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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**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).

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**CAPITAL  GRAND**  
**BEIJING CAPITAL GRAND LIMITED**  
**首創鉅大有限公司**  
*(incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1329)**

**CONTINUING CONNECTED TRANSACTION  
RELATING TO THE OPERATION AND  
MANAGEMENT SERVICES AGREEMENTS  
AND  
NOTICE OF EGM**

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



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A letter from the Board is set out on pages 6 to 18 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 19 to 20 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 21 to 48 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, 2 February 2024 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.

18 January 2024

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## DEFINITIONS

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

“Annual Cap(s)”	the proposed annual caps for the aggregate Service Fees payable by the Target Companies to Beijing Shouju for the periods as set out in the section headed “IV. Proposed Annual Caps and Basis of Determination” in the letter from the Board in this circular
“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 on 10 June 2021 with limited liability, a controlling shareholder and a connected person of the Company, and is wholly-owned by Capital Group
“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
“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
“Beijing Shouju”	Beijing Shouju Commercial Management Co., Ltd.* (北京首鉅商業管理有限公司), a company established in the PRC on 5 July 2023 with limited liability and an indirect wholly-owned subsidiary of the Company
“Beijing Shouju Jinan”	the branch of Beijing Shouju in Jinan, Shandong Province, the PRC
“Beijing Shouju Wuhan”	the branch of Beijing Shouju in Wuhan, Hubei Province, the PRC
“Board”	the board of Directors

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## DEFINITIONS

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“Capital Group”	Beijing Capital Group Co., Ltd.* (北京首都創業集團有限公司), a state-owned enterprise established in the PRC on 26 October 1994 and under the direct supervision of the Beijing Municipal Government, a connected person of the Company
“ChinaAMC”	China Asset Management Co. Limited (華夏基金管理有限公司), a company established in the PRC on 9 April 1998 with limited liability
“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
“CITIC Securities”	CITIC Securities Company Limited (中信證券股份有限公司), a joint stock company incorporated in the PRC with limited liability on 25 October 1995, the H and A shares of which are respectively listed on the Main Board of the Stock Exchange (stock code: 6030) and the Shanghai Stock Exchange (stock code: 600030)
“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)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened on Friday, 2 February 2024 for the Independent Shareholders to consider and, if thought fit, approve the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“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 Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps)
“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 Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholder(s)”	the Shareholder(s) who do not have a material interest in the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps) 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 (濟南首創奧特萊斯項目), being the properties located in Tangye New Area in the Licheng District of Jinan, with a total site area of approximately 114,929 square meters
“Latest Practicable Date”	16 January 2024, 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 and modified from time to time
“Operation and Management Services Agreement A”	the operation and management services agreement entered into between Operation Managers A, ChinaAMC, CITIC Securities and Target Company A on 22 December 2023 in relation to the provision of property operation and management services in respect of Jinan Capital Outlets by Operation Managers A

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## DEFINITIONS

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“Operation and Management Services Agreement B”	the operation and management services agreement entered into between Operation Managers B, ChinaAMC, CITIC Securities and Target Company B on 22 December 2023 in relation to the provision of property operation and management services in respect of Wuhan Capital Outlets by Operation Managers B
“Operation and Management Services Agreements”	Operation and Management Services Agreement A and Operation and Management Services Agreement B
“Operation Managers A”	the Company, Beijing Shouju and Beijing Shouju Jinan
“Operation Managers B”	the Company, Beijing Shouju and Beijing Shouju Wuhan
“Operation Managers A and B”	Operation Managers A and Operation Managers B
“Operations Entrustment Agreements”	(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; and (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
“PRC”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan of the People’s Republic of China
“Reorganisation”	the proposed reorganisation relating to the consumer type real estate investment trust involving the Target Properties
“RMB”	Renminbi, the lawful currency of the PRC
“Service Fees”	the service fees payable by (a) Target Company A to Beijing Shouju under the Operation and Management Services Agreement A; or (b) Target Company B to Beijing Shouju under the Operation and Management Services Agreement B (as the case may be)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s) of the Company

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## DEFINITIONS

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“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 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 an indirect wholly-owned subsidiary of BCCDG, and therefore a connected person of the Company
“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 an indirect wholly-owned subsidiary of BCCDG, and therefore a connected person of the Company
“Target Companies”	Target Company A and Target Company B
“Target Properties”	Jinan Capital Outlets and Wuhan Capital Outlets
“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 88,453 square meters
“%”	per cent.

*In this circular, unless the context otherwise requires, the terms “associate(s)”, “applicable percentage ratio(s)”, “connected person(s)”, “continuing connected transaction(s)”, “controlling shareholder(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.*

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LETTER FROM THE BOARD

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**CAPITAL  GRAND**  
**BEIJING CAPITAL GRAND LIMITED**

首創鉅大有限公司

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

(Stock Code: 1329)

*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

18 January 2024

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

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION  
RELATING TO THE OPERATION AND  
MANAGEMENT SERVICES AGREEMENTS  
AND  
NOTICE OF EGM**

**I. INTRODUCTION**

Reference is made to the announcement of the Company dated 29 December 2023. On 22 December 2023, (a) Operation Managers A, ChinaAMC, CITIC Securities and Target Company A entered into the Operation and Management Services Agreement A, pursuant to which, among other things, Operation Managers A will provide property operation and management services in respect of Jinan Capital Outlets; and (b) Operation Managers B, ChinaAMC, CITIC Securities and Target

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## LETTER FROM THE BOARD

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Company B entered into the Operation and Management Services Agreement B, pursuant to which, among other things, Operation Managers B will provide property operation and management services in respect of Wuhan Capital Outlets. The existing Operations Entrustment Agreements will be terminated by the relevant parties upon the Operation and Management Services Agreements becoming effective.

The purpose of this circular is to provide you with, among other things, (a) further information in relation to the Operation and Management Services Agreements; (b) the letter from the Independent Board Committee to the Independent Shareholders; (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps); (d) other information as required under the Listing Rules; and (e) a notice of the EGM.

## II. THE OPERATION AND MANAGEMENT SERVICES AGREEMENTS

### Operation and Management Services Agreement A

The principal terms of the Operation and Management Services Agreement A are set out below:

#### Date

22 December 2023

#### Parties

- (a) the Company;
- (b) Beijing Shouju, an indirect wholly-owned subsidiary of the Company;
- (c) Beijing Shouju Jinan, the branch of Beijing Shouju in Jinan;
- (d) ChinaAMC;
- (e) CITIC Securities; and
- (f) Target Company A.

#### Scope of property operation and management services

Pursuant to the Operation and Management Services Agreement A, Operation Managers A will provide property operation and management services in respect of Jinan Capital Outlets including, among others, the formulation and implementation of operation and budget plans; the daily operation and management; assisting with budget management; assisting with maintenance and renovation; and assisting with the collection and management of archives and data.

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## LETTER FROM THE BOARD

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### Term

The Operation and Management Services Agreement A is for a term of ten years commencing from the effective date of the Operation and Management Services Agreements. The Operation and Management Services Agreements will be renewed every ten years unless otherwise terminated by the relevant parties.

### Pricing basis

The Service Fees for the Operation and Management Services Agreement A were determined after negotiation among all parties on arm's length basis and on normal commercial terms, having taken into account, among others, (a) the basic service fee, to be calculated through the application of an agreed percentage (which will be within the range from 30.6% to 32.9%) to the audited operating revenue of Jinan Capital Outlets (the "**Basic Service Fees A**"). As the Group will provide the property operation and management services to Jinan Capital Outlets on a lump-sum basis, the Basic Service Fees A will be an "all-inclusive" fee for all of the property operation and management services relating to Jinan Capital Outlets provided by the Group and subcontractors, where applicable. Therefore, the agreed percentages of the Basic Service Fees A for the periods or years during the term of the Operation and Management Services Agreement A was determined with reference to the Group's estimate of the costs and profit for providing the property operation and management services in light of the estimated revenue for Jinan Capital Outlets for each period or year during the term of the Operation and Management Services Agreement A; (b) the positive or negative incentive, which is discretionary in nature, based on 20% of the excess or deficit amount of the actual net operating income less the estimated net operating income of Jinan Capital Outlets for the relevant financial year (the "**Incentive A**"); (c) the estimated revenue, capital expenditure and net operating income of Jinan Capital Outlets for the term of the Operation and Management Services Agreement A with reference to the aggregate revenue, capital expenditure and net operating income of Jinan Capital Outlets in prior financial years; and (d) the prevailing market prices and service fees of similar transactions conducted by consumer type commercial complexes of similar nature and scale.

The Basic Service Fees A for each of the ten years during the term of the Operation and Management Services Agreement A will be payable quarterly within 15 working days after the receipt by Target Company A of the relevant invoices issued by Operation Managers A. The Incentive A for each of the ten years during the term of the Operation and Management Services Agreement A will be payable yearly within 15 working days after the receipt by Target Company A of the relevant invoices issued by Operation Managers A.

The Operation and Management Services Agreement A will only take effect upon (a) the obtaining of approval by the Independent Shareholders at the EGM, but in any event no earlier than the EGM; and (b) the completion of the transfer of shares in Target Company A under the Reorganisation.

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## LETTER FROM THE BOARD

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### Operation and Management Services Agreement B

The principal terms of the Operation and Management Services Agreement B are set out below:

#### Date

22 December 2023

#### Parties

- (a) the Company;
- (b) Beijing Shouju, an indirect wholly-owned subsidiary of the Company;
- (c) Beijing Shouju Wuhan, the branch of Beijing Shouju in Wuhan;
- (d) ChinaAMC;
- (e) CITIC Securities; and
- (f) Target Company B.

#### Scope of property operation and management services

Pursuant to the Operation and Management Services Agreement B, Operation Managers B will provide property operation and management services in respect of Wuhan Capital Outlets including, among others, the formulation and implementation of operation and budget plans; the daily operation and management; assisting with budget management; assisting with maintenance and renovation; and assisting with the collection and management of archives and data.

#### Term

The Operation and Management Services Agreement B is for a term of ten years commencing from the effective date of the Operation and Management Services Agreements. The Operation and Management Services Agreements will be renewed every ten years unless otherwise terminated by the relevant parties.

