,895 | 267,549 | 302,291 |
| **Total equity** | 601,146 | 603,990 | 648,152 | 682,894 |
| **Total equity and liabilities** | 1,317,483 | 1,311,782 | 1,260,655 | 1,342,303 |

## STATEMENTS OF CHANGES IN EQUITY

| | Unaudited | | | |
|---|---|---|---|---|
| | Attributable to owners of the Target Company A | | | |
| | Share capital | Other reserves | Retained earnings | Total equity |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Balance at 1 January 2020** | 210,000 | 16,788 | 233,569 | 460,357 |
| Profit for the year | – | – | 140,789 | 140,789 |
| **Total comprehensive income for the year** | – | – | 140,789 | 140,789 |
| **Transactions with owners in their capacity as owners** | | | | |
| Capital injection from owners of the Target Company A | 152,960 | – | – | 152,960 |
| Dividends to shareholders of the Target Company A | – | – | (152,960) | (152,960) |
| **Transactions with owners in their capacity as owners** | 152,960 | – | (152,960) | – |
| **Balance at 31 December 2020** | 362,960 | 16,788 | 221,398 | 601,146 |
| **Balance at 1 January 2021** | 362,960 | 16,788 | 221,398 | 601,146 |
| Profit for the year | – | – | 2,497 | 2,497 |
| **Total comprehensive income for the year** | – | – | 2,497 | 2,497 |
| **Transactions with owners in their capacity as owners** | | | | |
| Capital injection from owners of the Target Company A | – | 347 | – | 347 |
| **Transactions with owners in their capacity as owners** | – | 347 | – | 347 |
| **Balance at 31 December 2021** | 362,960 | 17,135 | 223,895 | 603,990 |

| | Unaudited | | | |
|---|---|---|---|---|
| | Attributable to owners of the Target Company A | | | |
| | **Share capital** | **Other reserves** | **Retained earnings** | **Total equity** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Balance at 1 January 2022** | 362,960 | 17,135 | 223,895 | 603,990 |
| Profit for the year | – | – | 43,654 | 43,654 |
| **Total comprehensive income for the year** | – | – | 43,654 | 43,654 |
| **Transactions with owners in their capacity as owners** | | | | |
| Capital injection from owners of the Target Company A | – | 508 | – | 508 |
| **Transactions with owners in their capacity as owners** | – | 508 | – | 508 |
| **Balance at 31 December 2022** | 362,960 | 17,643 | 267,549 | 648,152 |
| **Balance at 1 January 2022** | 362,960 | 17,135 | 223,895 | 603,990 |
| Profit for the year | – | – | 24,688 | 24,688 |
| **Total comprehensive income for the year** | – | – | 24,688 | 24,688 |
| **Transactions with owners in their capacity as owners** | | | | |
| Capital injection from owners of the Target Company A | – | 508 | – | 508 |
| **Transactions with owners in their capacity as owners** | – | 508 | – | 508 |
| **Balance at 31 March 2022** | 362,960 | 17,643 | 248,583 | 629,186 |
| **Balance at 1 January 2023** | 362,960 | 17,643 | 267,549 | 648,152 |
| Profit for the period | – | – | 34,742 | 34,742 |
| **Total comprehensive income for the period** | – | – | 34,742 | 34,742 |
| **Balance at 31 March 2023** | 362,960 | 17,643 | 302,291 | 682,894 |

## STATEMENTS OF CASH FLOWS

| | Unaudited | | | | |
|---|---|---|---|---|---|
| | Year ended 31 December | | | Three months ended 31 March | |
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 3,523 | 90,176 | 80,656 | 18,846 | 67,667 |
| Income tax paid | (38,043) | (141,414) | – | – | (69) |
| **Net cash (used in)/generated from operating activities** | (34,520) | (51,238) | 80,656 | 18,846 | 67,598 |
| **Cash flows from investing activities** | | | | | |
| Purchases of property, plant and equipment | (97) | – | – | – | – |
| Additions of investment property | (42,601) | (51,303) | (56,012) | (50,000) | (2,408) |
| Purchases of intangible assets | (18) | – | – | – | – |
| Amounts provided to fellow subsidiaries | (332,000) | (314,141) | (101,000) | (46,000) | (142,000) |
| Repayment from fellow subsidiaries | 112,600 | 318,000 | 146,000 | 93,000 | 120,000 |
| **Net cash used in investing activities** | (262,116) | (47,444) | (11,012) | (3,000) | (24,408) |
| **Cash flows from financing activities** | | | | | |
| Loan from a related party | – | 428,500 | – | – | – |
| New bank borrowings | 320,000 | – | – | – | – |
| Repayments of bank borrowings | (3,200) | (316,800) | – | – | – |
| Advances from a related party | – | 4,787 | – | – | 599 |
| Interest paid on bank borrowings | (10,967) | (8,326) | – | – | – |
| Interest paid to a related party | – | (35,959) | (72,108) | (29,498) | (29,559) |
| Repayments of advances from a related party | – | – | (1,001) | (714) | – |
| **Net cash generated from/(used in) financing activities** | 305,833 | 72,202 | (73,109) | (30,212) | (28,960) |
| Net increase/(decrease) in cash and cash equivalents | 9,197 | (26,480) | (3,465) | (14,366) | 14,230 |
| Cash and cash equivalents at the beginning of the year/period | 45,435 | 54,632 | 28,152 | 28,152 | 24,687 |
| **Cash and cash equivalents at the end of the year/period** | 54,632 | 28,152 | 24,687 | 13,786 | 38,917 |

## A. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1 General information

Jinan Shouju Real Estate Ltd. (the "Target Company A" or "Jinan Shouju") is a limited liability company incorporated in Room 401, Building 1-1, Shouchuang Outlets, No. 7181 Century Avenue, Tangye Street, Licheng District, Jinan City, Shandong Province,the People's Republic of China ("PRC") on 1 August 2016. Jinan Shouju is principally engaged in commercial property development with a focus on the development, operation and management of outlets-backed commercial integrated project in Jinan Province, the PRC.

The indirect holding company of Jinan Shouju is Beijing Capital Grand Limited (首創鉅大有限公司) (the "Company"), 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.

In the opinion of the directors, the ultimate holding company of Jinan Shouju is Beijing Capital Group Ltd. ("Capital Group"), a state-owned enterprise established in the People's Republic of China (the "PRC") and is wholly owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

The Company is planning to dispose the entire equity interest of the Target Company A to the purchaser Jinan Commercial Management Co., Ltd. (濟南首城商業管理有限公司) (the "Disposal"). This financial information of the Target Company A comprising the unaudited statements of profit or loss, statements of comprehensive income, statements of financial position, statements of changes in equity and statements of cash flows and explanatory notes (collectively the "Historical Financial Information"), which has been prepared to present the financial information of the Target Company A solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Disposal.

Items included in the Historical Financial Information of the Target Company A is measured using the currency of the primary economic environment in which the entity operates (the "functional currency"), which is Renminbi. All values are rounded to the nearest thousand unless otherwise stated.

**2 Basis of preparation**

The Historical Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule") and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Proposed Disposal. It does not contain sufficient information which constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It should be read in connection with the annual report of the Company for the year ended 31 December 2022.

The Historical Financial Information of the Target Company A has been prepared in accordance with the accounting policies adopted by the Company as set out in the annual report of the Company for the year ended 31 December 2022. Except as described below, these policies have been consistently applied to all the years presented.

**(i)** ***New and amended standards adopted by the Target Company A***

The following new standards and amendments are mandatory for the financial year beginning on 1 January 2023 and are applicable for the Target Company A:

- HKFRS 17 Insurance Contracts
- Disclosure of Accounting Policies — Amendments to HKAS 1 and HKFRS Practice Statement 2
- Definition of Accounting Estimates — Amendments to HKAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to HKAS 12

The adoption of these new standards and amendments has no significant impact to this Historical Financial Information.

**(ii)** ***New amended standards not yet adopted***

Certain new amended standards have been published that are not mandatory for 31 March 2023 reporting periods and have not been early adopted by the Target Company A. These standards are not expected to have a material impact on the Target Company A in the current or future reporting periods and on foreseeable future transactions.

