
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Beijing Capital Grand Limited, you should at once hand this circular to the purchaser or transferee, or to the bank, stockbroker or other agent through which the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information purposes only and is being provided to you solely for the purposes of considering the resolutions to be voted upon at the EGM of the Company to be held on Thursday, 29 November 2018.

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)

CONNECTED TRANSACTION
AND
PROPOSED AMENDMENTS TO NON-COMPETITION UNDERTAKINGS
AND
NOTICE OF EGM

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

 **SOMERLEY CAPITAL LIMITED**

A letter from the Board is set out on pages 5 to 15 of this circular. A letter from the Independent Board Committee is set out on page 16 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 17 to 34 of this circular.

A notice convening the EGM to be held at 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong, on Thursday, 29 November 2018 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for 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.

14 November 2018

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	16
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	17
APPENDIX I – GENERAL INFORMATION	I-1
NOTICE OF THE EGM	EGM-1

DEFINITIONS

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

“Articles”	the articles of association of the Company adopted on 14 March 2012, as may be amended from time to time
“BCG” or “the 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)
“BCL”	Beijing Capital Land Ltd. (首創置業股份有限公司), a joint stock company incorporated in the PRC with limited liability on 5 December 2002, whose H shares are listed on the Main Board of the Stock Exchange (Stock Code: 2868), the indirect controlling shareholder and thus a connected person of the Company under Rule 14A.07 of the Listing Rules
“BCL Group”	BCL and its subsidiaries, excluding the Group
“BCL Independent Shareholders”	the BCL Shareholders, other than (i) Capital Group and its close associates; and (ii) those who have a material interest(s) in the Second Amended Non-Competition Deed
“BCL Shareholder(s)”	the holder(s) of the BCL Shares
“BCL Share(s)”	ordinary H share(s) of RMB1.00 each in the share capital of BCL
“BECL Investment”	BECL Investment Holding Limited, a company incorporated in Hong Kong with limited liability, a directly wholly-owned subsidiary of BCL and the controlling shareholder of the Company
“Board”	the board of directors of the Company
“Business Day”	a business day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“Capital Group”	Beijing Capital Group Co., Ltd.* (北京首都創業集團有限公司), a state-owned enterprise incorporated in the PRC and under the direct supervision of the Beijing Municipal Government, the controlling shareholder and a connected person of BCL and BCG

DEFINITIONS

“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
“CPS”	the 166,976,636 class A limited-voting non-redeemable convertible preference shares of par value HK\$0.01 each and the 905,951,470 class B limited-voting non-redeemable convertible preference shares of par value of HK\$0.01 each in the share capital of the Company and CPS shall refer to any one of them
“Directors”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Second Amended Non-Competition Deed
“First Amended Non-Competition Deed”	the amended non-competition deed dated 28 June 2016 and entered into between BCL and BCG, replacing the Original Non-Competition Deed in its entirety
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFA” or “Sommerley” or “Independent Financial Adviser”	Sommerley Capital Limited, a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Second Amended Non-Competition Deed
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng, formed for the purpose of advising the Independent Shareholders in respect of, among other things, the Second Amended Non-Competition Deed
“Independent Shareholder(s)”	the Shareholder(s), other than (i) BECL Investment, Chinastar and their respective close associates; and (ii) those who have a material interest(s) in the Second Amended Non-Competition Deed
“Joint Announcement”	the joint announcement of the Company and BCL dated 10 October 2018 in relation to, among other things, the Second Amended Non-Competition Deed

DEFINITIONS

“Latest Practicable Date”	13 November 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Non-outlets Retail Uses”	shopping malls, department stores, supermarkets, retail shops and other retail spaces which standalone or together form the main integral commercial part (整體商業規劃) of a property project and not of an ancillary or supporting function (配套用途) to other land use type(s) in a property project
“Original Non-Competition Deed”	the deed of non-competition dated 13 November 2014 and executed by each of BCL and BCG mutually in favour of each other
“PRC”	the People’s Republic of China, which shall, for the purposes of this circular, exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Pre-existing Property Projects”	(i) Hainan Integrated Outlets Project and Lize Financial Business District Project held by the BCL Group; and (ii) Xi’an First City project held by the Group
“Second Amended Non-Competition Deed”	the amended non-competition deed dated 10 October 2018 and entered into between BCL and BCG, replacing the First Amended Non-Competition Deed in its entirety
“SFO”	The Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Target Cities” Xi’an, Hangzhou, Nanjing, Jinan, Changsha, Fuzhou, Wuhan, Hefei, Kunming, Zhengzhou, Nanchang, Nanning, Changchun, Harbin, Suzhou, Xiamen and Dalian in the PRC

“%” per cent.