#### Pricing basis

The Service Fees for the Operation and Management Services Agreement B were determined after negotiation among all parties on arm's length basis and on normal commercial terms, having taken into account, among others, (a) the basic service fee, to be calculated through the application of an agreed percentage (which will be within the range from 30.4% to 32.9%) to the audited operating revenue of Wuhan Capital Outlets (the "**Basic Service Fees B**"). As the Group will provide the property operation and management services to Wuhan Capital Outlets on a lump-sum basis, the Basic Service Fees B will be an "all-inclusive" fee for all of the property operation and

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## LETTER FROM THE BOARD

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management services relating to Wuhan Capital Outlets provided by the Group and subcontractors, where applicable. Therefore, the agreed percentages of the Basic Service Fees B for the periods or years during the term of the Operation and Management Services Agreement B was determined with reference to the Group's estimate of the costs and profit for providing the property operation and management services in light of the estimated revenue for Wuhan Capital Outlets for each period or year during the term of the Operation and Management Services Agreement B; (b) the positive or negative incentive, which is discretionary in nature, based on 20% of the excess or deficit amount of the actual net operating income less the estimated net operating income of Wuhan Capital Outlets for the relevant financial year (the "Incentive B"); (c) the estimated revenue, capital expenditure and net operating income of Wuhan Capital Outlets for the term of the Operation and Management Services Agreement B with reference to the aggregate revenue, capital expenditure and net operating income of Wuhan Capital Outlets in prior financial years; and (d) the prevailing market prices and service fees of similar transactions conducted by consumer type commercial complexes of similar nature and scale.

The Basic Service Fees B for each of the ten years during the term of the Operation and Management Services Agreement B will be payable quarterly within 15 working days after the receipt by Target Company B of the relevant invoices issued by Operation Managers B. The Incentive B for each of the ten years during the term of the Operation and Management Services Agreement B will be payable yearly within 15 working days after the receipt by Target Company B of the relevant invoices issued by Operation Managers B.

The Operation and Management Services Agreement B will only take effect upon (a) the obtaining of approval by the Independent Shareholders at the EGM, but in any event no earlier than the EGM; and (b) the completion of the transfer of shares in Target Company B under the Reorganisation.

### III. HISTORICAL TRANSACTION AMOUNT

The Group has received management fees in the aggregate amount of approximately RMB9,562,824 in relation to the provision of property operation and management services to the Target Properties under the Operations Entrustment Agreements for the period from 22 August 2023 to 2 February 2024 (calculated based on the management fees received for the years ended 31 December 2023 and 31 December 2024 on a pro-rata basis for the relevant period). The relevant annual caps in relation to the Operations Entrustment Agreements for the years ending 31 December 2023 and 31 December 2024 are RMB21,600,000 and RMB22,200,000 in aggregate, respectively.

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## LETTER FROM THE BOARD

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### IV. PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

Pursuant to the Operation and Management Services Agreements, Operation Managers A and B will provide property operation and management services to the Target Properties, and Beijing Shouju will receive the Service Fees in return. The Annual Caps for the aggregate Service Fees payable by the Target Companies to Beijing Shouju are set out below:

	RMB '000
For the period from date of the EGM (assuming the resolutions relating to the Operation and Management Services Agreements are passed at the EGM) to 31 December 2024	74,000
For the year ending 31 December 2025	91,000
For the year ending 31 December 2026	102,000
For the year ending 31 December 2027	114,000
For the year ending 31 December 2028	125,000
For the year ending 31 December 2029	125,000
For the year ending 31 December 2030	132,000
For the year ending 31 December 2031	138,000
For the year ending 31 December 2032	143,000
For the year ending 31 December 2033	149,000
For the period from 1 January 2034 to 2 February 2034	14,000

In determining the Annual Caps for the aggregate Service Fees, the Company has taken into account, among others, (a) the historical information of the Target Properties including, among others, the revenue, other net operating income and capital expenditure. The aggregate revenue and other income of the Target Properties for the financial year 2020, 2021 and 2022 and the first half of 2023 was approximately RMB86.94 million, RMB138.54 million, RMB151.77 million and RMB109.56 million, respectively; (b) the modified scope and mode of property operation and management services to be provided to the Target Properties; (c) the pricing basis contained in the Operation and Management Services Agreements, namely the Basic Service Fees A between 30.6% to 32.9%, the Incentive A of 20%, the Basic Service Fees B between 30.4% to 32.9% and the Incentive B of 20%; (d) the marketing positioning and the location of the Target Properties, as well as the potential business opportunities; (e) the Company's experience in property operation and management, including the marketing strategies and management approach appropriate for the Target Properties; (f) the estimated revenue, capital expenditure and net operating income of the Target Properties for the corresponding period of each Annual Cap. The estimated aggregate revenue and other income of the Target Properties for the initial financial year of 2024 is approximately RMB214 million and the increment for the estimated aggregate revenue and other income of the Target Properties for the subsequent financial years was within 5% to 10%. Such increment was determined with reference to the stage of development, historical changes in the aggregate rates, industry competitiveness and customer flow of the Target Properties, as well as the stage of development of the relevant industry and the regional economic development; (g) the estimated costs of providing the operation and management services to the Target Properties for the Group including, among others, the staff costs, marketing costs, campaign costs and other expenditure, also taking into account of the estimated inflation for the corresponding period of each

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## LETTER FROM THE BOARD

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Annual Cap; and (h) the optimistic scenario for the business of the Target Properties and the related resources involved in providing property operation and management services to the Target Properties on such scale. The Annual Caps under the Operation and Management Services Agreements have significantly increased as compared to the previous annual caps under the Operations Entrustment Agreements mainly due to the modified scope of property operation and management services to be provided under the Operation and Management Services Agreements, and as a result the underlying Service Fees for the modified scope of the Operation and Management Services Agreements includes additional components such as property management costs, marketing management fees, operation management fees, leasing promotion management fees, customer service fees, information management system fees and maintenance costs, etc..

### **V. REASONS FOR AND BENEFITS OF ENTERING INTO THE OPERATION AND MANAGEMENT SERVICES AGREEMENTS**

The core business of the Company includes the holding, operation and management of outlet projects in the PRC. Reference is made to the Company's announcement dated 10 July 2023 and the circular dated 3 August 2023 in relation to, among other things, the very substantial disposal and connected transaction relating to the sale of the entire equity interest of the Target Companies holding the Target Properties by the Group to subsidiaries of BCCDG (the “Disposals”) and the continuing connected transactions relating to the Operations Entrustment Agreements. After completion of the Disposals on 22 August 2023, the Group leveraged on its operation and management expertise and experience and continued to manage the Target Properties through the Operations Entrustment Agreements, which were negotiated between the Group and BCCDG. Further, subsequent to completion of the Disposals, BCCDG proposed to establish the consumer type real estate investment trust relating to the Target Properties for listing on the Shanghai Stock Exchange, which involves the Reorganisation, and the relevant application has been formally accepted by the China Securities Regulatory Commission and the Shanghai Stock Exchange on 29 December 2023. The Reorganisation will involve, among other things, the transfer of the companies holding the Target Properties by BCCDG to the asset-backed scheme to be established and managed by CITIC Securities, which in turn will be wholly subscribed by the proposed consumer type real estate investment trust to be established and managed by ChinaAMC and the units of the proposed consumer type real estate investment trust will be offered for subscription, among which, an interest of more than 30% will be subscribed by a subsidiary of BCCDG and the remaining units will be subscribed by the professional investors, offline investors, the public and other investors permitted by applicable laws and regulations or the China Securities Regulatory Commission to subscribe in securities investment funds, and proposed to be listed on the Shanghai Stock Exchange. The Reorganisation is expected to be completed upon the establishment of the said asset-backed scheme under the proposed consumer type real estate investment trust, which is subject to the approval process of the relevant PRC authorities and the prevailing market conditions in the PRC. The Reorganisation and the related operation and management of the Target Properties will be in accordance with the PRC laws and regulations applicable to consumer type real estate investment trusts and subject to the approval of the relevant PRC authorities. Further, ChinaAMC, the fund manager of the proposed consumer type real estate investment trust, and CITIC Securities, the manager of the asset-backed scheme of the proposed consumer type real estate investment trust, will supervise the overall management of the proposed consumer type real estate investment trust

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## LETTER FROM THE BOARD

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including, among other things, the selection and engagement of the operation and management services manager for the Target Properties. Accordingly, the Group, the relevant subsidiaries of BCCDG holding the Target Companies and ChinaAMC and CITIC Securities, on behalf of the proposed consumer type real estate investment trust, have negotiated the terms and conditions of the Operation and Management Services Agreements on arm's length basis for replacement of the existing Operations Entrustment Agreements, after having taken into account of the PRC laws and regulations applicable to consumer type real estate investment trusts. The Company believes that, by entering into the Operation and Management Services Agreements, the Group can continue to utilise its expertise, experience and resources to manage the Target Properties after completion of the Reorganisation and enhance the brand recognition of the Company, as well as receiving Service Fees income for the Group. This is also aligned with the Company's asset-light strategy and allows the Company to further develop its commercial complex project operation and management capabilities, and in turn strengthening the Company's leading position in the relevant industry.

### *Internal control measures*

The Company will adopt internal control measures to ensure that the continuing connected transactions contemplated under the Operation and Management Services Agreements are carried out in accordance with the terms and conditions of such agreements, and that the terms and conditions of the Operation and Management Services Agreements are on normal commercial terms or better than those terms available to independent third parties for similar services. The details of such measures are as follows:

1. **Ledgers:** The Company will review periodically the records of (i) repair and maintenance works performed for the Target Properties, (ii) various equipment and facilities owned by the Target Properties, and (iii) the daily work and tasks of the Target Properties' management personnels, which shall be kept in separate ledgers, so as to ensure the normal operation of the Target Properties.
2. **Account management:** The Company will keep accounts of the Target Properties on an accrual basis for the purposes of internal management and preparing the monthly financial information, which shall include, among other things, unaudited financial statements, detailed ledgers, balance sheets, income statements and cash flow statements, etc.. The Company will then be able to compare the relevant amounts in the said monthly financial information with the estimated and historical revenue and net operating income, so as to better monitor the Service Fees and ensure that the Annual Caps will not be exceeded.
3. **Market information on property management services:** The Strategic Cooperation Center of the Company will obtain market information on property management services and compare with the pricing and other terms of the transactions under the Operation and Management Services Agreements where relevant.

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## LETTER FROM THE BOARD

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4. **Annual review by external auditors and independent non-executive Directors:** The independent non-executive Directors will, and the Company will engage its external auditors to, conduct annual review of the continuing connected transactions in accordance with the Listing Rules requirements.
5. **Communication and monitoring:** Designated personnel from each of the Company, Beijing Shouju, Beijing Shouju Jinan, Beijing Shouju Wuhan, ChinaAMC, CITIC Securities, Target Company A and Target Company B will be specifically assigned to ensure sufficient communication between all parties and monitor the implementation of the arrangements under the Operation and Management Services Agreements.