## B. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY B

### STATEMENTS OF PROFIT OR LOSS

| | Year ended 31 December | | | Unaudited<br>Three months ended 31 March | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue | 44,619 | 73,981 | 82,162 | 21,640 | 28,908 |
| Cost of sales | (19,173) | (22,747) | (22,579) | (5,209) | (6,224) |
| **Gross profit** | 25,446 | 51,234 | 59,583 | 16,431 | 22,684 |
| Other gains — net | 15,570 | 36,743 | 11,958 | 11,393 | 241,052 |
| Other income | 166 | 128 | 273 | 34 | 114 |
| Selling and marketing expenses | (9,047) | (7,880) | (5,712) | (1,141) | (1,701) |
| Administrative expenses | (11,803) | (14,575) | (8,859) | (2,901) | (2,301) |
| **Operating profit** | 20,332 | 65,650 | 57,243 | 23,816 | 259,848 |
| Finance costs | (6,605) | (6,120) | (5,175) | (1,356) | (1,010) |
| **Profit before income tax** | 13,727 | 59,530 | 52,068 | 22,460 | 258,838 |
| Income tax expenses | (3,552) | (14,980) | (13,089) | (5,636) | (64,725) |
| **Profit for the year/period** | 10,175 | 44,550 | 38,979 | 16,824 | 194,113 |
| **Profit for the year/period attributable to owners of the Target Company B** | 10,175 | 44,550 | 38,979 | 16,824 | 194,113 |

## STATEMENTS OF COMPREHENSIVE INCOME

| | Unaudited | | | | |
|---|---|---|---|---|---|
| | Year ended 31 December | | | Three months ended 31 March | |
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Profit for the year/period** | 10,175 | 44,550 | 38,979 | 16,824 | 194,113 |
| **Other comprehensive income for the year/period, net of tax** | – | – | – | – | – |
| **Total comprehensive income for the year/period** | 10,175 | 44,550 | 38,979 | 16,824 | 194,113 |
| **Total comprehensive income attributable to owners of the Target Company B** | 10,175 | 44,550 | 38,979 | 16,824 | 194,113 |

**STATEMENTS OF FINANCIAL POSITION**

| | Unaudited | | | |
|---|---|---|---|---|
| | As at 31 December | | | As at 31 March |
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 1,143 | 727 | 503 | 461 |
| Investment property | 733,000 | 775,000 | 787,000 | 1,028,000 |
| Intangible assets | 280 | 305 | 236 | 219 |
| Prepayments | 4,506 | 2,885 | 1,178 | 676 |
| **Total non-current assets** | 738,929 | 778,917 | 788,917 | 1,029,356 |
| **Current assets** | | | | |
| Trade and other receivables and prepayments | 28,177 | 19,259 | 18,589 | 9,216 |
| Cash and cash equivalents | 42,632 | 76,205 | 23,763 | 32,356 |
| **Total current assets** | 70,809 | 95,464 | 42,352 | 41,572 |
| **Total assets** | 809,738 | 874,381 | 831,269 | 1,070,928 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | 109,000 | 88,800 | 64,400 | 64,400 |
| Other payables | 3,848 | 5,222 | 2,382 | 2,287 |
| Deferred income tax liabilities | 21,958 | 36,938 | 50,027 | 114,752 |
| **Total non-current liabilities** | 134,806 | 130,960 | 116,809 | 181,439 |

| | Unaudited | | | |
|---|---|---|---|---|
| | As at 31 December | | | As at 31 March |
| | 2020 | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Current liabilities** | | | | |
| Trade payables | 40,312 | 6,605 | 6,948 | 6,334 |
| Other payables and accruals | 468,193 | 522,659 | 450,242 | 431,755 |
| Contract liabilities | 38 | 39 | 8 | 31 |
| Borrowings | 17,174 | 20,353 | 24,518 | 24,512 |
| **Total current liabilities** | 525,717 | 549,656 | 481,716 | 462,632 |
| **Total liabilities** | 660,523 | 680,616 | 598,525 | 644,071 |
| **Net assets** | 149,215 | 193,765 | 232,744 | 426,857 |
| **EQUITY** | | | | |
| **Equity attributable to owners of the Target Company B** | | | | |
| Share capital | 100,241 | 100,241 | 100,241 | 100,241 |
| Retained earnings | 48,974 | 93,524 | 132,503 | 326,616 |
| **Total equity** | 149,215 | 193,765 | 232,744 | 426,857 |
| **Total equity and liabilities** | 809,738 | 874,381 | 831,269 | 1,070,928 |

## STATEMENTS OF CHANGES IN EQUITY

| | Unaudited | | |
|---|---|---|---|
| | Attributable to owners of the Target Company B | | |
| | Share capital *RMB'000* | Retained earnings *RMB'000* | Total equity *RMB'000* |
| **Balance at 1 January 2020** | 100,241 | 38,799 | 139,040 |
| Profit for the year | – | 10,175 | 10,175 |
| **Total comprehensive income for the year** | – | 10,175 | 10,175 |
| **Balance at 31 December 2020** | 100,241 | 48,974 | 149,215 |
| **Balance at 1 January 2021** | 100,241 | 48,974 | 149,215 |
| Profit for the year | – | 44,550 | 44,550 |
| **Total comprehensive income for the year** | – | 44,550 | 44,550 |
| **Balance at 31 December 2021** | 100,241 | 93,524 | 193,765 |
| **Balance at 1 January 2022** | 100,241 | 93,524 | 193,765 |
| Profit for the year | – | 38,979 | 38,979 |
| **Total comprehensive income for the year** | – | 38,979 | 38,979 |
| **Balance at 31 December 2022** | 100,241 | 132,503 | 232,744 |
| **Balance at 1 January 2022** | 100,241 | 93,524 | 193,765 |
| Profit for the period | – | 16,824 | 16,824 |
| **Total comprehensive income for the period** | – | 16,824 | 16,824 |
| **Balance at 31 March 2022** | 100,241 | 110,348 | 210,589 |
| **Balance at 1 January 2023** | 100,241 | 132,503 | 232,744 |
| Profit for the period | – | 194,113 | 194,113 |
| **Total comprehensive income for the period** | – | 194,113 | 194,113 |
| **Balance at 31 March 2023** | 100,241 | 326,616 | 426,857 |

## STATEMENTS OF CASH FLOWS

| | Unaudited | | | | |
|---|---|---|---|---|---|
| | Year ended 31 December | | | Three months ended 31 March | |
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cash flows from operating activities** | | | | | |
| Cash generated from/(used in) operations | 29,876 | 59,524 | 43,265 | (2,476) | 26,781 |
| Income tax paid | – | – | – | – | – |
| **Net cash generated from/(used in) operating activities** | 29,876 | 59,524 | 43,265 | (2,476) | 26,781 |
| **Cash flows from investing activities** | | | | | |
| Purchases of property, plant and equipment | (434) | (168) | (40) | – | – |
| Additions of investment property | (8,636) | (46,670) | (1,229) | (500) | (383) |
| Purchases of intangible assets | (92) | (94) | – | – | – |
| Proceeds from sale of investment property | – | – | – | – | 3,211 |
| Amounts provided to a related party | – | – | (8,000) | (8,000) | – |
| Repayment from a related party | – | – | – | – | 8,000 |
| **Net cash (used in)/generated from investing activities** | (9,162) | (46,932) | (9,269) | (8,500) | 10,828 |

| | | | | Unaudited | |
|---|---|---|---|---|---|
| | Year ended 31 December | | | Three months ended 31 March | |
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cash flows from financing activities** | | | | | |
| Repayments of borrowings | (4,000) | (17,000) | (20,200) | – | – |
| Funds from related parties | 218,000 | 618,000 | 247,658 | 141,000 | 90,000 |
| Repayments of funds from related parties | (210,000) | (574,000) | (308,658) | (102,000) | (118,000) |
| Interest paid on bank borrowings | (6,764) | (6,019) | (5,173) | (1,335) | (1,016) |
| Interest paid to a related party | – | – | (65) | – | – |
| **Net cash (used in)/generated from financing activities** | (2,764) | 20,981 | (86,438) | 37,665 | (29,016) |
| Net increase/(decrease) in cash and cash equivalents | 17,950 | 33,573 | (52,442) | 26,689 | 8,593 |
| Cash and cash equivalents at the beginning of the year/period | 24,682 | 42,632 | 76,205 | 76,205 | 23,763 |
| **Cash and cash equivalents at the end of the year/period** | 42,632 | 76,205 | 23,763 | 102,894 | 32,356 |

## B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1 General information

Wuhan Capital Juda Outlets Business Management Limited (武漢首創鉅大奧萊商業管理有限公司)("Wuhan Outlets") is a limited liability company incorporated in No. 139, Gaoxin Second Road, Donghu New Technology Development Zone, Wuhan, the People's Republic of China ("PRC") on 18 December 2015. Wuhan Outlets is principally engaged in commercial property development with a focus on the development, operation and management of outlets-backed commercial integrated projects in Wuhan, the PRC.

The indirect holding company of Wuhan Outlets is Beijing Capital Grand Limited (首創鉅大有限公司) (the "Company"), 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.

In the opinion of the directors, the ultimate holding company of Wuhan Outlets is Beijing Capital Group Ltd. ("Capital Group"), a state-owned enterprise established in the PRC and is wholly owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

The Company is planning to dispose the entire equity interest of the Target Company B to the purchaser Wuhan Commercial Management Co., Ltd. (武漢市首城商業管理有限公司)(the "Disposal"). This financial information of the Target Company B comprising the unaudited statements of profit or loss, statements of comprehensive income, statements of financial position, statements of changes in equity and statements of cash flows and explanatory notes (collectively the "Historical Financial Information"), which has been prepared to present the financial information of the Target Company B solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Disposal.