In this circular, unless the context otherwise requires, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “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.*

LETTER FROM THE BOARD

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. ZHONG Beichen (*Chairman*)
Mr. FENG Yujian (*Chief Executive Officer*)

Non-executive Directors:

Mr. SUN Shaolin
Mr. WANG Hao
Mr. WANG Honghui
Mr. YANG, Paul Chunyao

Independent non-executive Directors:

Dr. NGAI Wai Fung
Ms. ZHAO Yuhong
Mr. HE Xiaofeng

Registered office:

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

Principal place of business in

Hong Kong:
Suites 4602-05
One Exchange Square
Central
Hong Kong

14 November 2018

To the Shareholders and holders of issued CPS and the perpetual convertible bond securities (for information only)

Dear Sir or Madam,

CONNECTED TRANSACTION

PROPOSED AMENDMENTS TO NON-COMPETITION UNDERTAKINGS

INTRODUCTION

Reference is made to the Joint Announcement. On 10 October 2018, BCL, the controlling shareholder of the Company, and the Company entered into the Second Amended Non-Competition Deed pursuant to which non-competition undertakings were respectively given by each of BCL and the Company in favour of each other in replacement of non-competition undertakings given under the First Amended Non-Competition Deed. Under the Second Amended Non-Competition Deed, the geographical segregation will be abolished and the businesses of BCL and BCG will be delineated according to usage of land and properties to be developed and the business models. For details of the non-competition undertakings under the Second Amended Non-Competition Deed, please refer to the section headed “Principal Terms of the Second Amended Non-Competition Deed” in this circular.

LETTER FROM THE BOARD

The Second Amended Non-Competition Deed shall take effect upon the satisfaction of conditions precedents of (i) approvals having been obtained from independent non-executive directors of both BCL and the Company; and (ii) approvals having been obtained from the BCL Independent Shareholders and the Independent Shareholders in general meetings of BCL and the Company, respectively.

The purpose of this circular is to provide you with (i) further details of the Second Amended Non-Competition Deed; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required to be disclosed under the Listing Rules; and (v) to give notice of the EGM.

BACKGROUND

The Original Non-Competition Deed

On 15 August 2014, BCL and BCG jointly announced the acquisition by BCG of the equity interest in Xi'an First City, an outlets-backed commercial integrated project in Xi'an, the PRC, from its controlling shareholder, BCL. In relation thereto, BCL and BCG entered into the Original Non-Competition Deed on 13 November 2014 for the purpose of minimizing potential competition between the BCL Group and the Group by geographical segregation. Pursuant to the Original Non-Competition Deed, BCL had undertaken not to engage in any property projects in any Target Cities in the PRC and BCG had undertaken to not to engage in any property projects in any non-Target Cities in the PRC. Please refer to the circular of BCG dated 26 November 2014 for more details of the Original Non-Competition Deed.

The First Amended Non-Competition Deed

On 8 June 2016, BCL and BCG jointly announced the acquisition by BCG of the equity interest in three outlets-backed commercial integrated projects in the PRC, namely Fangshan Integrated Outlets Project, Huzhou Integrated Outlets Project and Kunshan Integrated Outlets Project, from BCL. In order for BCG to operate such three projects in Beijing, Huzhou and Kunshan, which are not Target Cities, in the PRC after completion of the said acquisition, BCL and BCG entered into the First Amended Non-Competition Deed on 28 June 2016 to replace the Original Non-Competition Deed in its entirety. Pursuant to the First Amended Non-Competition Deed:

- (i) BCL has undertaken in favour of BCG (for itself and on behalf of its subsidiaries) that during the term of the First Amended Non-Competition Deed, it shall not, and shall procure that none of its subsidiaries shall (other than through the Group), directly or indirectly, carry on, engage, invest, participate or otherwise be interested in (a) any property projects in any of the Target Cities; and (b) the development, sale, lease and management of any outlets-backed commercial integrated projects in any non-Target Cities, save for Hainan Integrated Outlets Project until BCL ceases to hold any interest therein; and

LETTER FROM THE BOARD

- (ii) BCG has undertaken in favour of BCL (for itself and on behalf of its subsidiaries) that during the term of the First Amended Non-Competition Deed, it shall not, and shall procure that none of its subsidiaries shall, directly or indirectly, carry on, engage, invest, participate or otherwise be interested in any property projects in any non-Target Cities, save and except for: (a) the development, sale, lease and management of any outlets-backed commercial integrated projects in any non-Target Cities; and (b) the leasing, operation and management of any retail portion(s) in the property projects of the BCL Group held as investment properties, where the BCL Group offers to entrust or grants a first right of refusal in favour of the Group to entrust such retail portion(s) to the Group for leasing, operation and management in accordance with the entrustment agreement(s) to be entered into by the parties from time to time.

Please refer to the circular of BCG dated 30 June 2016 for more details of the First Amended Non-Competition Deed.

The Second Amended Non-Competition Deed

Two years have passed since BCL and BCG entered into the First Amended Non-Competition Deed, during which the BCL Group has continued to operate under a primarily sales-driven business model which covers mainly residential properties, urban core integrated complexes and primary land development, whereas the Group has specialized in the development of outlets-backed commercial integrated projects across various cities in the PRC under a primarily investment-driven business model. During such period, BCL has encountered many new business opportunities for the development of property projects (being primarily residential properties) for sale in the Target Cities, but has not been able to freely pursue such new business opportunities at its discretion due to the restrictions under the First Amended Non-Competition Deed, despite the fact that BCG had not pursued such opportunities as they did not align with its investment-driven business model nor its focus on the development of outlets-backed commercial integrated projects. On the other hand, BCG, having become a mature outlets developer and operator in the PRC, has the intention to, in parallel with its continuous focus in outlets-backed commercial integrated projects, expand its businesses to cover investment properties for Non-outlets Retail Uses, being non-outlets shopping malls, department stores, supermarkets, retail shops and other retail spaces across the country, if appropriate opportunities arise.

In view of the above, both BCL and BCG are of the view that given the lapse of time, the respective non-competition undertakings given by BCL and BCG in favour of each other under the First Amended Non-Competition Deed, in particular the geographical segregation with reference to the Target Cities, should be revisited or otherwise, it would unnecessarily hinder the growth prospect of both BCL and BCG according to their respective business positioning and may no longer be in the best interests of both BCL and BCG in terms of business strategy and development. Instead of a geographical segregation, given that there is a clear difference in expertise and experience in residential and office properties and outlets-backed commercial integrated projects possessed by BCL and BCG, respectively, BCL and BCG consider it more suitable to delineate their businesses according to (i) usage of the land and properties to be developed and (ii) the business models. Therefore, BCL and BCG have entered into the Second Amended Non-Competition Deed to replace the First Amended Non-Competition Deed in its entirety.

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE SECOND AMENDED NON-COMPETITION DEED

Non-competition undertakings

Under the Second Amended Non-Competition Deed, the geographical segregation by Target Cities and non-Target Cities will be abolished, and the businesses of BCL and BCG will be delineated and segregated in the following manner:

- 1) BCL undertakes in favour of BCG (for itself and on behalf of its subsidiaries) that during the term of the Second Amended Non-Competition Deed, it shall not, and it shall procure that none of its subsidiaries (other than through the Group) shall, directly or indirectly engage in:
 - (a) the development, sale, lease and management of any outlets-backed commercial integrated projects in the PRC, save for the Hainan Integrated Outlets Project until BCL ceases to hold any interest therein; or
 - (b) the development for lease, leasing, operation and management of any properties for Non-outlets Retail Uses which are or to be held as investment properties in the PRC; and
- 2) BCG undertakes in favour of BCL (for itself and on behalf of its subsidiaries) that during the term of the Second Amended Non-Competition Deed, it shall not, and shall procure that none of its subsidiaries shall, directly or indirectly engage in:
 - (a) the development, sale, lease and management of any residential, office and hotel properties in the PRC; or
 - (b) the development for sale and sale of any properties for Non-outlets Retail Uses which are or to be held as properties for sale in the PRC, but BCL shall grant a first right of refusal in favour of BCG to entrust the Group and BCG may exercise such right and be entrusted with the leasing, marketing, operation and management of any unsold portion(s) of such properties in accordance with the entrustment agreement(s) to be entered into by the parties from time to time.

Outlets-backed commercial integrated projects are distinctive in nature and refer to commercial projects which are centered around outlet shops offering branded products, such as apparels, footwear and bags etc., at discounted prices and which are usually located in sub-urban areas outside the central business districts. Properties for Non-outlet Retail Uses are retail properties other than outlet shops and refer to shopping malls, department stores, supermarkets, retail shops and other retail spaces primarily offering a variety of seasonal products at regular retail prices which standalone or together form the main integral commercial part of a property project and not of an ancillary or supporting function to other land use type(s) in a property project.

LETTER FROM THE BOARD

Under the Second Amended Non-Competition Deed, BCL will primarily engage in the development and sale of residential and office properties and properties for Non-outlets Retail Uses, while BCG will primarily engage in the development, leasing, operation and management of outlets-backed commercial integrated projects and properties for Non-outlets Retail Uses across the PRC.

Depending on various factors such as availability of land acquisition opportunities, market conditions, BCG's business expansion strategy/plan and cash flow requirements from time to time, BCG may develop the Non-outlets Retail Uses properties by itself and/or acquire existing Non-outlets Retail Uses projects from other parties (including BCL) for operation and leasing. If BCG acquires any Non-outlets Retail Uses project from BCL, such acquisition(s) will constitute connected transaction(s) of BCG and BCG will comply with all applicable requirements under the Listing Rules.

Given BCG's track record of acquisitions of land parcels through public bidding in cities across China including, Nanchang, Wuhan, Hangzhou, Xi'an, Zhengzhou, Jinan, Hefei, Chongqing, Kunming, Qingdao and Nanning and the development of outlets-backed commercial integrated projects thereon by engaging third-party contractors independently from BCL, the Board is of the view that BCG as a mature property developer and operator possesses the requisite knowledge, experience, resources, business connections and capacity to develop and operate the Non-outlets Retail Uses properties independently without reliance on BCL.

The respective non-competition undertakings by BCL and BCG under the Second Amended Non-Competition Deed shall not apply to:

- (i) the direct or indirect aggregate holding of less than 30% of the issued share capital or total equity interest by BCL (or any member of the BCL Group) or BCG (or any member of the Group) (as the case may be) in any company, private equity or venture capital funds or real estate investment trusts (each a "**Target Entity**"), provided that (a) the annual investment amount contributed by BCL (or any member of the BCL Group) or BCG (or any member of the Group) (as the case may be) in the Target Entities shall not in aggregate exceed 15% of the audited total assets of BCL or BCG (as the case may be) as published in their respective annual reports for the latest financial year; (b) BCL (or any member of the BCL Group) or BCG (or any member of the Group) (as the case may be) has no right to appoint the majority of directors or members of the decision-making body of such Target Entity; and (c) such Target Entity will not become a subsidiary of BCL or BCG and its financial results will not be consolidated into the accounts of BCL or BCG (as the case may be);
- (ii) the Pre-existing Property Projects of the BCL Group and the Group; and
- (iii) the acquisition or holding of properties by the BCL Group or the Group (as the case may be) for self-use.