The Directors (including the independent non-executive Directors whose views have been formed after considering the advice given by the Independent Financial Adviser and included in the Letter from the Independent Board Committee to this circular) are of the view that the Operation and Management Services Agreements were entered into in ordinary and usual course of business of the Group and the interests of the Company and the Shareholders as a whole and the terms of which (including the Annual Caps) are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned.

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 Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps) 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 Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps). 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 Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps).

## VI. INFORMATION ON THE PARTIES

### The Company

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 and management, with a focus on the development, operation and management of outlets-backed commercial integrated projects and non-outlets retail property projects in the PRC.

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## LETTER FROM THE BOARD

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### **Beijing Shouju**

Beijing Shouju is a company established in the PRC with limited liability and is principally engaged in the provision of commercial complex management services. It is an indirect wholly-owned subsidiary of the Company.

### **Beijing Shouju Jinan**

Beijing Shouju Jinan is the branch of Beijing Shouju in Jinan, Shandong Province, the PRC.

### **Beijing Shouju Wuhan**

Beijing Shouju Wuhan is the branch of Beijing Shouju in Wuhan, Hubei Province, the PRC.

### **ChinaAMC**

ChinaAMC is a company established in the PRC with limited liability and is the fund manager of the proposed consumer type real estate investment trust, and is principally engaged in asset management. ChinaAMC is a non wholly-owned subsidiary of CITIC Securities and its equity is held as to 62.2%, 27.8% and 10.0% by CITIC Securities, Mackenzie Financial Corporation (which parent company is IGM Financial Inc., a company whose shares are listed on the Toronto Stock Exchange) and Tianjin Haipeng Technology Consultant Company Limited\* (天津海鵬科技諮詢有限公司), respectively, and ChinaAMC is an independent third party of the Company.

### **CITIC Securities**

CITIC Securities is a joint stock company incorporated in the PRC with limited liability whose H and A shares are respectively listed on the Main Board of the Stock Exchange (stock code: 6030) and the Shanghai Stock Exchange (stock code: 600030) and an independent third party of the Company. CITIC Securities is the manager of the asset-backed scheme of the proposed consumer type real estate investment trust, and is principally engaged in securities brokerage, investment banking and asset management.

### **Target Company A**

Target Company A is established in the PRC with limited liability and is principally engaged in holding and management of the Jinan Capital Outlets. It is an indirect wholly-owned subsidiary of BCCDG, a controlling shareholder of the Company and wholly-owned by Capital Group, and therefore Target Company A is a connected person of the Company.

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## LETTER FROM THE BOARD

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### Target Company B

Target Company B is established in the PRC with limited liability and is principally engaged in holding and management of the Wuhan Capital Outlets. It is an indirect wholly-owned subsidiary of BCCDG, a controlling shareholder of the Company and wholly-owned by Capital Group, and therefore Target Company B is a connected person of the Company.

### VII. LISTING RULES IMPLICATIONS

Each of Target Company A and Target Company B is an indirect wholly-owned subsidiary of BCCDG, a controlling shareholder of the Company, and therefore is a connected person of the Company pursuant to the Listing Rules. Accordingly, the Operation and Management Services Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Caps under the Operation and Management Services Agreements are more than 5%, the transactions contemplated under the Operation and Management Services Agreements are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, as the terms of the Operation and Management Services Agreements exceed three years, the Company has appointed the Independent Financial Adviser to explain why the Operation and Management Services Agreements require a longer term and to confirm that it is normal business practice for agreements of this type to be of such duration.

The Independent Financial Adviser has compared the durations of the Operation and Management Services Agreements with the implied and/or disclosed durations of operation and management services agreements entered into by the Comparable REITs (as defined in the section headed "Letter from the Independent Financial Adviser" in the circular) and noted that the durations of the Operation and Management Services Agreements (i.e. ten years) are lower than the average and minimum implied and/or disclosed durations of the Comparable REITs. Based on the above, the Independent Financial Adviser confirms that, for the purpose of Rule 14A.52 of the Listing Rules, the durations of the Operation and Management Services Agreements of more than three years is justifiable, commercially reasonable and in line with the normal business practice for agreements of similar nature for the provision of property operation and management services.

### VIII. THE EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps) by way of ordinary resolution(s). In compliance with the Listing Rules, the resolutions will be voted on by way of a poll at the EGM. 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,

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## LETTER FROM THE BOARD

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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 Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps).

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, 2 February 2024 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.

### **IX. 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 Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps).

The Company has, with the approval of the Independent Board Committee, appointed Opus Capital Limited as the Independent Financial Adviser to (i) explain why the Operation and Management Services Agreements require a longer term and to confirm that it is normal business practice for agreements of this type to be of such duration and (ii) advise the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### **X. RECOMMENDATION**

The text of the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 19 to 20 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 Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps) is set out on pages 21 to 48 of this circular.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having considered the terms and conditions of the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps), and after taking into account the advice from the Independent Financial Adviser, considers that the entering into the Operation and Management Services Agreements and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole, and the terms of the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps) are on normal commercial terms and are fair and reasonable.

Therefore, the Directors (including the independent non-executive Directors) consider that the entering into the Operation and Management Services Agreements and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole, and the terms of the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps) are on normal commercial terms and are fair and reasonable. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps).

### **XI. ADDITIONAL INFORMATION**

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

Yours faithfully,  
For and on behalf of the Board of  
**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)

18 January 2024

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION  
RELATING TO THE OPERATION AND  
MANAGEMENT SERVICES AGREEMENTS**

We refer to the circular dated 18 January 2024 issued by the Company of which this letter forms part (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 Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps), 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 6 to 18 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 Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps), set out on pages 21 to 48 of the Circular.

Having considered, among other matters, the terms and conditions of the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps), 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 Operation and Management Services Agreements and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and the terms of the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable, on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM in respect of the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps).

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*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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 Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps), which has been prepared for the purpose of inclusion in this circular.*



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

18 January 2024

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

Dear Sirs or Madams,

### **CONTINUING CONNECTED TRANSACTION RELATING TO THE OPERATION AND MANAGEMENT SERVICES AGREEMENTS**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps) (the “**Continuing Connected Transactions**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 18 January 2024 (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 the context requires otherwise.

On 22 December 2023, (a) Operation Managers A, ChinaAMC, CITIC Securities and Target Company A entered into the Operation and Management Services Agreement A, pursuant to which, among other things, Operation Managers A will provide property operation and management services in respect of Jinan Capital Outlets; and (b) Operation Managers B, ChinaAMC, CITIC Securities and Target Company B entered into the Operation and Management Services Agreement B, pursuant to which, among other things, Operation Managers B will provide property operation and management services in respect of Wuhan Capital Outlets.

As at the Latest Practicable Date, each of Target Company A and Target Company B is an indirect wholly-owned subsidiary of BCCDG, a controlling shareholder of the Company, and therefore is a connected person of the Company pursuant to the Listing Rules. Accordingly, the Operation and Management Services Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As one or more of the applicable percentage ratios in respect of the Annual Caps under the Operation and Management Services Agreements are more than 5%, the transactions contemplated under the Operation and Management Services Agreements are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, as the terms of the Operation and Management Services Agreements exceed three years, the Company has appointed us to explain why the Operation and Management Services Agreements require a longer term and to confirm that it is normal business practice for agreements of this type to be of such duration.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps) by way of ordinary resolution(s). In compliance with the Listing Rules, the resolutions will be voted on by way of a poll at the EGM. 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 Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps).

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 Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps) 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 Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps). 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 Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprises Mr. Yeung Chi Tat, Dr. Huang Wei and Mr. Xu Weiguo, being all the independent non-executive Directors, has been formed to consider and make a recommendation to the Independent Shareholders on: (i) whether the entering into of the Operation and Management Services Agreements is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps) are on normal commercial terms and fair and reasonable; and (iii) whether the Independent Shareholders should vote for the relevant resolution(s) to be proposed at the EGM to approve the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps). 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

During the past two years immediately prior to the Latest Practicable Date, we were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company in respect of a very substantial disposal and connected transaction in connection with the disposals of the entire equity interest of the Target Companies holding the Target Properties by the Group to subsidiaries of BCCDG (the “**VSD Transaction**”), details of which are set out in the circular (the “**VSD Circular**”) of the Company dated 3 August 2023 (the “**Previous Appointment**”). The Previous Appointment was completed and independent to our current appointment.

As at the Latest Practicable Date, we do not have any relationship with, or interest in, the Group, Capital Group, BCCDG, ChinaAMC, CITIC Securities 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, save for the Previous Appointment, we have not: (i) acted in the capacity as a financial adviser or as an independent financial adviser to the Company; (ii) provided any services to the Company; or (iii) had any relationship with the Company. Apart from normal independent financial advisory fees paid or payable (as the case may be) to us in connection with the Previous Appointment and this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, Capital Group, BCCDG, ChinaAMC, CITIC Securities 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our advice 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 Company's interim report for the six months ended 30 June ("HY") 2023 (the "**2023 Interim Report**");
- (iii) the Operation and Management Services Agreements;
- (iv) the annual caps workings paper regarding the estimation of the Annual Caps (the "**Annual Caps Workings**"); and
- (v) 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/or 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 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps), 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 purposes without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps), we have taken into consideration, *inter alia*, the following principal factors and reasons:

#### 1. Background information on 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 and management, 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 30 June 2023, the Company self-owned and operated 13 outlets projects (excluding Jinan Capital Outlets and Wuhan Capital Outlets) under Capital Outlets (首創奧特萊斯) brand with an aggregate gross floor area (“GFA”) of approximately 1,591,260 square meters and 4 development properties with an aggregate unsold GFA of approximately 239,061 square meters.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Financial information*

The following is a summary of the financial results of the Group for each of FY2021, FY2022, HY2022 and HY2023 as extracted from the 2022 Annual Report and the 2023 Interim Report:

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

	Unaudited		Audited	
	HY2023	HY2022	FY2022	FY2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	624,962	458,432	1,124,138	1,341,049
— <i>Property development</i>	49,891	1,982	46,737	148,161
— <i>Investment property development and operation</i>	463,386	335,426	866,835	914,088
— <i>Sale of merchandise inventories</i>	111,685	121,024	210,566	278,800
Gross profit	208,138	193,000	473,834	638,954
Finance costs	(306,640)	(238,100)	(509,225)	(502,962)
Profit/(loss) attributable to the Shareholders	87,135	(116,116)	(393,288)	(224,346)

*Source: the 2022 Annual Report and the 2023 Interim Report*

### *FY2022*

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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

### *HY2023*

The revenue of the Group was approximately RMB625.0 million for HY2023, representing an increase of approximately 36.3% from approximately RMB458.4 million for HY2022. This increase in revenue was mainly attributable to the increase in sales results of outlets as the domestic retail industry recovered rapidly due to the adjustment of the prevention and control policies for the Pandemic in HY2023.