Items included in the Historical Financial Information of the Target Company B is measured using the currency of the primary economic environment in which the entity operates (the "functional currency"), which is Renminbi. All values are rounded to the nearest thousand unless otherwise stated.

## 2 Basis of preparation

The Historical Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule") and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Proposed Disposal. It does not contain sufficient information which constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It should be read in connection with the annual report of the Company for the year ended 31 December 2022.

The Historical Financial Information of the Target Company B has been prepared in accordance with the accounting policies adopted by the Company as set out in the annual report of the Company for the year ended 31 December 2022. Except as described below, these policies have been consistently applied to all the years presented.

### (i) *New and amended standards adopted by the Target Company B*

The following new standards and amendments are mandatory for the financial year beginning on 1 January 2023 and are applicable for the Target Company B:

- HKFRS 17 Insurance Contracts
- Disclosure of Accounting Policies — Amendments to HKAS 1 and HKFRS Practice Statement 2
- Definition of Accounting Estimates — Amendments to HKAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to HKAS 12

The adoption of these new standards and amendments has no significant impact to this Historical Financial Information.

### (ii) *New amended standards not yet adopted*

Certain new amended standards have been published that are not mandatory for 31 March 2023 reporting periods and have not been early adopted by the Target Company B. These standards are not expected to have a material impact on the Target Company B in the current or future reporting periods and on foreseeable future transactions.

*Going Concern basis*

As of 31 December 2020, 2021 and 2022 and 31 March 2023, the Target Company B's current liabilities exceeded the current assets of RMB454,908,000, RMB454,192,000, RMB439,364,000 and RMB421,060,000. The Company and Beijing Capital City Development Group Co., Ltd., the Target Company B's indirect holding company, has provided financial support for the Target Company B's continuing operations to make a commitment that the Target Company B will be guaranteed to repay its due debt within 12 months from 31 March 2023, and will not scale down its operations on a large scale and will continue to operate. The Target Company B therefore continues to adopt the going concern basis in preparing the Historical Financial Information.

## 1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is an illustrative unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group (the ''Unaudited Pro Forma Financial Information''), which have been prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Disposals as if it had taken place on 31 December 2022 for the unaudited pro forma consolidated statement of financial position and 1 January 2022 for the unaudited pro forma consolidated statements of profit or loss, comprehensive income and cash flows.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position, financial performance or cash flows of the Remaining Group had the Disposal been completed on 31 December 2022 for the financial position or 1 January 2022 for the financial performance and cash flows or at any future date.

## UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Consolidated Statement of financial position of the Group as at 31 December 2022 | Pro forma adjustments | | | | Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2022 |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 1)* | *(Note 2(a))* | *(Note 2(b))* | *(Note 2(c))* | *(Note 2(d))* | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 182,827 | (284) | (503) | – | – | 182,040 |
| Right-of-use assets | 10,694 | – | – | – | – | 10,694 |
| Long-term prepaid expenses | 65,704 | – | – | – | – | 65,704 |
| Investment properties | 14,725,509 | (944,000) | (787,000) | – | – | 12,994,509 |
| Intangible assets and lease prepayment | 34,555 | (339) | (236) | – | – | 33,980 |
| Investments accounted for using the equity method | 299,185 | – | – | – | – | 299,185 |
| Derivative financial assets | 105,386 | – | – | – | – | 105,386 |
| Trade and other receivables and prepayments | 28,923 | (8,777) | (1,178) | – | – | 18,968 |
| **Total non-current assets** | 15,452,783 | (953,400) | (788,917) | – | – | 13,710,466 |
| **Current assets** | | | | | | |
| Inventories | 2,690,328 | (14,381) | – | – | – | 2,675,947 |
| Incremental costs of obtaining a contract | 7,787 | – | – | – | – | 7,787 |
| Trade and other receivables and prepayments | 449,030 | (257,543) | (18,589) | 239,168 | – | 412,066 |
| Restricted cash | 72,705 | (10,644) | – | – | – | 62,061 |
| Cash and cash equivalents | 1,137,660 | (24,687) | (23,763) | – | 1,884,500 | 2,973,710 |
| **Total current assets** | 4,357,510 | (307,255) | (42,352) | 239,168 | 1,884,500 | 6,131,571 |
| **Total assets** | 19,810,293 | (1,260,655) | (831,269) | 239,168 | 1,884,500 | 19,842,037 |
| **Non-current liabilities** | | | | | | |
| Borrowings | 4,630,476 | – | (64,400) | – | – | 4,566,076 |
| Lease liabilities | 8,735 | – | – | – | – | 8,735 |
| Other payables and accruals | 5,959,018 | (430,658) | (2,382) | 428,500 | | 5,954,478 |
| Deferred income tax liabilities | 903,898 | (103,170) | (50,027) | – | – | 750,701 |
| **Total non-current liabilities** | 11,502,127 | (533,828) | (116,809) | 428,500 | – | 11,279,990 |

| | Consolidated Statement of financial position of the Group as at 31 December 2022 | Pro forma adjustments | | | | Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2022 |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 1)* | *(Note 2(a))* | *(Note 2(b))* | *(Note 2(c))* | *(Note 2(d))* | |
| **Current liabilities** | | | | | | |
| Trade payables | 1,835,198 | (12,002) | (6,948) | – | – | 1,816,248 |
| Other payables and accruals | 363,653 | (57,979) | (450,242) | 383,140 | | 238,572 |
| Contract liabilities | 319,165 | (5,379) | (8) | – | – | 313,778 |
| Borrowings | 1,314,301 | – | (24,518) | – | – | 1,289,783 |
| Lease liabilities | 2,861 | – | – | – | – | 2,861 |
| Current income tax liabilities | 79,513 | (3,315) | – | – | – | 76,198 |
| **Total current liabilities** | 3,914,691 | (78,675) | (481,716) | 383,140 | – | 3,737,440 |
| **Total liabilities** | 15,416,818 | (612,503) | (598,525) | 811,640 | – | 15,017,430 |
| **Net current assets** | 442,819 | (228,580) | 439,364 | (143,972) | 1,884,500 | 2,394,131 |
| **Total assets less current liabilities** | 15,895,602 | (1,181,980) | (349,553) | (143,972) | 1,884,500 | 16,104,597 |
| **Equity attributable to owners of the Company** | | | | | | |
| Share capital | 16,732 | – | – | – | – | 16,732 |
| Perpetual convertible bond securities | 945,755 | – | – | – | – | 945,755 |
| Reserves | 3,237,543 | – | – | – | – | 3,237,543 |
| Retained earnings | 139,094 | – | – | – | 431,132 | 570,226 |
| **Non-controlling interests** | 54,351 | – | – | – | – | 54,351 |
| **Total equity** | 4,393,475 | – | – | – | 431,132 | 4,824,607 |
| **Total equity and liabilities** | 19,810,293 | (612,503) | (598,525) | 811,640 | 431,132 | 19,842,037 |

## UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Consolidated statement of profit or loss of the Group for the year ended 31 December 2022 | Pro forma adjustments | | | | Unaudited pro forma consolidated statement of profit or loss of the Remaining Group for the year ended 31 December 2022 |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 1)* | *(Note 3(a))* | *(Note 3(b))* | *(Note 3(c))* | *(Note 3(d))* | |
| Revenue | 1,124,138 | (86,766) | (82,162) | 14,715 | – | 969,925 |
| Cost of sales | (650,304) | 2,958 | 22,579 | (14,715) | – | (639,482) |
| **Gross profit** | 473,834 | (83,808) | (59,583) | – | – | 330,443 |
| Other gains — net | 85,738 | (60,635) | (11,958) | – | 701,300 | 714,445 |
| Other income | 27,522 | (180) | (273) | – | – | 27,069 |
| Selling and marketing expenses | (93,164) | – | 5,712 | – | – | (87,452) |
| Administrative expenses | (262,176) | 542 | 8,859 | – | – | (252,775) |
| **Operating profit** | 231,754 | (144,081) | (57,243) | – | 701,330 | 731,730 |
| Finance costs | (509,225) | 74,584 | 5,175 | (74,584) | – | (504,050) |
| Share of losses of investments accounted for using the equity method | (10,480) | – | – | – | – | (10,480) |
| (Loss)/profit before income tax | (287,951) | (69,497) | (52,068) | (74,584) | 701,300 | 217,200 |
| Income tax expenses | (105,318) | 25,843 | 13,089 | – | (186,887) | (253,273) |
| (Loss)/profit for the year | (393,269) | (43,654) | (38,979) | (74,584) | 514,413 | (36,073) |
| Attributable to: | | | | | | |
| — Owners of the Company | (393,288) | (43,654) | (38,979) | (74,584) | 514,413 | (36,092) |
| — Non-controlling interests | 19 | – | – | – | – | 19 |

## UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Consolidated statement of comprehensive income of the Group for the year ended 31 December 2022 | Pro forma adjustments | | | | Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2022 |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 1)* | *(Note 3(a))* | *(Note 3(b))* | *(Note 3(c))* | *(Note 3(d))* | |
| **Loss for the year** | (393,269) | (43,654) | (38,979) | (74,584) | 514,413 | (36,073) |
| **Other comprehensive income/ (loss) for the year** | | | | | | |
| Items that may be reclassified to profit or loss | | | | | | |
| Cash flow hedges | 67,026 | – | – | – | – | 67,026 |
| Cost of hedging | (70,335) | – | – | – | – | (70,335) |
| **Total comprehensive loss for the year** | (396,578) | (43,654) | (38,979) | (74,584) | 514,413 | (39,382) |
| **Attributable to:** | | | | | | |
| — Owners of the Company | (396,597) | (43,654) | (38,979) | (74,584) | 514,413 | (39,401) |
| — Non-controlling interests | 19 | – | – | – | – | 19 |

## UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

| | Consolidated statement of cash flows of the Group for the year ended 31 December 2022 | Pro forma adjustments | | | | Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2022 |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 1)* | *(Note 3(a))* | *(Note 3(b))* | *(Note 3(c))* | *(Note 3(d))* | |
| **Cash flows from operating activities** | | | | | | |
| Net cash flows generated from operating activities | 353,023 | (80,656) | (43,265) | – | – | 229,102 |
| **Cash flows from investing activities** | | | | | | |
| Interests income | 8,227 | – | – | – | – | 8,227 |
| Purchases of property, plant and equipment | (17,110) | – | 40 | – | – | (17,070) |
| Additions of investment properties | (280,430) | 56,012 | 1,229 | – | – | (223,189) |
| Additions of long-term prepaid expenses | (18,292) | – | – | – | – | (18,292) |
| Proceeds from sale of property, plant and equipment | 10 | – | – | – | – | 10 |
| Amounts provided to the Target Companies | – | (146,000) | – | – | – | (146,000) |
| Repayment from the Target Companies | – | 101,000 | 8,000 | – | – | 109,000 |
| Investment in a joint venture | (22,000) | – | – | – | – | (22,000) |
| Repayments from an associate and a joint venture | 1,336 | – | – | – | – | 1,336 |
| Amounts provided to an associate | (635) | – | – | – | – | (635) |
| Purchases of intangible assets | (3,156) | – | – | – | – | (3,156) |
| Proceeds from disposals of subsidiaries, net | – | – | – | – | 1,911,114 | 1,911,114 |
| **Net cash flows (used in)/ generated from investing activities** | (332,050) | 11,012 | 9,269 | – | 1,911,114 | 1,599,345 |

| | Consolidated statement of cash flows of the Group for the year ended 31 December 2022 | Pro forma adjustments | | | | Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2022 |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 1)* | *(Note 3(a))* | *(Note 3(b))* | *(Note 3(c))* | *(Note 3(d))* | |
| **Cash flows from financing activities** | | | | | | |
| Repayments of bank borrowings | (491,210) | – | 20,200 | – | – | (471,010) |
| Interests paid on bank and other financial institution borrowings | (274,993) | – | 5,173 | – | – | (269,820) |
| Guarantee fee deeds to related parties | (29,811) | – | – | – | – | (29,811) |
| New bank and other financial institutions borrowings | 952,164 | – | – | – | – | 952,164 |
| Repayments of the loan from BCL | (95,140) | – | – | – | – | (95,140) |
| Funds from the Target Companies | – | 1,001 | 308,658 | – | – | 309,659 |
| Repayments of funds to the Target Companies | – | – | (247,658) | – | – | (247,658) |
| Interests paid to BCL | (8,391) | – | 65 | – | – | (8,326) |
| Cash paid for hedging instrument | (2,512) | – | – | – | – | (2,512) |
| Interest expense and management fee on Asset-backed Securities Scheme, senior class | (291,444) | – | – | – | – | (291,444) |
| Interest paid to a related party | – | 72,108 | – | (72,108) | – | – |
| Issue of China Life Investment-BCG Outlets First Stage Asset Support Scheme ("Outlets Scheme") | 666,750 | – | – | – | – | 666,750 |
| Interest expense and management fee on the Outlets Scheme | (21,859) | – | – | – | – | (21,859) |
| Principal elements of lease payments | (6,306) | – | – | – | – | (6,306) |
| **Net cash flows generated from financing activities** | 397,248 | 73,109 | 86,438 | (72,108) | – | 484,687 |
| **Net increase in cash and cash equivalents** | 418,221 | 3,465 | 52,442 | (72,108) | 1,911,114 | 2,313,134 |
| Cash and cash equivalents at beginning of the year | 719,349 | (28,152) | (76,205) | – | – | 614,992 |
| Exchange gains on cash and cash equivalents | 90 | – | – | – | – | 90 |
| **Cash and cash equivalents at end of the year** | 1,137,660 | (24,687) | (23,763) | (72,108) | 1,911,114 | 2,928,216 |

## NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. The amounts are extracted from the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 December 2022 as set out in the published annual results of the Group for the year ended 31 December 2022, on which an audit report was issued on 21 March 2023.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the Disposals had taken place on 31 December 2022:

   (a) The adjustments represent the de-recognition of assets and liabilities of Target Company A as at 31 December 2022, assuming the disposal of Target Company A had taken place on 31 December 2022. The assets and liabilities of Target Company A are extracted from the unaudited statement of financial position of Target Company A as at 31 December 2022 as set out in Appendix II to this Circular.

   (b) The adjustments represent the de-recognition of assets and liabilities of Target Company B as at 31 December 2022, assuming the disposal of Target Company B had taken place on 31 December 2022. The assets and liabilities of Target Company B are extracted from the unaudited statement of financial position of Target Company B as at 31 December 2022 as set out in Appendix II to this Circular.

   (c) The amounts represent the intra-group balances between the Target Companies and the Remaining Group which were eliminated on consolidation.

   (d) The adjustment represents the estimated gain and estimated net cash flows from the Disposals assuming the Disposals had taken place on 31 December 2022 as follows:

| | | **Target Company A** | **Target Company B** | **Total** |
|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| Consideration | *Note (i)* | 808,518 | 693,601 | 1,502,119 |
| Less: | | | | |
| Net assets of the Target Companies derecognised | *Note (ii)* | (648,152) | (232,744) | (880,896) |
| Estimated disposal costs attributed to the Disposals | *Note (iii)* | (1,320) | (1,133) | (2,453) |
| Estimated stamp duty in relation to the Disposals | *Note (iv)* | (404) | (347) | (751) |
| Income tax expense regarding to the disposal of the Target Companies | *Note (v)* | (110,958) | (75,929) | (186,887) |
| Estimated gain on disposal | | 47,684 | 383,448 | 431,132 |
| Total Consideration received in cash | *Note (i)* | 997,850 | 1,076,741 | 2,074,591 |
| Less: | | | | |
| Estimated transaction costs attributable to the Disposals paid in cash | *Note (iii)* | (1,320) | (1,133) | (2,453) |
| Estimated stamp duty in relation to the Disposals paid in cash | *Note (iv)* | (404) | (347) | (751) |
| Income tax expense regarding to the disposal of the Target Companies | *Note(v)* | (110,958) | (75,929) | (186,887) |
| Estimated net cash inflow from the Disposal | | 885,168 | 999,332 | 1,884,500 |

*Notes:*

(i) Pursuant to the Equity Transfer Agreements, the total consideration relating to the Disposals is based on the aggregate consideration for the entire equity interest of the Target Companies amounting to RMB1,502,118,800 as disclosed in Letter From The Board to this Circular and the aggregate shareholder's loans owed by Target Company A and Target Company B to the Remaining Group as at the date of Completion to be assumed by the Purchasers. Assuming the Disposals had taken place on 31 December 2022, the aggregate shareholder's loans owed by the Target Companies to the Remaining Group were approximately RMB572,472,000. It is assumed that the Remaining Group will receive the total consideration in cash at Completion.

| | **Target Company A** | **Target Company B** | **Total** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Total Consideration | 997,850 | 1,076,741 | 2,074,591 |
| Consideration in relation to net related party loans# | (189,332) | (383,140) | (572,472) |
| | 808,518 | 693,601 | 1,502,119 |

# The amounts represent the aggregate net amount of loans owed by the Target Companies to the Remaining Group as at 31 December 2022, as follows:

| | **Target Company A** | **Target Company B** | **Total** |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Amounts due to the Remaining Group | 428,500 | 383,140 | 811,640 |
| Amounts due from the Remaining Group | (239,168) | – | (239,168) |
| Net related party loans | 189,332 | 383,140 | 572,472 |

(ii) The amount represents the net assets of the Target Companies as at 31 December 2022 as follows:

| | **Target Company A** | **Target Company B** | **Total** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Assets as at 31 December 2022# | 1,260,655 | 831,269 | 2,091,924 |
| Liabilities as at 31 December 2022# | (612,503) | (598,525) | (1,211,028) |
| Net assets of the Target Companies derecognised | 648,152 | 232,744 | 880,896 |

# The amount represents the carrying amount of the net assets of the Target Companies as at 31 December 2022 which is extracted from the unaudited statements of financial position of the Target Companies as at 31 December 2022 as set out in Appendix II to this Circular.