As regards the exception set out under paragraph (i) above, the Board considers that the investments by the BCL Group or the Group (as the case may be) in the Target Entities would not give rise to material business competition between BCL and the Company or cause material adverse financial impact on the Company given that (i) the BCL Group or the Group (as the case may be) will not directly or indirectly hold 30% interest or more in a Target Entity and accordingly will not have control over the operation and management of the Target Entity; (ii) the investments by the BCL Group or the Group (as the case may be) in the Target Entities will be limited in scale as the annual aggregate investment amount

LETTER FROM THE BOARD

shall not be more than 15% of the latest audited total assets of BCL or the Company (as the case may be); and (iii) the Target Entities will not be a major source of income for either BCL or the Company as their financial results will not be consolidated into the accounts of BCL or the Company (as the case may be).

As regards the three Pre-existing Property Projects:

- (i) Hainan Integrated Outlets Project is an outlets-backed commercial integrated project held by BCL as to 55% interest. BCL has been in negotiations with the minority shareholder in respect of potential transfer of the remaining minority interest in Hainan Integrated Outlets Project but have not yet reached a consensus as to the commercial terms. BCL will continue with the negotiations and the common intention of BCL and BCG is to have BCL sell all its interest in Hainan Integrated Outlets Project to the BCG Group within 12 months from the date of the Second Amended Non-Competition Deed, and until then the leasing, marketing, operation and management of Hainan Integrated Outlets Project will continue to be entrusted to the BCG Group with management fees computed based on the total sales of Hainan Integrated Outlets Project for the entrustment period. Such entrustment arrangement constitutes a continuing connected transaction for BCG under Chapter 14A of the Listing Rules, and BCG will comply with all applicable requirements under the Listing Rules from time to time. Save for its interest in Hainan Integrated Outlets Project, the BCL Group does not hold any outlets-backed commercial integrated projects as at the Latest Practicable Date;
- (ii) Lize Financial Business District Project is a mixed-use property project comprising shopping mall, offices and apartments. As stated in BCL's announcement dated 5 September 2018, BCL proposed to dispose of 51% interest in the holding company of the retail portion of Lize Financial Business District Project by means of equity transfer through public tender in the China Beijing Equity Exchange. Upon completion of the disposal, BCL will become a minority shareholder, holding 49% interest in the holding company of the retail portion of Lize Financial Business District Project, the financial results of which will no longer be consolidated in the accounts of BCL. Apart from Lize Financial Business District Project, BCL does not hold any mixed-use property project which contains Non-outlets Retail Uses properties for lease; and
- (iii) Xi'an First City contains residential, shop space, office and other ancillary elements. As at the Latest Practicable Date, BCG has nearly sold all of its residential units in Xi'an First City and the unsold saleable area mainly consists of the remaining inventory of office units, retail spaces and car parking spaces for sale to date which is expected to be sold in the short to medium term in or around 5 years subject to market conditions, demand and supply, government policies and other factors not within the control of BCG. Apart from Xi'an First City, BCG does not hold any mixed-use property project which contains residential and/or office properties.

Conditions precedent

Pursuant to the First Amended Non-Competition Deed, any adjustment or amendment to the material terms thereof, including the change in the number and/or composition of the Target Cities and the rights of BCL and BCG in relation to property projects in the Target Cities and non-Target Cities respectively, shall be subject to the approvals of the independent non-executive directors and independent shareholders of both BCL and BCG.

LETTER FROM THE BOARD

The Second Amended Non-Competition Deed shall take effect upon the satisfaction of the following conditions precedent (“**Conditions**”):

- (i) approvals having been obtained from the independent non-executive directors of both BCL and the Company of the Second Amended Non-Competition Deed; and
- (ii) approvals having been obtained from the BCL Independent Shareholders and the Independent Shareholders in general meetings of BCL and the Company, respectively, of the Second Amended Non-Competition Deed.

In the event that the Conditions (which are not waivable by the parties) are not fulfilled by 31 December 2018 (or such later date as the parties to the Second Amended Non-Competition Deed may agree in writing), the Second Amended Non-Competition Deed shall terminate and cease to have effect on any parties thereto. In such circumstances, the First Amended Non-Competition Deed will remain in effect.