The gross profit of the Group was approximately RMB208.1 million for HY2023, representing an increase of approximately 7.8% from approximately RMB193.0 million for HY2022. The increase in gross profit was mainly due to the increase in sales of the outlets business which is in line with the increase in revenue.

The Group recorded profit attributable to the Shareholders of approximately RMB87.1 million for HY2023, representing a turnaround from its existing loss position of approximately RMB116.1 million for HY2022. Such improvement was mainly attributable to (i) the increase in net profit of approximately RMB267.0 million contributed by the gain from valuation of properties for HY2023 as compared with the corresponding period of the previous year, which mainly represented the gain from valuation of the Wuhan Capital Outlets and Jinan Capital Outlets held for sale; and (ii) the increase in sales of the outlets business during HY2023, which resulted in an increase in the gross profit for the current period of approximately RMB90.0 million as compared to the corresponding period of the previous year. The effect of aforesaid factors was partially offset by the increase in foreign exchange loss and interest expenses for the current period as compared to the corresponding period of the previous year.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The following is a summary of the financial positions of the Group as at 30 June 2023 and 31 December 2022, as extracted from the 2023 Interim Report:

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Non-current assets	13,870,590	15,452,783
Current assets	7,440,717	4,357,510
— <i>Restricted cash</i>	391,963	72,705
— <i>Cash and cash equivalents</i>	1,814,755	1,137,660
Non-current liabilities	9,746,387	11,502,127
— <i>Borrowings</i>	4,900,343	4,630,476
Current liabilities	7,060,656	3,914,691
— <i>Borrowings</i>	1,242,860	1,314,301
Net asset value (“NAV”) attributable to the Shareholders	4,451,554	4,339,124

*Source: the 2023 Interim 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, derivative financial assets and trade and other receivables and prepayments. The total non-current assets decreased from approximately RMB15,452.8 million as at 31 December 2022 by approximately 10.2% to approximately RMB13,870.6 million as at 30 June 2023. The decrease was primarily attributable to the decrease in investment properties by approximately RMB1,576.0 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, cash and cash equivalents as well as assets classified as held for sale. The total current assets increased from approximately RMB4,357.5 million as at 31 December 2022 to approximately RMB7,440.7 million as at 30 June 2023, representing a significant increase by approximately 70.8%. The rise was mainly due to: (i) an increase in cash and cash equivalents by approximately RMB677.1 million; and (ii) the recognition of assets classified as held for sale of approximately RMB2,110.7 million as at 30 June 2023.

Based on the above, the Group had total assets of approximately RMB21,311.3 million as at 30 June 2023, representing an increase of approximately 7.6% as compared to the position as at 31 December 2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The major components of the non-current liabilities of the Group as at 30 June 2023 were mainly borrowings, lease liabilities, other payables and accruals and deferred income tax liabilities. The Group recorded a decrease of approximately 15.3% in its non-current liabilities from approximately RMB11,502.1 million as at 31 December 2022 to approximately RMB9,746.4 million as at 30 June 2023. Such decrease was largely due to a combination of factors being: (a) the reduction in other payables and accruals of approximately RMB1,915.4 million as a result of the reclassification of certain asset-backed securities early repaid in 2023 from non-current liabilities to current liabilities; and (b) the increase of approximately RMB269.9 million in borrowings.

The major components of the current liabilities of the Group as at 30 June 2023 were trade payables, other payables and accruals, contract liabilities, borrowings, lease liabilities, current income tax liabilities and liabilities directly associated with assets classified as held for sale. As at 30 June 2023, the Company was faced with a rise in total current liabilities to approximately RMB7,060.7 million, representing a considerable increase of approximately 80.4% from approximately RMB3,914.7 million as at 31 December 2022. The increase was mainly attributable to a combination of factors being: (i) the drop in trade payables by approximately RMB197.1 million; (ii) the surge in other payables and accruals of approximately RMB2,563.2 million as a result of the reclassification of certain asset-backed securities early repaid in 2023 from non-current liabilities to current liabilities; and (iii) the recognition of liabilities directly associated with assets classified as held for sale of approximately RMB382.5 million.

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 maintained at a relatively stable level, amounted to approximately RMB4,451.6 million as at 30 June 2023, representing a slight increase of approximately 2.6% from approximately RMB4,339.1 million as at 31 December 2022.

### *Unaudited pro forma financial information following the VSD Transaction*

Independent Shareholders should note the above financial information of the Group has not taken into account the financial impacts of the VSD Transaction because upon completion of the VSD Transaction on 22 August 2023, the Group have ceased to hold any interest in Target Company A and Target Company B and both Target Company A and Target Company B have ceased to be the subsidiaries of the Company and their financial results, assets and liabilities were deconsolidated from the financial statements of the Group. Independent Shareholders are therefore advisable to refer to the VSD Circular, in particular, the financial effects of the VSD Transaction and notably the estimated net proceeds from the VSD Transaction of approximately RMB1,952.9 million which was largely aimed at reducing the indebtedness of the Group and increasing the general working capital of the Group.

**2. Background information on the parties**

***Beijing Shouju***

Beijing Shouju is a company established in the PRC with limited liability and is principally engaged in the provision of commercial complex management services. It is an indirect wholly-owned subsidiary of the Company.

***Beijing Shouju Jinan***

Beijing Shouju Jinan is the branch of Beijing Shouju in Jinan, Shandong Province, the PRC.

***Beijing Shouju Wuhan***

Beijing Shouju Wuhan is the branch of Beijing Shouju in Wuhan, Hubei Province, the PRC.

***ChinaAMC***

ChinaAMC is a company established in the PRC with limited liability and is the fund manager of the Proposed REIT (as defined below), and is principally engaged in asset management. ChinaAMC is a non wholly-owned subsidiary of CITIC Securities and its equity is held as to 62.2%, 27.8% and 10.0% by CITIC Securities, Mackenzie Financial Corporation (which parent company is IGM Financial Inc., a company whose shares are listed on the Toronto Stock Exchange) and Tianjin Haipeng Technology Consultant Company Limited\* (天津海鹏科技諮詢有限公司), respectively, and ChinaAMC is an independent third party of the Company.

***CITIC Securities***

CITIC Securities is a joint stock company incorporated in the PRC with limited liability whose H and A shares are respectively listed on the Main Board of the Stock Exchange (stock code: 6030) and the Shanghai Stock Exchange (stock code: 600030) and an independent third party of the Company. CITIC Securities is the manager of the asset-backed scheme of the Proposed REIT (as defined below), and is principally engaged in securities brokerage, investment banking and asset management.

***Target Company A***

Target Company A is established in the PRC with limited liability and is principally engaged in holding and management of the Jinan Capital Outlets. It is an indirect wholly-owned subsidiary of BCCDG, a controlling shareholder of the Company and wholly-owned by Capital Group, and therefore Target Company A is a connected person of the Company.

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### *Target Company B*

Target Company B is established in the PRC with limited liability and is principally engaged in holding and management of the Wuhan Capital Outlets. It is an indirect wholly-owned subsidiary of BCCDG, a controlling shareholder of the Company and wholly-owned by Capital Group, and therefore Target Company B is a connected person of the Company.

### **3. Reasons for and benefits of entering into the Operation and Management Services Agreements**

As stated in the Letter from the Board, the core business of the Company includes the holding, operation and management of outlets projects in the PRC. Reference is made to the Company's announcement dated 10 July 2023 and the VSD Circular in relation to, among others, the VSD Transaction and the continuing connected transactions relating to the Operations Entrustment Agreements. After completion of the VSD Transaction on 22 August 2023, the Group leveraged on its operation and management expertise and experience and continued to manage the Target Properties through the Operations Entrustment Agreements, which were negotiated between the Group and BCCDG. Further, subsequent to completion of the VSD Transaction, BCCDG proposed to establish the consumer type real estate investment trust (the "**Proposed REIT**") relating to the Target Properties for listing on the Shanghai Stock Exchange, which involves the Reorganisation, and the relevant application has been formally accepted by the China Securities Regulatory Commission (the "**CSRC**") and the Shanghai Stock Exchange on 29 December 2023. The Reorganisation will involve, among other things, the transfer of the companies holding the Target Properties by BCCDG to the asset-backed scheme to be established and managed by CITIC Securities, which in turn will be wholly subscribed by the Proposed REIT to be established and managed by ChinaAMC and the units of the Proposed REIT will be offered for subscription, among which, an interest of more than 30% will be subscribed by a subsidiary of BCCDG and the remaining units will be subscribed by the professional investors, offline investors, the public and other investors permitted by applicable laws and regulations or the CSRC to subscribe in securities investment funds, and proposed to be listed on the Shanghai Stock Exchange. The Reorganisation is expected to be completed upon the establishment of the said asset-back scheme under the Proposed REIT, which is subject to the approval process of the relevant PRC authorities and the prevailing market conditions in the PRC. The Reorganisation and the related operation and management of the Target Properties will be in accordance with the PRC laws and regulations applicable to consumer type real estate investment trusts ("**REITs**") and subject to the approval of the relevant PRC authorities. Further, ChinaAMC, the fund manager of the Proposed REIT, and CITIC Securities, the manager of the asset-backed scheme of the Proposed REIT, will supervise the overall management of the Proposed REIT including, among other things, the selection and engagement of the operation and management services manager for the Target Properties. Accordingly, the Group, the relevant subsidiaries of BCCDG holding the Target Companies and ChinaAMC and CITIC Securities, on behalf of the Proposed REIT, have negotiated the terms and conditions of the Operation and Management Services Agreements on arm's length basis for replacement of the existing Operations Entrustment Agreements, after having taken into account of the PRC laws and regulations applicable to consumer type REITs. The Company believes that, by entering into the Operation and

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Management Services Agreements, the Group can continue to utilise its expertise, experience and resources to manage the Target Properties after completion of the Reorganisation and enhance the brand recognition of the Company, as well as receiving Service Fees income for the Group. This is also aligned with the Company's asset-light strategy and allows the Company to further develop its commercial complex project operation and management capabilities, and in turn strengthening the Company's leading position in the relevant industry.