(iii) The disposal costs represent professional fees directly attributable to the Disposals of the Target Companies and it is assumed that the fees would be settled by cash.

(iv) The estimated stamp duty in relation to the Disposal represents the PRC stamp tax duty, which is calculated by applying the tax rate of 0.05% to the consideration.

(v) Estimated income tax in relation to the gain on the Disposals represents the PRC enterprise income tax as calculated based on a tax rate of 25% (applicable to the PRC incorporated shareholder of the Target Companies) and the withholding tax as calculated based on a tax rate of 10% (applicable to the foreign incorporated shareholder of the Target Companies) on the estimated taxable disposal gain attributable to the respective shareholders of the Target Companies arising from the disposal of their equity interests in the Target Companies.

(vi) The calculation of estimated disposal gain is based on the consideration of RMB1,502,118,800 less the aggregate net asset value of the Target Companies as at 31 December 2022 which is different from the estimated gain from the Disposals upon Completion.

(e) Apart from notes above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2022 for the purpose of preparation of the unaudited pro forma consolidated statement of financial position of the Remaining Group.

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows, assuming the Disposals had taken place on 1 January 2022:

(a) The adjustments represent the exclusion of the results and cash flows of the Target Company A for the year ended 31 December 2022, assuming the disposal of Target Company A had taken place on 1 January 2022. The statements of profit or loss, comprehensive income and cash flows of the Target Company A are extracted from the unaudited statements of profit or loss, comprehensive income and cash flows of the Target Company A for the year ended 31 December 2022 as set out in Appendix II to this Circular.

(b) The adjustments represent the exclusion of the results and cash flows of the Target Company B for the year ended 31 December 2022, assuming the disposal of Target Company B had taken place on 1 January 2022. The statements of profit or loss, comprehensive income and cash flows of the Target Company B are extracted from the unaudited statements of profit or loss, comprehensive income and cash flows of the Target Company B for the year ended 31 December 2022 as set out in Appendix II to this Circular.

(c) The amount represents the inter-company transactions between the Target Companies and the Remaining Group which were eliminated on consolidation.

For the unaudited pro forma consolidated statement of cash flows, the adjustment represents the amount of interest of the related loan from the Remaining Group to the Target Company A.

(d) The adjustments represent the estimated gain and estimated net cash inflow from the Disposals assuming the Disposals had taken place on 1 January 2022 and is calculated as follows:

| | | **Target Company A** | **Target Company B** | **Total** |
|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| Consideration | *Note(i)* | 808,518 | 693,601 | 1,502,119 |
| Less: | | | | |
| Net assets of the Target Companies derecognised | *Note(ii)* | (603,990) | (193,765) | (797,755) |
| Estimated disposal costs attributed to the Disposals | *Note (iii)* | (1,245) | (1,068) | (2,313) |
| Estimated stamp duty in relation to the Disposals | *Note (iv)* | (404) | (347) | (751) |
| Income tax expense regarding to disposal of the Target Companies | *Note(v)* | (110,958) | (75,929) | (186,887) |
| Estimated gain on disposal | | 91,921 | 422,492 | 514,413 |
| Total Consideration received in cash | *Note (i)* | 954,202 | 1,146,863 | 2,101,065 |
| Less: | | | | |
| Estimated transaction costs attributable to the Disposals paid in cash | *Note (iii)* | (1,245) | (1,068) | (2,313) |
| Estimated stamp duty in relation to the Disposals paid in cash | *Note (iv)* | (404) | (347) | (751) |
| Income tax expense regarding to disposal of the Target Companies | *Note(v)* | (110,958) | (75,929) | (186,887) |
| Estimated net cash inflow from the Disposals | | 841,595 | 1,069,519 | 1,911,114 |

*Notes:*

(i) Pursuant to the Equity Transfer Agreements, the total consideration relating to the Disposals is based on the aggregate consideration for the entire equity interest of the Target Companies amounting to RMB1,502,118,800 and the aggregate shareholder's loans owed by Target Company A and Target Company B to the Remaining Group as at the date of Completion to be assumed by the Purchasers. Assuming the Disposals had taken place on 1 January 2022, the aggregate shareholder's loans owed by Target Companies to the Remaining Group were approximately RMB598,946,000.

| | **Target Company A** | **Target Company B** | **Total** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Total Consideration | 954,202 | 1,146,863 | 2,101,065 |
| Consideration in relation to net related party loans# | (145,684) | (453,262) | (598,946) |
| | 808,518 | 693,601 | 1,502,119 |

\# The amounts represent the aggregate net amount of loans owed by the Target Companies to the Remaining Group as at 1 January 2022, as follows:

| | Target Company A | Target Company B | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Amounts due to the Remaining Group | 428,500 | 453,262 | 881,762 |
| Amounts due from the Remaining Group | (282,816) | – | (282,816) |
| Net related party loans | 145,684 | 453,262 | 598,946 |

(ii) The amount represents the net assets of the Target Companies as at 1 January 2022 as follows:

| | Target Company A | Target Company B | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Assets as at 1 January 2022# | 1,311,782 | 874,381 | 2,186,163 |
| Liabilities as at 1 January 2022# | (707,792) | (680,616) | (1,388,408) |
| Net assets of the Target Companies derecognised | 603,990 | 193,765 | 797,755 |

\# The amount represents the carrying amount of the net assets of the Target Companies as at 1 January 2022 which is extracted from the unaudited statements of financial position of the Target Companies as at 1 January 2022 as set out in Appendix II to this Circular

(iii) The disposal costs represent professional fees directly attributable to the Disposals of the Target Companies and it is assumed that the fees would be settled by cash.

(iv) The estimated stamp duty in relation to the Disposals represents the PRC stamp tax duty, which is calculated by applying the tax rate of 0.05% to the consideration.

(v) Estimated income tax in relation to the gain on the Disposals represents the PRC enterprise income tax as calculated based on a tax rate of 25% (applicable to the PRC incorporated shareholder of the Target Companies) and the withholding tax as calculated based on a tax rate of 10% (applicable to the foreign incorporated shareholder of the Target Companies) on the estimated taxable disposal gain attributable to the respective shareholders of the Target Companies arising from the disposal of their equity interests in the Target Companies.

(vi) The calculation of estimated disposal gain is based on the consideration of RMB1,502,118,800 less the aggregate net asset value of the Target Companies as at 1 January 2022 which is different from the estimated gain from the Disposals upon Completion.

(e) Apart from notes above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 1 January 2022 for the purpose of preparation of the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group.

(f) The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statements of profit or loss, comprehensive income and cash flows of the Remaining Group.

4. Since the net carrying amount of assets value of the Target Companies at Completion may be different from the amounts used in the Unaudited Pro Forma Financial Information of the Remaining Group, the final amounts of value of net assets of the Target Companies and the estimated gain on the Disposals may be different from the amounts presented above.

*The following is the text of a report on the unaudited pro forma financial information of the Remaining Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Beijing Capital Grand Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Beijing Capital Grand Limited (the ''Company'') and its subsidiaries (collectively the ''Group'') excluding Jinan Shouju Real Estate Ltd. (''Target Company A'') and Wuhan Capital Juda Outlets Business Management Limited (''Target Company B'') (together, the ''Target Companies'') by the directors of the Company (the ''Directors'') for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2022, the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2022, the unaudited pro forma consolidated statement of comprehensive income for the year ended 31 December 2022, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2022, and related notes (the ''Unaudited Pro Forma Financial Information'') as set out on pages III-1 to III-12 of the Company's circular dated 3 August 2023, in connection with the disposal of the Target Companies (the ''Disposal'') by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-12.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Disposal on the Group's financial position as at 31 December 2022 and the Group's financial performance and cash flows for the year ended 31 December 2022 as if the Disposal had taken place at 31 December 2022 and 1 January 2022 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2022, on which an audit report has been published.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements,* issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal at 31 December 2022 or 1 January 2022 respectively would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

**Opinion**

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 3 August 2023

*The following is the text of a letter, summary of valuations and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of the values of the Target Properties held by the Group in the PRC as at 31 May 2023.*

CUSHMAN & WAKEFIELD
戴德梁行

27th Floor, One Island East
Taikoo Place, 18 Westlands Road
Quarry Bay, Hong Kong

3 August 2023

The Directors
Beijing Capital Grand Limited
10/F, Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

Dear Sirs,

**Re: Wuhan Capital Outlets and Jinan Capital Outlets, the People's Republic of China**

**Instructions, Purpose & Valuation Date**

In accordance with your instructions for Cushman & Wakefield Limited ("**C&W**") to value the captioned properties (individually the "**Property**" or collectively the "**Properties**") in the People's Republic of China (the "**PRC**") in which Beijing Capital Grand Limited (the "**Company**") together with its subsidiaries (collectively the "**Group**") have interests, we confirm that we have inspected the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of such Properties as at 31 May 2023 (the "**Valuation Date**") for disposal reference.