INTERNAL REVIEW PROCESS

As mentioned above, pursuant to the Second Amended Non-Competition Deed, BCL shall grant a first right of refusal in favour of BCG to entrust the Group with the leasing, marketing, operation and management of any unsold portion(s) of its properties for Non-outlets Retail Uses. In the event that any first right(s) of refusal is granted by BCL in favour of BCG, a board committee, comprising all non-executive directors (including independent non-executive directors) of BCG who are not a director or employee of BCL or Capital Group, will review, consider and decide whether to exercise such first right(s) of refusal by the Group, after considering all relevant factors including feasibility studies, estimated profitability, market and commercial risks, compliance with the business strategy of the Group, potential synergy with the Group’s operation, funding requirements for land acquisition and project development, financial and other resources available to the Group, cash flow commitments, qualifications and capacity of the Group at the relevant time, as well as relevant legal, regulatory and contractual requirements.

If the Group elects to exercise the first right(s) of refusal, the entrustment agreement(s), when entered into, and the entrustment arrangement(s) contemplated thereunder will constitute continuing connected transaction(s) of BCG, and BCG will comply with all applicable requirements under Chapter 14A of the Listing Rules from time to time. In the event that the Group elects not to exercise the first right(s) of refusal, BCL will have BCG’s consent to, at its discretion, entrust third party(ies) with the leasing, marketing, operation and management of such unsold portion(s) of the relevant non-outlets commercial properties or to take up the same by itself, which would not constitute breach by BCL of its undertakings given to BCG under the Second Amended Non-Competition Deed.

LETTER FROM THE BOARD

REASONS FOR ENTERING INTO THE SECOND AMENDED NON-COMPETITION DEED

Differentiating niche, experience and market positioning

Under its 5-year strategy plan (十三五戰略計劃) adopted in December 2015, BCG, with the goal to become one of the largest outlets operator in the PRC, has a clear focus on the development and operation of outlets-backed commercial integrated projects. Over the years, BCG Group has developed a designated team of skilled personnel with the knowledge, experience and strength in (i) leasing, in terms of its access to a variety of brand-name retailers (including their licensed distributors in the PRC) and established business relationship with such retailers and (ii) operation and management, in terms of its ability to effectively manage the operations of the entire outlets properties (including supporting facilities, children recreational area, movie theatres, food and beverages and car parking spaces etc.).

Having become a mature outlets developer and operator in the PRC, BCG intends to, in parallel with its continuous focus on outlets-backed commercial integrated projects, leverage on its experience in the retail property sector and utilising its network and relationship knowhow with brand-name retailers, expand its business and property portfolio to cover other types of retail properties held for investment, including shopping malls and retail shops, across the country. Under the Second Amended Non-Competition Deed, the Group would have the liberty to engage in such non-outlets retail properties at any location, including non-Target Cities under the First Amended Non-Competition Deed. With its strength and market positioning acquired through outlets-backed commercial integrated projects, BCG is well-equipped to tap into the non-outlets retail property sector.

On the other hand, while the development and operation of investment properties (including outlets-backed commercial integrated projects, shopping malls, retail shops and other retail spaces for lease) will be carried out by the Group as the designated platform, the BCL Group will continue to maintain its strategic focus on properties for sale, in particular residential properties, under a primarily sales-driven business model. In terms of geographical expansion, it is the strategy of the BCL Group to consolidate its market presence in the three major urban agglomerations of Beijing-Tianjin-Hebei (京津冀), the Yangtze River Delta (長三角) and the Guangdong-Hong Kong-Macau Bay Area (粵港澳大灣區). As mentioned above, BCL has, due to the geographical restrictions under the First Amended Non-Competition Deed, refrained from engaging in numerous new business opportunities encountered by it previously which involved property projects for sale (being primarily residential properties) in the Target Cities, despite the fact that BCG had not pursued such opportunities as they did not align with its investment-driven business model. Under the Second Amended Non-Competition Deed, the BCL Group would be able to take up such new business opportunities mainly in residential and office projects in the Target Cities with a view to achieve its goal of geographic expansion within the said three major urban agglomerations.