With reference to the VSD Circular, as stipulated under the Operations Entrustment Agreements dated 10 July 2023, subsequent to completion of the VSD Transaction, the Company will continue to provide property operation and management services to the Target Properties in return for a management fee. Due to the change in the contracting parties, the existing Operations Entrustment Agreements will be terminated and replaced by the Operation and Management Services Agreements. Under the Operation and Management Services Agreements, the Company is able to benefit from such long-standing engagement with Jinan Capital Outlets and Wuhan Capital Outlets as the Group has all the while been managing Jinan Capital Outlets and Wuhan Capital Outlets.

With reference to the 2023 Interim Report, policies published by the National Development and Reform Commission (the "NDRC") in March 2023, namely 《關於規範高效做好基礎設施領域不動產投資信托基金(REITs)項目申報推薦工作的通知》 ("Notice on Regulating and Efficiently Implementing the Application and Recommendation of REIT Projects in the Infrastructure Sector")\* (the "2023 Notice") signify the official inclusion of consumption infrastructure into the scope of REITs issuance, which was an important initiative for the PRC to, among others, release consumption potential, expand domestic demand, and support consumption recovery and created policy conditions for the Group's strategic transformation from asset-heavy business model to asset-light business model (the "Strategic Transformation"). It was also mentioned in the 2023 Interim Report that the Group will seize the window period stipulated in the relevant policies and is dedicated to smoothen the closed-loop asset circulation featuring "investment-financing-management-withdrawal"\* (投-融-管-退), accelerate the improvement of business management capabilities, and gradually realize the transformation of assets "from heavy to light, from light to premium"\* (由重變輕、由輕變精).

Against this backdrop of the 2023 Notice and the Strategic Transformation, and pursuant to the Operation and Management Services Agreements, typical of an asset-light operation model, the Group will continue to utilise its existing professional capability and experience to manage the Target Properties owned by the Proposed REIT will enhance the brand recognition of the Company and consolidate its leading position in the outlets industry and achieving diversified revenue growth, the entering into of the Operation and Management Services Agreement is therefore regarded as a key milestone of the Group in the implementation of the Strategic Transformation.

Based on the above, we consider that the entering into of the Operation and Management Services Agreements is in ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

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#### 4. Principal terms of the Operation and Management Services Agreements

The principal terms of the Operation and Management Services Agreements are set out below:

##### *Operation and Management Services Agreement A*

###### **Date**

22 December 2023

###### **Parties**

- (a) the Company;
- (b) Beijing Shouju, an indirect wholly-owned subsidiary of the Company;
- (c) Beijing Shouju Jinan, the branch of Beijing Shouju in Jinan;
- (d) ChinaAMC;
- (e) CITIC Securities; and
- (f) Target Company A.

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

Pursuant to the Operation and Management Services Agreement A, Operation Managers A will provide property operation and management services in respect of Jinan Capital Outlets including, among others, the formulation and implementation of operation and budget plans; the daily operation and management; assisting with budget management; assisting with maintenance and renovation; and assisting with the collection and management of archives and data.

##### *Term*

The Operation and Management Services Agreement A is for a term of ten years commencing from the effective date of the Operation and Management Services Agreements. The Operation and Management Services Agreements will be renewed every ten years unless otherwise terminated by the relevant parties.

##### *Pricing basis*

The Service Fees for the Operation and Management Services Agreement A were determined after negotiation between all parties on arm's length basis and on normal commercial terms, having taken into account, among others, (a) the basic service fee, to be calculated through the application of an agreed percentage (which will be within the range from 30.6% to 32.9%) to the audited operating revenue of Jinan Capital Outlets (the “**Basic**

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**Service Fees A**”). As the Group will provide the property operation and management services to Jinan Capital Outlets on a lump-sum basis, the Basic Service Fees A will be an “all-inclusive” fee for all of the property operation and management services relating to Jinan Capital Outlets provided by the Group and subcontractors, where applicable. Therefore, the agreed percentages of the Basic Service Fees A for the periods or years during the term of the Operation and Management Services Agreement A was determined with reference to the Group’s estimate of the costs and profit for providing the property operation and management services in light of the estimated revenue for Jinan Capital Outlets for each period or year during the term of the Operation and Management Services Agreement A; (b) the positive or negative incentive, which is discretionary in nature, based on 20% of the excess or deficit amount of the actual net operating income less the estimated net operating income of Jinan Capital Outlets for the relevant financial year (the “**Incentive A**”); (c) the estimated revenue, capital expenditure and net operating income of Jinan Capital Outlets for the term of the Operation and Management Services Agreement A with reference to the aggregate revenue, capital expenditure and net operating income of Jinan Capital Outlets in prior financial years; and (d) the prevailing market prices and service fees of similar transactions conducted by consumer type commercial complexes of similar nature and scale.

The Basic Service Fees A for each of the ten years during the term of the Operation and Management Services Agreement A will be payable quarterly within 15 working days after the receipt by Target Company A of the relevant invoices issued by Operation Managers A. The Incentive A for each of the ten years during the term of the Operation and Management Services Agreement A will be payable yearly within 15 working days after the receipt by Target Company A of the relevant invoices issued by Operation Managers A.

The Operation and Management Services Agreement A will only take effect upon (a) the obtaining of approval by the Independent Shareholders at the EGM, but in any event no earlier than the EGM; and (b) the completion of the transfer of shares in Target Company A under the Reorganisation.

### *Operation and Management Services Agreement B*

#### **Date**

22 December 2023

#### **Parties**

- (a) the Company;
- (b) Beijing Shouju, an indirect wholly-owned subsidiary of the Company;
- (c) Beijing Shouju Wuhan, the branch of Beijing Shouju in Wuhan;
- (d) ChinaAMC;

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- (e) CITIC Securities; and
- (f) Target Company B.

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

Pursuant to the Operation and Management Services Agreement B, Operation Managers B will provide property operation and management services in respect of Wuhan Capital Outlets including, among others, the formulation and implementation of operation and budget plans; the daily operation and management; assisting with budget management; assisting with maintenance and renovation; and assisting with the collection and management of archives and data.

### *Term*

The Operation and Management Services Agreement B is for a term of ten years commencing from the effective date of the Operation and Management Services Agreements. The Operation and Management Services Agreements will be renewed every ten years unless otherwise terminated by the relevant parties.

### *Pricing basis*

The Service Fees for the Operation and Management Services Agreement B were determined after negotiation between all parties on arm's length basis and on normal commercial terms, having taken into account, among others, (a) the basic service fee, to be calculated through the application of an agreed percentage (which will be within the range from 30.4% to 32.9%) to the audited operating revenue of Wuhan Capital Outlets (the "**Basic Service Fees B**", together with the Basic Service Fees A, are referred to below as the "**Basic Service Fees A and B**"). As the Group will provide the property operation and management services to Wuhan Capital Outlets on a lump-sum basis, the Basic Service Fees B will be an "all-inclusive" fee for all of the property operation and management services relating to Wuhan Capital Outlets provided by the Group and subcontractors, where applicable. Therefore, the agreed percentages of the Basic Service Fees B for the periods or years during the term of the Operation and Management Services Agreement B was determined with reference to the Group's estimate of the costs and profit for providing the property operation and management services in light of the estimated revenue for Wuhan Capital Outlets for each period or year during the term of the Operation and Management Services Agreement B; (b) the positive or negative incentive, which is discretionary in nature, based on 20% of the excess or deficit amount of the actual net operating income less the estimated net operating income of Wuhan Capital Outlets for the relevant financial year (the "**Incentive B**", together with the Incentive A, are referred to below as the "**Incentive A and B**"); (c) the estimated revenue, capital expenditure and net operating income of Wuhan Capital Outlets for the term of the Operation and Management Services Agreement B with reference to the aggregate

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revenue, capital expenditure and net operating income of Wuhan Capital Outlets in prior financial years; and (d) the prevailing market prices and service fees of similar transactions conducted by consumer type commercial complexes of similar nature and scale.

The Basic Service Fees B for each of the ten years during the term of the Operation and Management Services Agreement B will be payable quarterly within 15 working days after the receipt by Target Company B of the relevant invoices issued by Operation Managers B. The Incentive B for each of the ten years during the term of the Operation and Management Services Agreement B will be payable yearly within 15 working days after the receipt by Target Company B of the relevant invoices issued by Operation Managers B.

The Operation and Management Services Agreement B will only take effect upon (a) the obtaining of approval by the Independent Shareholders at the EGM, but in any event no earlier than the EGM; and (b) the completion of the transfer of shares in Target Company B under the Reorganisation.

Further details of the principal terms of the Operation and Management Services Agreements, please refer to the section headed “II. THE OPERATION AND MANAGEMENT SERVICES AGREEMENTS” in the Letter from the Board.

### *Review of the principal terms*

We have obtained and reviewed the Operation and Management Services Agreements. Because the Operation and Management Services Agreements have been entered into in light of the Reorganisation and the Proposed REIT involving the Target Properties, which is subject to the approval of the relevant PRC authorities, and in accordance with applicable laws and regulations in the PRC, we noted that the principal terms of the Operation and Management Services Agreements are mainly prepared in compliance with the relevant PRC laws regulations such as, among others, 《中華人民共和國民法典》 (“**Civil Code of the People’s Republic of China**”)\*, 《證券投資基金法》 (“**Securities Investment Fund Law**”)\*, 《公開募集證券投資基金運作管理辦法》 (“**Measures for the Operation and Management of Publicly Offered Securities Investment Funds**”)\* and 《基礎設施基金指引》 (“**Guidelines for Infrastructure Funds**”)\*.

We noted that the main purposes of the parties entering into the Operation and Management Services Agreements are (i) to clarify that ChinaAMC, being the fund manager of the Proposed REIT, appoints the Company, Beijing Shouju, Beijing Shouju Jinan and Beijing Shouju Wuhan as the Operation Managers A and B to provide various operation and management services for the Target Properties in accordance with the terms and conditions of the Operation and Management Services Agreements; (ii) to clarify the rights, obligations and responsibilities of each party in matters related to the operation and management of the Target Properties; and (iii) to ensure that continuity, stability and efficiency of operations of the Target Properties.

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Pursuant to the Operation and Management Services Agreements, the Company agreed to be appointed as the operation and management coordinating agency, responsible for coordinating and arranging the operation and management of the Target Properties while the remaining parties Operation Managers A and B (i.e. Beijing Shouju, Beijing Shouju Jinan and Beijing Shouju Wuhan) agreed to be appointed as the operation management implementation agency and be responsible for the daily operation and management of the specific implementation of the Target Properties.