**Valuation Basis**

Our valuation of each of the Properties represents its market value which in accordance with The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors ("**HKIS**") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation of each property is on an entirety interest basis.

**Valuation Assumptions**

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

We confirm that we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of The Hong Kong Limited and The HKIS Valuation Standards 2020 published by HKIS.

In the course of our valuation of the Properties, we have relied on the information and advice given by the Company and the Company's PRC legal adviser (the "**Legal Adviser**"), Beijing Han Kun Law Offices (北京市漢坤律師事務所), regarding the titles to the Properties and the interests of the Company in the Properties in the PRC. Unless otherwise stated in the legal opinion, in valuing the Properties, we have assumed that the Company has an enforceable title to each of the Properties and has free and uninterrupted rights to use, occupy or assign the Properties for the whole of the respective unexpired land use term as granted.

The status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the valuation report.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on each of the Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that each of the Properties is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

**Valuation Methods**

The Properties are subject to non-alienation restrictions, in default of complete legitimate procedures or in lack of marketability such that market value is not applicable in the valuation. Under such circumstances, our valuations are conducted on the basis of investment value which are stated separate from the market value.

Assessment on the basis of "investment value", according to the International Valuation Standards, which The HKIS Valuation Standards follow, is defined as "the value of an asset to the owner or a prospective owner for individual investment or operational objectives". Investment value is an entity-specific basis of value which reflects the benefits received by an entity from holding the asset and, therefore, does not necessarily involve a hypothetical exchange. It must be emphasised that investment value is not market value.

In valuing the Properties, we have used Investment Method by capitalising the rental income derived from the existing tenancies, if any, with due provision for the reversionary potential of each constituent portion of the Properties at appropriate capitalisation rates. Transactions involving similar scale properties of the same nature and tenancy structure in the same district are not frequent. On the other hand, as the majority portions of the Properties generate or are able to generate rental income from letting arrangements and such rental comparables are more readily available, we consider Investment Method, which is also commonly used in valuing properties of similar use type, to be the best method to value these property portions.

When using Investment Method, we have mainly made reference to lettings within the Properties as well as other relevant comparable rental evidence of properties of similar use type subject to appropriate adjustments including but not limited to location, accessibility, age, quality, trade mix, size, time and other relevant factors.

The capitalisation rates adopted in our valuations are based on our analyses of the yields of properties of similar use types after due adjustments. Such capitalisation rates are estimated by reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the Properties, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. The capitalisation rates adopted are reasonable and in line with the market norm having regard to the analysed yields of transactions of the relevant use type.

**Source of Information**

We have accepted advice given by the Company on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings and car parking spaces, facilities, particulars of occupancy, rental incomes and revenue, site and floor areas, interest attributable to the Company and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuations. We were also advised by the Company that no material facts have been omitted from the information provided.

We would point out that the copies of documents of the Properties provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise you to make reference to the original Chinese editions of the documents and consult the Legal Adviser regarding the legality and interpretation of these documents.

**Title Investigation**

We have been provided with extracts of documents relating to the titles of the Properties, but no title searches have been made. Moreover, we have not inspected the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the titles of the Properties and we have therefore relied on the advice given by the Company or the Legal Adviser regarding the interests of the Company in each of the Properties.

**Site Inspection**

Our valuers, Hermione He (Senior Manager, 10-year experience, MCIREA) of our Jinan Office, Glenn Lu (Senior Manager, 15-year experience, MCIREA) of our Wuhan Office and Anita Zhang (Assistant Manager, 5-year experience) of our Beijing Office, inspected the exterior and, where possible, the interior of the Properties in May 2023. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the Properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the documents handed to us are correct.

**Currency**

Unless otherwise stated, all monetary sums stated in our valuation are in Renminbi ("**RMB**"), the official currency in the PRC.

**Independence**

We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuations of the Properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

**Intended Use of Report**

This valuation report is issued for the use of the Company for regulatory disclosure purpose.

We enclose herewith our valuation report for your attention.

Yours faithfully,
For and on behalf of
**Cushman & Wakefield Limited**
**Grace S.M. Lam**
*MRICS, MHKIS, RPS (GP)*
Senior Director
Valuation & Advisory Services, Greater China

*Note:* Ms. Grace S.M. Lam is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuations competently.

## SUMMARY OF VALUATIONS

### Properties held for investment by the Group in the PRC

| | Property | Attributable interest | Market value in existing state as at 31 May 2023 *(RMB)* | Market value in existing state attributable to the Group as at 31 May 2023 *(RMB)* | Investment value[1] in existing state as at 31 May 2023 *(RMB)* | Investment value[1] in existing state attributable to the Group as at 31 May 2023 *(RMB)* |
|---|---|---|---|---|---|---|
| 1. | Phase I of Wuhan Capital Outlets, East of Wuhan-Guangzhou High-speed Railway, North of Gaoxin 2nd Road, Donghu New Technology District, Wuhan, Hubei Province, the PRC | 100% | N/A | N/A | 1,039,000,000 | 1,039,000,000 |
| 2. | Jinan Capital Outlets, West of Tangye East Road, North of Century Avenue, Tangye New Area, Licheng District, Jinan, Shandong Province, the PRC | 100% | N/A | N/A | 995,000,000 | 995,000,000 |
| | **Grand Total:** | | **N/A** | **N/A** | **2,034,000,000** | **2,034,000,000** |

*Note:*

(1) Investment value whereby market value is not applicable.

## VALUATION REPORT

### Properties held for investment by the Group in the PRC

| | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 May 2023 |
|---|---|---|---|---|
| 1. | Phase I of Wuhan Capital Outlets, East of Wuhan-Guangzhou High-speed Railway, North of Gaoxin 2nd Road, Donghu New Technology District, Wuhan, Hubei Province, the PRC<br><br>中國<br>湖北省武漢市<br>東湖新技術開發區<br>高新二路以北、<br>武廣高鐵以東<br>武漢首創奧特萊斯<br>購物中心一期 | The Property comprises a retail complex including car parking spaces erected on a parcel of land with a total site area of 89,755.75 sq.m. The Property was completed in January 2018.<br><br>The Property is situated in the core area of Wuhan Optics Valley and is close to the metro station.<br><br>According to the information provided by the Company, the total gross floor area of the Property is 94,974.76 sq.m. Details are as follows:<br><br>**Uses** / **Gross Floor Area** *(sq.m.)*<br>Commercial 61,536.48<br>Ancillaries 1,389.48<br>Others 32,048.80<br>**Total** 94,974.76<br><br>The locality of the Property is characterised by large-scale civic centre and office gathering areas.<br><br>The land use rights of the Property have been granted for a term of 40 years due to expire on 12 January 2056 for commercial use. | As at the Valuation Date, except for the management room which was held for owner occupation, the Property was held for investment. Parts of the retail portion with a total lettable area of approximately 41,850.81 sq.m. were subject to various tenancies with the latest one due to expire on 24 June 2033 at a total monthly rent of approximately RMB6,380,000. The remaining portion of the retail portion was vacant.<br><br>The car parking spaces were vacant as at the Valuation Date. | N/A<br>*(see Note (1))* |

*Notes:*

(1) According to Grant Contract of Land Use Rights No. WH(DHK)-2016–00007 dated 13 January 2016, the land use rights of the Property with a site area of 89,755.75 sq.m. have been contracted to be granted to Wuhan Capital Juda Outlets Business Management Limited (武漢首創鉅大奧萊商業管理有限公司) for commercial use, details are as follows:

| | | | |
|---|---|---|---|
| (a) | Location | : | East of Wuhan-Guangzhou High-speed Railway, North of Gaoxin 2nd Road, East Lake High-tech Development Zone |
| (b) | Site area | : | 89,755.75 sq.m. |
| (c) | Use | : | Commercial |
| (d) | Gross floor area | : | By multiplication of site area and plot ratio |
| (e) | Plot ratio | : | Not more than 1.2 |
| (f) | Building density | : | Not more than 45% |
| (g) | Building height | : | Not more than 15 m |
| (h) | Greenary ratio | : | Subject to 'Wuhan Urban Greening Regulations' |
| (i) | Land use term | : | 40 years |
| (j) | Land Premium | : | RMB161,570,000.00 |

According to Grant Contract of Land Use Rights No. WH(DHK)-2016-00007, the parcel of land under the said contract is required to be planned and constructed to support the street-facing commercial complex of WTA Wuhan Optics Valley International Tennis Centre, and the approved gross floor area of the Property must be fully owned and operated by the bidder.