Differentiating funding resources

Development of residential projects typically requires substantial funding for acquisition of land and substantial capital expenditure and project financing for the subsequent development of the residential properties. BCG operates on an investment property model and hence, it does not have the requisite strong cash flow to fund the capital-intensive residential projects. Taking into account the cash flow consideration, BCG considers it best to reserve internal cash resources for its general working capital for its outlets-backed integrated property projects instead of deploying it for capital-intensive

LETTER FROM THE BOARD

residential projects which it does not have the expertise and experience for. In a macro-economic environment where the costs of external funding are increasing, BCG considers it not in its interest to rely on bank borrowing to fund residential projects for which success is not guaranteed.

In light of the above, the entering into of the Second Amended Non-Competition Deed is expected to bring mutual benefits to both the BCL Group and the Group by (i) further reinforcing and enhancing the respective market positioning of the BCL Group and the Group through specialisation according to usages of land and properties and business models; and (ii) allowing both the BCL Group and the Group to expand their business and market presence across the PRC by leveraging on their respective experience and expertise in residential and office properties for sale and investment properties for retail uses without unnecessary geographical constraints and thus increasing their land bank, property portfolio and competitiveness among other industry competitors.

INFORMATION ON BCL

BCL is a joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the Main Board of the Stock Exchange (Stock Code: 2868). BCL is a leading large integrated real estate developer in the PRC, focusing primarily on developing the four main business streams of residential properties, outlets-backed commercial integrated properties (through the Group), urban core integrated complexes and primary land development complemented by innovative business areas such as high-tech industry properties and culture and creative industries. Except for Hainan Integrated Outlets Project and Lize Financial Business District Project, BCL currently engages in sale and development of residential and/or office commercial property projects.

INFORMATION ON BCG

BCG was incorporated in the Cayman Islands and the BCG Shares are listed on the Main Board of the Stock Exchange (Stock Code: 1329). BCG is an investment holding company and the Group is principally engaged in commercial property development, with a focus on the development, operation and management of outlets-backed commercial integrated projects and commercial property projects in the PRC. Except for Xi'an First City, all other property projects currently held by BCG are outlets-backed commercial integrated projects which do not contain residential and/or office commercial properties.

LISTING RULES IMPLICATIONS FOR BCG

As at the date of this circular, BCL indirectly holds approximately 72.94% of the total issued ordinary shares of BCG and thus is a connected person of BCG as defined under the Listing Rules. Therefore, the entering into of the Second Amended Non-Competition Deed constitutes a connected transaction of BCG under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

LETTER FROM THE BOARD

THE EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Second Amended Non-Competition Deed by way of ordinary resolution(s). BECL Investment, Chinastar and their respective close associates, and any person who has a material interest in the Second Amended Non-Competition Deed are required to abstain from voting on the relevant resolution(s) to be proposed at the EGM.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Directors was in any way materially interested in the Second Amended Non-Competition Deed. Nevertheless, Mr. Zhong Beichen has abstained from voting on the relevant resolutions of the Board approving the Second Amended Non-Competition Deed by virtue of his directorship in BCL.

The Independent Board Committee, comprising all the independent non-executive directors of the Company, has been formed for the purpose of advising the Independent Shareholders in respect of the Second Amended Non-Competition Deed. The Company has, with the approval of the Independent Board Committee, appointed Somerley as the IFA to advise the Independent Board Committee and the Independent Shareholders in respect of the Second Amended Non-Competition Deed.

A notice convening the EGM to be held at 10:00 a.m. on Thursday, 29 November 2018 at 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong and form of proxy are also enclosed herein.

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 branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, 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 proxy form 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.

Shareholders whose names appear on the register of members of the Company at 4:30 p.m. on Wednesday, 28 November 2018 shall be entitled to attend and vote at the EGM. In order for the Shareholders to qualify for attending and voting at the EGM, all transfer documents, accompanied by the relevant Share certificates, should be lodged for registration with Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on or before 4:30 p.m. on Wednesday, 28 November 2018.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 16 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 17 to 34 of this circular, consider that the terms of the Second Amended Non-Competition Deed are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Second Amended Non-Competition Deed.