In assessing the fairness and reasonableness of the principal terms of the Operation and Management Services Agreements, including the Service Fees and duration of the operation and management services, we have conducted a research, on a best effort basis, on the recent submissions of draft prospectus(es) to the CSRC made by the consumer type REIT listing applicants in the PRC (the “**Comparable REITs**”) and/or the recent publication of the prospectus(es) of the Comparable REITs after the CSRC approved the listing of such Comparable REITs. Based on our best endeavour and as far as we are aware, we have identified a total five (5) Comparable REITs, the draft prospectus(es)/published prospectus(es) of which were uploaded/published (as the case maybe) during a period of approximately six (6) months prior to and including 29 December 2023, being the date of upload of the draft prospectus of the Proposed REIT which sets out, among others, information regarding the Operation and Management Services Agreements (the “**Comparison Period**”) to provide a general reference for and to compare with the recent market practices in relation to the terms of the operation and management services similar to that to be provided by Operation Managers A and B to the Proposed REIT under the recent market conditions. We consider that the Comparison Period is appropriate since it is, in our opinion, (i) the only time period since the official inclusion of consumption infrastructure into the scope of REITs issuance in the PRC after the issuance of the 2023 Notice by the NDRC; and (ii) a time period where we can identify a reasonable and meaningful number of samples of Comparable REITs to aid our analysis.

Shareholders should however note that the principal businesses, market capitalisation, profitability and financial positions of the Comparable REITs that require operation and management services may not be the same as those of the Proposed REIT, in particular, the scope of the operation and management services rendered to the Comparable REITs may differ from that of the Proposed REIT, and we have not conducted any in-depth investigation into their businesses and operations. As the Comparable REITs carry out consumer type operations, they are considered to be able to provide a general reference of the key terms for similar operation and management services in the PRC that reflect the recent market practices only, we consider, to the best of our knowledge and ability, that the Comparable REITs are fair and representative the purpose of our analysis.

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**Table 3: Principal terms of the Comparable REITs**

Upload date	Name of the Comparable REIT	Basic management fee rate <i>(Note 1)</i>	Incentive management fee rate <i>(Note 5)</i>	Valuation forecast period <i>(Years)</i> <i>(Note 6)</i>	Payment terms of basic management fee
29 December 2023	Huaan Bailian Consumer Closed-end Infrastructure REIT* (華安百聯消費封閉式基礎設施證券投資基金) (“ <b>Bailian REIT</b> ”)	16% of the actual operating income	10.0%–20.0%	20.6	Not disclosed
26 October 2023	ChinaAMC China Resources Commercial Assets Closed-end Infrastructure REIT* (華夏華潤商業資產封閉式基礎設施證券投資基金)	Component A: 6.5%–7.4% of the actual operating revenue + Component B: 4.0% of the actual operating revenue and 8.0% of the actual operating profit	15.0%	28.0–38.0	Monthly
26 October 2023	CICC SCPG Consumer Closed-end Infrastructure REIT* (中金印力消費基礎設施封閉式基礎設施證券投資基金)	Component A: 8.5% of the actual operating revenue + Component B: 8.0% of the actual operating profit	20.0%	25.0	Monthly
26 October 2023	Jiashi Wumart Consumer Closed-end Infrastructure REIT* (嘉實物美消費封閉式基礎設施證券投資基金)	4.0% of the actual operating revenue	5.0%–15.0%	19.1–21.2	Not disclosed
26 October 2023	China Jinmao Shopping Mall Closed-end Infrastructure REIT* (華夏金茂購物中心封閉式基礎設施證券投資基金)	27.0%–32.0% of the actual operating revenue	10.0%–20.0%	29.2	Not disclosed
	Maximum	32.0%	20.0%	38.0	N/A
	Minimum	4.0%	5.0%	19.1	N/A
	Average	13.8%	15.0%	25.6	N/A
		<i>(Note 2)</i>	<i>(Note 2)</i>	<i>(Note 7)</i>	
<b>29 December 2023</b>	<b>Provided by Operation Manager A to the Proposed REIT</b>	<b>30.6%–32.9%</b> <i>(Note 3)</i>	<b>20.0%</b>	<b>33.6</b>	<b>Quarterly</b>
<b>29 December 2023</b>	<b>Provided by Operation Manager B to the Proposed REIT</b>	<b>30.4%–32.9%</b> <i>(Note 4)</i>	<b>20.0%</b>	<b>32.6</b>	<b>Quarterly</b>

Source: the website of the Chinese Capital Market Information Disclosure Platform\* (資本市場電子化資訊披露平台) hosted by the CSRC

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*Notes:*

1. As some of the basic management fees of the Comparable REITs are calculated based on both the actual operating revenue and the actual operating income of the assets being operated and managed under the relevant Comparable REITs but the Proposed REIT's Basic Service Fees are calculated based on the actual operating revenue as set out in notes 3 and 4 below, for the purpose of consistency, we have omitted those fee percentages calculated based on the actual operating income for the purpose of commuting the maximum, minimum and average figures under this heading.
2. For illustration purpose, we have adopted the mid-point of the fee range for those Comparable REITs which the management fee is based on a range of rate to calculate the average basic management fee rate and average incentive management fee rate of the Comparable REITs.
3. As set out in the Annual Caps Workings provided by the Management, the predetermined percentage applied to the future actual operating revenue of Jinan Capital Outlets for FY2024 to FY2033 to calculate the relevant Basic Service Fees ranges from approximately 30.6% to 32.9%.
4. As set out in the Annual Caps Workings, the predetermined percentage applied to the future actual operating revenue of Wuhan Capital Outlets for FY2024 to FY2033 to calculate the relevant Basic Service Fees ranges from approximately 30.4% to 32.9%.
5. As stated in the corresponding draft prospectus(es)/published prospectus(es) (as the case maybe) of the Comparable REITs, the incentive management fee is calculated based on the surplus of the actual net operating income from the estimated/target net operating income of the relevant REITs.
6. According to the corresponding draft prospectus(es)/published prospectus(es) (as the case maybe) of the Comparable REITs, the relevant disclosure in connection with durations of the operation and management services agreements were mostly not available. For illustration purpose, we have made reference to the forecast period (being the remaining period of the land use rights of the respective project) adopted during the course of valuation of the Comparable REITs as stated in the respective draft prospectus(es)/published prospectus(es) (as the case maybe).
7. For illustration purpose, we have adopted the mid-point of the forecast period for those Comparable REITs which the forecast period is based on a range of forecast periods to calculate the average forecast period of the Comparable REITs.

The Service Fees for the Operation and Management Services Agreements are mainly made up two components, being (i) the Basic Service Fees A and B; and (ii) the Incentive A and B.

The Basic Service Fees A and B, which will be the “all-inclusive” fees, include the following service fees: labor costs and administrative fees required by Operation Managers A and B for the operation and maintenance of the relevant Target Properties, property management costs, marketing management fees, operation management fees, leasing promotion management fees, customer service fees, information management system fees and maintenance costs required to maintain the normal operation of the Target Properties (the “**Core Service Fees Components**”). The Basic Service Fees A and B, on an annual basis, during the term of the Operation and Management Services Agreements (i.e. 10 years) are largely determined by the audited operating revenue of the Target Properties multiplied by a set of agreed basic management fee percentages ranging from approximately 30.4% to 32.9% (the “**Normal Basic Service Fees Range**”), which were determined with reference to the

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Group's estimate of the costs and profit for providing such property operation and management services to the Target Properties. As illustrated in Table 3 above, we noted that the basic management fee rates of the Comparable REITs ranged from a minimum of 4.0% to a maximum of 32.0%, with an average of approximately 13.8% of the actual operating revenue of the assets being operated and managed under the Comparable REITs. The Basic Service Fees A and B, not only are within the range of the Comparable REITs, are also above the average and at around the maximum of the basic management fee rate charged at the Comparable REITs. In addition to above analysis, we have obtained from the Management the breakdown of the Core Service Fees Components borne by Jinan Capital Outlets for FY2021, FY2022 and HY2023 (the "**Review Period**") which accounted for approximately 38.7%, 32.4% and 25.4% of the actual operating revenue of Jinan Capital Outlets for the respective financial year or period. Similarly, the breakdown of the Core Service Fees Components borne by Wuhan Capital Outlets for FY2021, FY2022 and HY2023 which accounted for approximately 41.1%, 33.3% and 27.9% of the actual operating revenue of Wuhan Capital Outlets for the respective financial year or period.

As explained by the Management, according to historical conditions of running outlets, the reason why the Core Service Fees Components accounted for a higher proportion (i.e. 38.7% in the case of Jinan Capital Outlets and 41.1% in the case of Wuhan Capital Outlets) of revenue in FY2021 was mainly because both of the Target Properties were still in the initial/growth stage at the time, and their revenue was still in the climbing stage, and the costs invested at that stage was also higher. After years of operation, various project costs of the Target Properties would have become more stable. In the case of the proportion of the Core Service Fees Components of revenue in HY2023, being the most recent financial metrics (i.e. 25.4% in the case of Jinan Capital Outlets and 27.9% in the case of Wuhan Capital Outlets), we noted the Normal Basic Service Fees Range is broadly higher.

Furthermore, as advised by the Management in relation to the Incentive part of the Service Fees, we understand that pricing basis was structured with an intention to ensure the necessary operating costs are covered by the Basic Service Fees A and B while in line with market practice to introduce the Incentive A and B to encourage the Group to maximise operating revenue and net income of the Target Properties during the term of the Operation and Management Services Agreements. The Incentive A and B, on an annual basis, during the term of the Operation and Management Services Agreements are largely determined by the actual net operating income less the estimated net operating income of the Target Properties for the relevant financial year multiplied by 20%. Such Incentive may be positive or negative and is discretionary in nature. As set out in Table 3 above, the incentive management fee rates of the Comparable REITs ranged from a minimum of 5.0% to a maximum of 20.0%, with an average of 15.0% of the actual net operating income. The Incentive A and B, similar to the Basic Service Fees A and B, are not only within the range of the Comparable REITs, but are also above the average and at par with the maximum of the incentive management fee rate charged by the Comparable REITs. Therefore, we consider the Incentive A and B to be generally in line with those of the Comparable REITs.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the internal control procedures as set out in the section headed “6. Internal control procedures” below, the Strategic Cooperation Center of the Company will obtain market information on property management services and compare with the pricing and other terms of the transactions under the Operation and Management Services Agreements where relevant. For our independent review work done on the Group’s internal control measures to be adopted under the term of the Operation and Management Services Agreements, please refer to the section headed “6. Internal control procedures” below. We consider the effective implementation of such internal control procedures will help to ensure the fair pricing in the carrying out of the Continuing Connected Transactions.