According to the above-mentioned Grant Contract of Land Use Rights, the Property is subject to sales restrictions and shall not be sold until 12 January 2056, therefore market value is not applicable. Our valuation is on investment value basis. For the Group's management reference, should the Company be granted freely transferable land use rights and building ownership of the Property, the market value for such portion as at 31 May 2023 would be RMB1,039,000,000 (RENMINBI ONE BILLION THIRTY NINE MILLION).

(2) According to Realty Title Certificate No. (2016) 0000044 dated 3 February 2016, the land use rights of the Property with a site area of 89,755.75 sq.m. have been vested in Wuhan Capital Juda Outlets Business Management Limited (武漢首創鉅大奧萊商業管理有限公司) for a term due to expire on 12 January 2056 for commercial use.

(3) According to Construction Land Planning Permit No. (2016) 013 dated 27 January 2016, the construction site of a parcel of land with a total site area of 89,755.75 sq.m. for commercial development is in compliance with the urban planning requirements.

(4) According to Construction Works Planning Permit No. (2016) 050, the construction works of the Property were in compliance with the requirement of urban planning and were permitted to be developed with a total gross floor area of approximately 107,564.82 sq.m. with a countable gross floor area of 106,526.50 sq.m. (including 80,317.55 sq.m. for commercial, 1,566.88 sq.m. for commercial property management, 41.33 sq.m.

for fire control room, 781.27 sq.m. for power distribution room and switching station, 23,819.47 sq.m. for carpark block) and non-countable gross floor area of 1,038.32 sq.m. (including 503.64 sq.m. for underground car parking spaces and 534.68 sq.m. for passage of escape), respectively.

(5) According to Construction Works Commencement Permit No. 420198201603200014BJ4001, the construction works of the Property were in compliance with the requirement of works commencement and were permitted to be developed with a total gross floor area of approximately 107,564.82 sq.m.

(6) According to Real Estate Area Measurement Technical Report No. 2017 (1099) dated November 2017, the Property is located in No. 139 Gaoxin 2nd Road of East Lake High-tech Development Zone with a gross floor area of 94,974.76 sq.m.

(7) According to Business Licence No.91420100MA4KLLD907, Wuhan Capital Juda Outlets Business Management Limited (武漢首創鉅大奧萊商業管理有限公司) was established as a limited liability company on 18 December 2015 with a registered capital of RMB208,000,000 for an operation period from 18 December 2015 to 17 December 2055.

(8) The status of title and grant of major certificates, approvals and licences in accordance with the information provided by the Company are as follows:

| | |
|---|---|
| Grant Contract for State-owned Land Use Rights | Yes |
| Realty Title Certificate | Yes(land) |
| Construction Land Planning Permit | Yes |
| Construction Works Planning Permit | Yes |
| Construction Works Commencement Permit | Yes |
| Real Estate Area Measurement Technical Report | Yes |
| Business Licence | Yes |

(9) In the course of our valuation, we have adopted a capitalisation rate at 6.5% having regard to the analysis of the rates of return of relevant market segment which indicate yields ranging mostly from 6% to 7% for commercial premises.

(10) We have been provided with a legal opinion on the Property prepared by the Legal Adviser, which contains, *inter alia*, the following information:

(a) Wuhan Capital Juda Outlets Business Management Limited (武漢首創鉅大奧萊商業管理有限公司) has legally obtained and is the legal owner of the land use rights of the Property;

(b) Wuhan Capital Juda Outlets Business Management Limited (武漢首創鉅大奧萊商業管理有限公司) has obtained all approvals and permissions for obtaining the land use rights of the Property;

(c) Wuhan Capital Juda Outlets Business Management Limited (武漢首創鉅大奧萊商業管理有限公司) has fully settled the land premium;

(d) Wuhan Capital Juda Outlets Business Management Limited (武漢首創鉅大奧萊商業管理有限公司) is entitled to legally possess, use or otherwise comply with the regulations of the PRC regarding the land use rights and building ownership of the Property;

(e) Wuhan Capital Juda Outlets Business Management Limited (武漢首創鉅大奧萊商業管理有限公司) is currently obtaining the Realty Title Certificate of the Property; and

(f) The Property has no mortgage or seized restriction.

## VALUATION REPORT

<table>
<tr><th></th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Market value in existing state as at 31 May 2023</th></tr>
<tr>
<td>2.</td>
<td>Jinan Capital Outlets, West of Tangye East Road, North of Century Avenue, Tangye New Area, Licheng District, Jinan, Shandong Province, the PRC<br><br>中國<br>山東省濟南市<br>歷城區<br>唐冶新區<br>唐冶東路西側、<br>世紀大道北側<br>濟南首創奧特萊斯<br>購物中心</td>
<td>The Property comprises a retail complex including car parking spaces erected on a parcel of land with a total site area of 114,929.00 sq.m. The Property was completed in January 2019.<br><br>The Property is situated in Tangye New Area, about 17 kilometers from the city centre of Jinan.<br><br>According to the information provided by the Company, the total gross floor area of the Property is 116,236.76 sq.m. Details are as follows:<br><br>
<table>
<tr><th>Uses</th><th>Gross Floor Area<br>(sq.m.)</th></tr>
<tr><td>Commercial</td><td>88,414.22</td></tr>
<tr><td>roof, ancillaries and others</td><td>150.23</td></tr>
<tr><td>Carpark</td><td>27,672.31*</td></tr>
<tr><td>Total</td><td>116,236.76</td></tr>
</table>
<br>* The Property includes 1,138 car parking spaces in total.<br><br>The land use rights of the Property have been granted for terms of 40 years due to expire on 15 January 2057 for commercial and financial uses.</td>
<td>As at the Valuation Date, parts of the retail portion with a total lettable area of approximately 47,174.79 sq.m. were subject to various tenancies with the latest one due to expire on 30 January 2035 at a total monthly rent of approximately RMB6,240,000. The remaining portion of the retail portion was vacant.<br><br>As at the Valuation Date, the car parking spaces were leased to Jinan Branch of Zhuhai Hengqin Hengshenghuachuang Commercial Management Co., Ltd. (珠海橫琴恒盛華創商業管理有限公司濟南分公司) on a fixed rent basis.</td>
<td>N/A<br>(see Note (1))</td>
</tr>
</table>

*Notes:*

(1) According to Grant Contract of Land Use Rights No. Jinan-01-2016-051 dated 10 July 2016, the land use rights of the Property with a site area of 114,929.00 sq.m. have been contracted to be granted to the joint venture of Shanghai Juque Investment Management Co., Ltd. and Capital Juda Outlets Business Management Limited (上海鉅礐投資管理有限公司及首創鉅大奧萊管理有限公司聯合體) for commercial and financial uses, details are as follows:

| | | | |
|---|---|---|---|
| (a) | Location | : | West of Tangye East Road, North of Century Avenue, Tangye New Area, Licheng District |
| (b) | Site area | : | 114,929.00 sq.m. |
| (c) | Use | : | Commercial and financial |
| (d) | Gross floor area | : | 195,379.30 sq.m. |
| (e) | Plot ratio | : | Not less than 1.5, not more than 1.7 (above ground: not less than 1.0, not more than 1.2; underground: not more than 0.5) |
| (f) | Building density | : | Not more than 50% |
| (g) | Land use term | : | 40 years |
| (h) | Land Premium | : | RMB206,880,000.00 |

According to Grant Contract of Land Use Rights No. Jinan-01-2016-051, the parcel of land under the said contract is subject to the following requirements: the parking rate must be no less than 1.0 per 100 square meters of gross floor area; the public service facilities, public toilets and other facilities necessarily needed for the daily life of the residents shall be provided; the land bidder shall own 70% of gross floor area for commercial operation and under the supervision by Licheng District.

According to the supplementary terms of Grant Contract of Land Use Rights No. Jinan-01-2016-051, the transferee of the said land was changed from the joint venture of Shanghai Juque Investment Management Co., Ltd. and Capital Juda Outlets Business Management Limited (上海鉅礐投資管理有限公司及首創鉅大奧萊管理有限公司聯合體) to Jinan Shouju Real Estate Ltd. (濟南首鉅置業有限公司), a wholly-owned subsidiary of the Company.

The Company stated that the Property is part of the land parcel mentioned in Grant Contract of Land Use Rights No. Jinan-01-2016-051.

According to the above-mentioned Grant Contract of Land Use Rights, the Property is subject to sales restrictions and shall not be sold until 15 January 2057, therefore market value is not applicable. Our valuation is on investment value basis. For the Group's management reference, should the Company be granted freely transferable land use rights and building ownership of the Property, the market value for such portion as at 31 May 2023 would be RMB995,000,000 (RENMINBI NINE HUNDRED NINETY FIVE MILLION).