As shown in Table 3 above, a series of operation and management services agreements were entered into by the Comparable REITs with the relevant operation managers in the provision of property operation and management services. According to the valuation reports enclosed in the draft prospectus(es)/published prospectus(es) (as the case maybe) of the Comparable REITs, the implied durations (forecast periods as represented by the remaining periods of the land use rights of the respective projects) of the operation and management services agreements contemplated under the Comparable REITs ranged from a minimum of approximately 19.1 years to 38.0 years, with an average stood at approximately 25.6 years. We also note Bailian REIT, being the only Comparable REIT which had disclosed the duration of its operation and management services agreement, had a duration of 21 years for its operation and management services agreement. According to the valuation report enclosed in the draft prospectus of the Proposed REIT, forecast periods as represented by the remaining periods of the land use rights of Jinan Capital Outlets and Wuhan Capital Outlets are 33.6 years and 32.6 years respectively. The durations of the Operation and Management Services Agreements (i.e. ten (10) years) are lower than the average and minimum implied durations of the Comparable REITs and likewise lower than that of Bailian REIT. Based on the above, we confirms that, for the purpose of Rule 14A.52 of the Listing Rules, the durations of the Operation and Management Services Agreements of more than three (3) years is justifiable, commercially reasonable and in line with the normal business practice for agreements of similar nature for the provision of property operation and management services.

Lastly but not least, we understand from the Management that pursuant to the property operation and management services, the Basic Service Fees A and B are generally paid quarterly within 15 working days after the receipt by the Target Companies of the relevant invoices issued by Operation Managers A and B respectively. According to the two only available payment terms disclosed in the relevant draft prospectus(es)/published prospectus(es) (as the case maybe) of the Comparable REITs, the payment terms of the basic management fee are settled on a monthly basis. Although the payment terms of the Basic Service Fees A and B are slightly longer than those of the Comparable REITs with payment terms disclosed, nevertheless having considered that, (i) both the Basic Service Fees A and B as well as the Incentive A and B stand at the maximum level of those of the Comparable REITs; (ii) as explained by the Management, it is preferred that the Basic Service Fees A and B are to be settled on a quarterly basis so as not to create excessive and repetitive work procedures for Operation Managers A and B’s finance function; and (iii) the list of benefits highlighted in the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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section headed “3. Reasons for and benefits of entering into the Operation and Management Services Agreements” brought about by the Operation and Management Services Agreements and the Strategic Transformation, we are of the view that the slightly longer payment terms of the Basic Service Fees A and B are justifiable.

Based on the above, we are of the view that the pricing and other terms of the Operation and Management Services Agreements are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### 5. Historical transaction amount and the proposed Annual Caps

As stated in the Letter from the Board, the Group has received management fees in the aggregate amount of approximately RMB9,562,824 in relation to the provision of property operation and management services to the Target Properties under the Operations Entrustment Agreements for the period from 22 August 2023 to 2 February 2024 (calculated based on the management fees received for FY2023 and FY2024 on a pro-rata basis for the relevant period). The relevant annual caps in relation to the Operations Entrustment Agreements for FY2023 and FY2024 are RMB21,600,000 and RMB22,200,000 in aggregate, respectively.

As further disclosed in the Letter from the Board, pursuant to the Operation and Management Services Agreements, Operation Managers A and B will provide property operation and management services to the Target Properties, and Beijing Shouju will receive the Service Fees in return. The table below sets out the proposed Annual Caps for the aggregate Service Fees payable by the Target Companies to Beijing Shouju:

**Table 4: The proposed Annual Caps for the aggregate Service Fees**

	<i>RMB'000</i>
For the period from date of the EGM (assuming the resolutions relating to the Operation and Management Services Agreements are passed at the EGM) to 31 December 2024	74,000
FY2025	91,000
FY2026	102,000
FY2027	114,000
FY2028	125,000
FY2029	125,000
FY2030	132,000
FY2031	138,000
FY2032	143,000
FY2033	149,000
For the period from 1 January 2034 to 2 February 2034	14,000

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Basis for determining the Annual Caps*

We understood in determining the Annual Caps for the aggregate Service Fees, the Company has taken into account, among others, (a) the historical financial information of the Target Properties including, among others, the revenue, other net operating income and capital expenditure. The aggregate revenue and other income of the Target Properties for FY2020, FY2021, FY2022 and HY2023 was approximately RMB86.94 million, RMB138.54 million, RMB151.77 million and RMB109.56 million, respectively; (b) the modified scope and mode of property operation and management services to be provided to the Target Properties; (c) the pricing basis contained in the Operation and Management Services Agreements, namely the Basic Service Fees A between 30.6% to 32.9%, the Incentive A of 20%, the Basic Service Fees B between 30.4% to 32.9% and the Incentive B of 20%; (d) the marketing positioning and the location of the Target Properties, as well as the potential business opportunities; (e) the Company's experience in property operation and management, including the marketing strategies and management approach appropriate for the Target Properties; (f) the estimated revenue, capital expenditure and net operating income of the Target Properties for the corresponding period of each Annual Cap. The estimated aggregate revenue and other income of the Target Properties for the initial FY2024 is approximately RMB214 million and the increment for the estimated aggregate revenue and other income of the Target Properties for the subsequent financial years was within 5% to 10%. Such increment was determined with reference to the stage of development, historical changes in the aggregate revenue and other income growth rates, industry competitiveness and customer flow of the Target Properties, as well as the stage of development of the relevant industry and the regional economic development; (g) the estimated costs of providing the operation and management services to the Target Properties for the Group including, among others, the staff costs, marketing costs, campaign costs and other expenditure, also taking into account of the estimated inflation for the corresponding period of each Annual Cap; and (h) the optimistic scenario for the business of the Target Properties and the related resources involved in providing property operation and management services to the Target Properties on such scale. The Annual Caps under the Operation and Management Services Agreements have significantly increased as compared to the previous annual caps under the Operations Entrustment Agreements mainly due to the modified scope of property operation and management services to be provided under the Operation and Management Services Agreements, and as a result the underlying Service Fees for the modified scope of the Operation and Management Services Agreements includes additional components such as property management costs, marketing management fees, operation management fees, leasing promotion management fees, customer service fees, information management system fees and maintenance costs, etc..

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Our assessment*

In assessing the fairness and reasonableness of the Annual Caps, we have considered the following key factors which followed the following logics:

(i) *Modified scope and mode of property operation and management services under the Operation and Management Services Agreements*

As discussed and confirmed with the Management, the abovementioned historical management fees received under the Operations Entrustment Agreements under the section headed “5. Historical transaction amount and the proposed Annual Caps” above were only one of the service fees under the Core Service Fees Components and it only covered the labor costs and administrative fees for the operation and maintenance of the relevant Target Properties. The remainder of the Core Service Fees Components (i.e. property management costs, marketing management fees, operation management fees, leasing promotion management fees, customer service fees, information management system fees and maintenance costs) are added to the Operation and Management Services Agreements so the Service Fees are enlarged compared to those of the Operations Entrustment Agreements.

(ii) *Annual Caps Workings*

We have obtained the Annual Caps Workings from the Management, the Annual Caps Workings are made up of the calculations of Annual Caps for each of Jinan Capital Outlets and Wuhan Capital Outlets. We noted from the financial model of the Annual Caps Workings that the Management have taken into account principally (a) the pricing basis contained in the Operation and Management Services Agreements, in particular, (1) the Basic Service Fees A and B are strictly kept within the Normal Basic Service Fees Range, which is a set of agreed basic management fee percentages ranging from approximately 30.4% to 32.9%, was applied to the estimated operating revenue of the Target Properties for the relevant financial year during the entire cap period (i.e. the term of the Operation and Management Services Agreements) (the “**Cap Period**”); and (2) each of the Incentive A and B, being 20%, has been consistently applied to the estimated net operating income less the targeted net operating income of the Target Properties for the relevant financial year during the entire Cap Period assuming the Target Properties would attain an optimistic scenario as depicted in subparagraph (iv) below; (b) the financial model of the Annual Caps Workings also projected (1) the estimated revenue, capital expenditure and net operating income of the Target Properties for the corresponding period of each Annual Cap during the Cap Period, among which the increment for such estimated aggregate revenue and other income of the Target Properties during the Cap Period ranges from approximately 5% to 10%; and (2) the estimated costs of providing the operation and management services to the Target Properties for the Group which resembles the Core Service Fees Components for the corresponding period of each Annual Cap during the Cap Period; and (c) the financial model of the Annual Caps Workings has built in growth rates/inflationary factors for the estimated revenue throughout the Cap Period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(iii) *Historical financial information of the Target Properties*

As discussed with the Management, in the preparing the Annual Caps Workings, they mainly took reference from the historical financial information of the Target Properties, including but not limited to the estimated revenue, capital expenditure and net operating income of the Target Properties of the Review Period as well as the historical proportion of the Core Service Fees Components of revenue of the Target Properties during the Review Period. As discussed in the section headed “4. Principal terms of the Operation and Management Services Agreements” above, the historical proportion of the Core Service Fees Components of revenue of the Target Properties during the Review Period was declining and stabilising as the Target Properties develop and pass beyond its initial/growth stage. The proportion of the Core Service Fees Components of revenue in HY2023 stood at around and below 30% and we noted that the Normal Basic Service Fees Range applied in the financial model of the Annual Caps Workings is in line with such historical proportion.

(iv) *Potential optimistic scenario for the business of the Target Properties*

Lastly, we noted that the financial model of the Annual Caps Workings has assumed that the operations of the Target Properties would be operating at an optimistic scenario whereby Operation Managers A and B are expected to deliver results that are better than the base case scenario for the Target Properties’ net operating income. We noted from the financial model that the Target Properties would attain better net operating income as represented by excess net operating income ranging from approximately 8.1% to 50.6% during the Cap Period. We are of the view that such projection is reasonable because any positive deviation from the estimate of the base case scenario can easily cause the actual transaction amount of the Service Fees to exceed the relevant Annual Cap during the Cap Period. Hence, it is appropriate and prudent to maintain a reasonable buffer to cater for such favourable outcome for Operation Managers A and B.

Having considered the above analyses, we are of the view that the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 6. Internal control procedures

As stated in the Letter from the Board, we noted that the Company will adopt internal control measures to ensure that the continuing connected transactions contemplated under the Operation and Management Services Agreements are carried out in accordance with the terms and conditions of such agreements, and that the terms and conditions of the Operation and Management Services Agreements are on normal commercial terms or better than those terms available to independent third parties for similar services. The details of such measures are as follows:

1. **Ledgers:** The Company will review periodically the records of (i) repair and maintenance works performed for the Target Properties, (ii) various equipment and facilities owned by the Target Properties, and (iii) the daily work and tasks of the Target Properties' management personnels, which shall be kept in separate ledgers, so as to ensure the normal operation of the Target Properties.
2. **Account management:** The Company will keep accounts of the Target Properties on an accrual basis for the purposes of internal management and preparing the monthly financial information, which shall include, among other things, unaudited financial statements, detailed ledgers, balance sheets, income statements and cash flow statements, etc.. The Company will then be able to compare the relevant amounts in the said monthly financial information with the estimated and historical revenue and net operating income, so as to better monitor the Service Fees and ensure that the Annual Caps will not be exceeded.
3. **Market information on property management services:** The Strategic Cooperation Center of the Company will obtain market information on property management services and compare with the pricing and other terms of the transactions under the Operation and Management Services Agreements where relevant.
4. **Annual review by external auditors and independent non-executive Directors:** The independent non-executive Directors will, and the Company will engage its external auditors to, conduct annual review of the continuing connected transactions in accordance with the Listing Rules requirements.
5. **Communication and monitoring:** Designated personnel from each of the Company, Beijing Shouju, Beijing Shouju Jinan, Beijing Shouju Wuhan, ChinaAMC, CITIC Securities, Target Company A and Target Company B will be specifically assigned to ensure sufficient communication between all parties and monitor the implementation of the arrangements under the Operation and Management Services Agreements.

We have obtained and reviewed the internal control procedure guidelines in relation to connected transactions of the Group (the “**IC Guideline**”) and noted that the abovementioned internal control procedures (the “**IC Procedures**”) has made reference to the IC Guideline.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the IC Procedures, we note that there will be appropriate controls during the course of carrying out the continuing connected transactions contemplated under the Operation and Management Services Agreements. In respect of execution level, records regarding the Target Properties are kept for (a) repair and maintenance works; (b) various equipment and facilities; and (c) daily work and tasks of Target Properties' management personnels, and such the records will be reviewed periodically. The finance department of the Company will prepare monthly financial information for monitoring the actual amount of the transactions incurred pursuant to the Operation and Management Services Agreements and to ensure the annual caps would not be exceeded. The Strategic Cooperation Center of the Company will also obtain and review market information in connection with the property management services, where applicable, the pricing and other terms of which will be compared against the pricing and other terms as stipulated under the Operation and Management Services Agreements so as to ensure the terms of which are no less favourable to the Group than those available according to the market practice. In addition, designated personnel from relevant parties of the Operation and Management Services Agreements will be specifically assigned to ensure sufficient communication and monitor the implementation of the arrangements under the Operation and Management Services Agreements. We understood from the Company that the Management is familiar with the IC Guidelines and will comply with the IC Procedures when conducting the Continuing Connected Transactions.

In regards to Board level, pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors must review annually the continuing connected transactions and confirm in the Company's annual report whether the continuing connected transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. We noted that the independent non-executive Directors have issued such confirmation in respect of the existing continuing connected transactions as stated in the 2022 Annual Report. For our due diligence purpose, we have also obtained and reviewed the annual review record by the independent non-executive Directors on the existing continuing connected transactions conducted by the Group for FY2022 and noted that the independent non-executive Directors confirmed that the continuing connected transactions conducted by the Group in FY2022 were conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better and the terms were fair and reasonable and in the interests of the Shareholders as a whole.

In connection with expert level, pursuant to Rule 14A.56 of the Listing Rules, the Company must engage its auditors to report on the continuing connected transactions annually and to provide a letter to the Board confirming, among others, whether anything has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group and the relevant caps have been exceeded. With reference to the 2022 Annual Report, the Company has engaged PricewaterhouseCoopers, the independent auditors of the Company (the "**Auditors**") to conduct a review of the existing continuing connected transactions. The Auditors have issued a letter containing their conclusions in respect of those continuing connected transactions and their findings that there is no non-compliance with the Rule 14A.56 of the Listing Rules. In this regard, we have obtained and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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reviewed the letter issued by the Auditors and note that the Auditors have concluded that nothing had come to their attention that caused them to believe that the existing continuing connected transactions (i) have not be approved by the Board; (ii) were not conducted pursuant to the relevant agreements in relation to the relevant continuing connected transactions; and (iii) have exceeded the relevant annual cap amounts during FY2022.

In view of the above, we are of the view that the Company have adopted appropriate internal control measures in carrying out the continuing connected transactions contemplated under the Operation and Management Services Agreements to comply with the relevant Listing Rules requirements and to safeguard the interests of the Company and the Shareholders.

### OPINION AND RECOMMENDATION

Based on the factors discussed above, we are of the opinion that the entering into the Operation and Management Services Agreements and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole, and the terms of the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in relation to the Operation and Management Services Agreements and the transactions contemplated thereunder (including the Annual Caps).

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 SFO 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 engagements.*

\* *English name for identification purposes only.*

## 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 interests	Percentage of total interests to total issued shares
BECL Investment	Beneficial owner	701,353,846	72.94%	1,774,281,952	184.53%
BCL	Interests of controlled corporation (Note 1)	701,353,846	72.94%	1,774,281,952	184.53%
Beijing Capital City Development Group Co., Ltd. ("Capital City Development")	Interests of controlled corporation (Note 1)	701,353,846	72.94%	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%	1,794,081,952	186.58%
Smart Win Group Limited	Beneficial owner	95,192,308	9.9%	408,332,432	42.47%
Sino-Ocean Land (Hong Kong) Limited	Interests of controlled corporation (Note 3)	95,192,308	9.9%	408,332,432	42.47%
Faith Ocean International Limited	Interests of controlled corporation (Note 3)	95,192,308	9.9%	408,332,432	42.47%
Shine Wind Development Limited	Interests of controlled corporation (Note 3)	95,192,308	9.9%	408,332,432	42.47%
Sino-Ocean Group Holding Limited	Interests of controlled corporation (Note 3)	95,192,308	9.9%	408,332,432	42.47%
KKR CG Judo Outlets	Beneficial owner	95,192,308	9.9%	295,238,095	30.70%
KKR CG Judo	Interests of controlled corporation (Note 4)	95,192,308	9.9%	295,238,095	30.70%
KKR China Growth Fund L.P.	Interests of controlled corporation (Note 4)	95,192,308	9.9%	295,238,095	30.70%
KKR Associates China Growth L.P.	Interests of controlled corporation (Note 4)	95,192,308	9.9%	295,238,095	30.70%
KKR China Growth Limited	Interests of controlled corporation (Note 4)	95,192,308	9.9%	295,238,095	30.70%
KKR Group Partnership L.P.	Interests of controlled corporation (Note 4)	95,192,308	9.9%	295,238,095	30.70%
KKR Group Holdings L.P.	Interests of controlled corporation (Note 4)	95,192,308	9.9%	295,238,095	30.70%
KKR Group Holdings Corp.	Interests of controlled corporation (Note 4)	95,192,308	9.9%	295,238,095	30.70%
KKR Group Co. Inc	Interests of controlled corporation (Note 4)	95,192,308	9.9%	295,238,095	30.70%
KKR & Co. Inc	Interests of controlled corporation (Note 4)	95,192,308	9.9%	295,238,095	30.70%
KKR Management LLP	Interests of controlled corporation (Note 4)	95,192,308	9.9%	295,238,095	30.70%
Henry Robert Kravis	Interests of controlled corporation (Note 4)	95,192,308	9.9%	295,238,095	30.70%
Roberts George R.	Interests of controlled corporation (Note 4)	95,192,308	9.9%	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.

#### **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 entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular which are or may be material:

- (a) the equity transfer agreement entered into between Beijing Hengsheng Huaxing Investment Management Co., Ltd.\* (北京恒盛華星投資管理有限公司), Shanghai Juque Investment Management Co., Limited\* (上海鉅睿投資管理有限公司) (“**Shanghai Juque**”), Jinan Commercial Management Co., Ltd.\* (濟南首城商業管理有限公司) and Target Company A on 10 July 2023 in relation to 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; and
- (b) the equity transfer agreement entered into between Shanghai Juque, Capital Juda Outlets Development Limited (首創鉅大奧萊發展有限公司), Wuhan Commercial Management Co., Ltd.\* (武漢市首城商業管理有限公司) and Target Company B on 10 July 2023 in relation to 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.

#### **6. LITIGATION AND CLAIMS**

As at 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. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirm that there was no 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 financial statements of the Company were made up.

## 8. EXPERT

The following is the qualification of the expert who has provided its opinion or advice, which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Opus Capital Limited	A corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO

Opus Capital Limited 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, Opus Capital Limited had not 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 Opus Capital Limited did not have 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.

## 9. GENERAL

The English text of this circular shall prevail over the Chinese text in case of inconsistency. The joint company secretaries of the Company are Ms. Wang Xia and Mr. Ng Lok Ming. Mr. Ng was admitted as a solicitor of the High Court of the Hong Kong Special Administrative Region in 2001.

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.

## 10. 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](http://www.hkexnews.hk)) for a period of 14 days from the date of this circular:

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

- (ii) 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;
- (iii) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in the circular;
- (iv) the Operation and Management Services Agreements; and
- (v) the letter of consent referred to under the paragraph headed “Expert” in this appendix.

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## NOTICE OF EGM

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# CAPITAL GRAND

## BEIJING CAPITAL GRAND LIMITED

首創鉅大有限公司

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

(Stock Code: 1329)

### 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, 2 February 2024 at 10:00 a.m. for the purposes of considering and, if thought fit, passing the following as ordinary resolutions of the Company, with or without amendments:

Unless otherwise specified, capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 18 January 2024.

#### ORDINARY RESOLUTION

1. “**THAT:**

- (a) the Operation and Management Services Agreements dated 22 December 2023 and the transactions contemplated thereunder (including the Annual Caps) 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, 18 January 2024

*Principal place of business in Hong Kong:*

10/F., Guangdong Investment Tower  
148 Connaught Road Central  
Hong Kong

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## NOTICE OF EGM

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*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.