(2) According to 9 Realty Title Certificates, the land use rights of the Property with a site area of 114,929.00 sq.m. have been vested in Jinan Shouju Real Estate Ltd. (濟南首鉅置業有限公司) for terms of 40 years due to expire on 15 January 2057 for commercial and financial uses. Details of the certificates are shown as follows:

| No. | Certificate No. | Location | Number of floor | Gross floor area *(sq.m.)* | Land use/building use |
|---|---|---|---|---|---|
| 1 | (2019) 0295665 | Underground carpark, Capital Outlets, No. 7181 Century Avenue, Licheng District | 1 | 27,672.31 | Commercial and financial land/carpark |
| 2 | (2019) 0295409 | 101, Building No. 1, Capital Outlets, No. 7181 Century Avenue, Licheng District | 3 | 6,641.83 | Commercial and financial land/commercial |
| 3 | (2019) 0297422 | 101/102/103/104/105/201/202/203/204/205/301/302/303/304/305, Building No. 1-1, Capital Outlets, No. 7181 Century Avenue, Licheng District | 4 | 6,975.74 | Commercial and financial land/commercial |
| 4 | (2019) 0295421 | 101, Building No. 2, Capital Outlets, No. 7181 Century Avenue, Licheng District | 3 | 8,983.95 | Commercial and financial land/commercial |
| 5 | (2019) 0295379 | 101, Building No. 3, Capital Outlets, No. 7181 Century Avenue, Licheng District | 3 | 17,413.79 | Commercial and financial land/commercial |
| 6 | (2019) 0297061 | 101, Building No. 4, Capital Outlets, No. 7181 Century Avenue, Licheng District | 3 | 15,249.44 | Commercial and financial land/commercial |
| 7 | (2023) 0130939 | 144/145/146/147/148/149/150/151/152/245/246/247/248/249/250/251/252/331/332/333/334, Building No. 5, Capital Outlets, No. 7181 Century Avenue, Licheng District | 3 | 14,481.56 | Commercial and financial land/commercial, ancillaries |
| 8 | (2023) 0130927 | 101/102/103/104/201/202/203/204/301/302/303/304, Building No. 6, Capital Outlets, No. 7181 Century Avenue, Licheng District | 3 | 7,441.44 | Commercial and financial land/commercial |

| No. | Certificate No. | Location | Number of floor | Gross floor area *(sq.m.)* | Land use/building use |
|---|---|---|---|---|---|
| 9 | (2023) 0130910 | 101/102/103/104/105/106/132/133/134/135/136/201/202/203/204/205/206/207/233/234/235/236/237/301/302/303/304/305/306/307/333/334/335/336/337, Building No. 7, Capital Outlets, No. 7181 Century Avenue, Licheng District | 3 | 11,376.70 | Commercial and financial land/commercial, ancillaries |
| | | | **Total:** | **116,236.76** | |

(3) According to Business Licence No.91370100MA3CEJA80X, Jinan Shouju Real Estate Ltd. (濟南首鉅置業有限公司) was established as a limited liability company on 1 August 2016 with a registered capital of RMB362,960,000 for a long-term operation from 1 August 2016.

(4) The status of title and grant of major certificate, approvals and licences in accordance with the information provided by the Company are as follows:

| | |
|---|---|
| Grant Contract for State-owned Land Use Rights | Yes |
| Realty Title Certificate | Yes |
| Business Licence | Yes |

(5) In the course of our valuation, we have adopted capitalisation rates ranging from 6% to 6.5% having regard to analysis of the rates of return of relevant market segment which indicate yields ranging mostly from 6% to 7% for commercial premises.

(6) We have been provided with a legal opinion on the Property prepared by the Legal Adviser, which contains, *inter alia*, the following information:

(a) Jinan Shouju Real Estate Ltd. (濟南首鉅置業有限公司) has legally obtained and is the legal owner of the land use rights of the Property;

(b) Jinan Shouju Real Estate Ltd. (濟南首鉅置業有限公司) has obtained all approvals and permissions for obtaining the land use rights of the Property;

(c) Jinan Shouju Real Estate Ltd. (濟南首鉅置業有限公司) has fully settled the land premium;

(d) Jinan Shouju Real Estate Ltd. (濟南首鉅置業有限公司) is entitled to legally possess, use or otherwise comply with the regulations of PRC regarding the land use rights and building ownership the Property; and

(e) The Property has no seized restriction. However, the Property is subject to a mortgage in favour of Shouzheng Desheng Capital Management Co.,Ltd. (首正德盛資本管理有限公司).

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTEREST BY DIRECTORS

(a) As at the Latest Practicable Date, 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 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.

(b) As at the Latest Practicable Date, no Directors had any existing or proposed service contracts with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.

(c) As at the Latest Practicable Date, none of the Directors had direct or indirect material interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by any member of the Group.

(d) There is no contract or arrangement subsisting at the date of this circular in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

## 3. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as it is known to the Directors, as at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

### As at the Latest Practicable Date

| 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 | 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% |
| Capital City Development | Interests of controlled corporation *(Note 1)* | 701,353,846 | 72.94% | 1,072,928,106 *(Note 5)* | 1,774,281,952 | 184.53% |
| Chinastar | 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% |
| 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% |

| 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 |
|---|---|---|---|---|---|---|
| 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 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 Group Co. Inc | 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% |

*Notes:*

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

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

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

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

5. On 19 December 2016, the Company issued 905,951,470 Class B Convertible Preference Shares to BECL Investment pursuant to the Class B Convertible Preference Shares Agreement. On 28 December 2016, BECL Investment converted 571,153,846 Class A Convertible Preference Shares into ordinary Shares.

## 4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, neither the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## 5. MATERIAL CONTRACTS

The Group has not entered into any contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular which is or may be material.

## 6. LITIGATION AND CLAIMS

At as the Latest Practicable Date, the Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Group.

## 7. EXPERTS

The following are the qualifications of the experts who have provided their opinions or advices, which are contained in this circular:

| Name | Qualification |
|---|---|
| Opus Capital Limited | A corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO |
| PricewaterhouseCoopers | Certified Public Accountants under the Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Cap. 588) |
| Cushman and Wakefield Limited | Independent Professional Valuer |

Each of the experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter and/or report or the references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of the experts had have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group and none of the experts had any interest, either direct or indirect, in any assets which had since 31

December 2022, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 8. GENERAL

The English text of this circular shall prevail over the Chinese text in case of inconsistency. The company secretary of the Company is Ms. Peng Sisi, who is a member of The Chartered Governance Institute in the United Kingdom and the Hong Kong Chartered Governance Institute.

The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is at 10/F., Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong.

The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

## 9. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the Company's website (http://www.bcgrand.com) and the website of the Stock Exchange (www.hkexnews.hk) for a period of 14 days from the date of this circular:

(a) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in the circular;

(b) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" in the circular;

(c) the letter from Opus Capital Limited, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in the circular;

(d) the annual reports of the Company for each of the three years ended 31 December 2020, 2021 and 2022;

(e) the unaudited financial statements of the Target Companies for each of the three years ended 31 December 2020, 2021, 2022 and for the three months ended 31 March 2023, the text of which is set out in Appendix II to this circular;

(f) the report on the unaudited pro forma financial information of the Remaining Group issued by PricewaterhouseCoopers, the text of which is set out in Appendix III to this circular;

(g) the property valuation report of the Target Properties, the text of which is set out in the section headed "Valuation Report of the Target Properties" in Appendix IV to this circular;

(h) the Equity Transfer Agreements;

(i) the letters of consent referred to under the paragraph headed "Experts" in this appendix; and

(j) this circular.

# BEIJING CAPITAL GRAND LIMITED
# 首 創 鉅 大 有 限 公 司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1329)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the "**EGM**") of Beijing Capital Grand Limited (the "**Company**") will be held at 7th Floor, Jing An Centre, 8 North 3rd Ring East Road, Chaoyang District, Beijing, China on Friday, 18 August 2023 at 10:00 a.m. for the purposes of considering and, if thought fit, passing the following as ordinary resolution of the Company, with or without amendments:

Unless otherwise specified, capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 3 August 2023.

### ORDINARY RESOLUTION

1. "**THAT**:

   (a) the Equity Transfer Agreements dated 10 July 2023 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

   (b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with paragraph (a) of this resolution."

By order of the Board
**Beijing Capital Grand Limited**
**Fan Shubin**
*Chairman*

Hong Kong, 3 August 2023

*Principal place of business in Hong Kong:*
10/F., Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

*Notes:*

1. Any shareholder of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company. A form of proxy for use at the EGM is enclosed herewith.

2. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

3. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. The resolution at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

5. As at the date of this notice, 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.