The Directors consider that the terms of the Second Amended Non-Competition Deed are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Second Amended Non-Competition Deed.

FURTHER INFORMATION

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

WARNING

The Second Amended Non-Competition Deed is subject to a number of conditions including the approvals by the independent shareholders of the Company and BCL respectively, which may or may not be fulfilled. In the event that any of the conditions to the Second Amended Non-Competition Deed is not fulfilled, the Second Amended Non-Competition Deed will not become unconditional and the Second Amended non-Competition Deed will not take effect.

THE SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD EXERCISE CAUTION WHEN DEALING OR CONTEMPLATING IN DEALING IN THE SHARES OR IN ANY OTHER SECURITIES OF THE COMPANY.

Yours faithfully,
For and on behalf of the Board of
Beijing Capital Grand Limited
Zhong Beichen
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in connection with, among others, the Second Amended Non-Competition Deed for inclusion in this circular.

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)

CONNECTED TRANSACTION

PROPOSED AMENDMENTS TO NON-COMPETITION UNDERTAKINGS

14 November 2018

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular dated 14 November 2018 issued by the Company, of which this letter forms part of (the “**Circular**”). Unless otherwise specified, capitalised terms defined in the Circular shall have the same meanings when used herein.

The Independent Board Committee has been formed to advise you in relation to the Second Amended Non-Competition Deed, details of which are set out in the section headed “Letter from the Board” contained in the Circular. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The text of the letter of advice from the Independent Financial Adviser containing its recommendations and the principal factors it has taken into account in arriving at its recommendations are set out on pages 17 to 34 of the Circular.

Having considered the terms and conditions of the Second Amended Non-Competition Deed, as well as the advice and recommendations of the Independent Financial Adviser set out in its letter of advice, we consider that the Second Amended Non-Competition Deed are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

On the basis above, we recommend that the Independent Shareholders vote in favour of the resolutions approving the Second Amended Non-Competition Deed at the EGM.

Yours faithfully,
for and on behalf of
the Independent Board Committee of
Beijing Capital Grand Limited
Dr. Ngai Wai Fung
Ms. Zhao Yuhong
Mr. He Xiaofeng
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Somerley Capital Limited prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Second Amended Non-Competition Deed.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

14 November 2018

To: The Independent Shareholders and the Independent Board Committee

Dear Sirs,

CONNECTED TRANSACTION: PROPOSED AMENDMENTS TO NON-COMPETITION UNDERTAKINGS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Second Amended Non-Competition Deed (the “**Proposed Amendments**”). Details of the Proposed Amendments are set out in the letter from the Board contained in the circular of the Company (the “**Circular**”) to Shareholders dated 14 November 2018, of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

On 10 October 2018, BCL and BCG entered into the Second Amended Non-Competition Deed pursuant to which non-competition undertakings were respectively given by each of BCL and BCG in favour of each other in replacement of non-competition undertakings given under the First Amended Non-Competition Deed. Under the Second Amended Non-Competition Deed, the geographical segregation will be abolished and the businesses of BCL and BCG will be delineated according to usage of land and properties to be developed and the business models.

As at the Latest Practicable Date, BCL indirectly holds approximately 72.94% of the total issued ordinary shares of BCG and thus is a connected person of BCG as defined under the Listing Rules. The Proposed Amendments constitute a connected transaction of BCG under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng, has been established to make a recommendation to the Independent Shareholders in relation to the Proposed Amendments. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are not associated or connected with BCG, BCL, Capital Group or their respective core connected persons or associates. In addition, save for this appointment as the Independent Financial Adviser as regards the Second Amended Non-Competition Deed, as at the Latest Practicable Date, we did not have any other relationship or any interests with BCG, BCL, Capital Group or their respective core connected persons or associates that could reasonably be regarded as relevant to our independence nor have had other any engagement between the Company and us in the last two years. Accordingly, we are considered eligible to give independent advice on the Proposed Amendments. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from BCG, BCL, Capital Group or their respective core connected persons or associates.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the directors and management of BCG (collectively, the “**Management**”) and the respective professional advisers of the Company, which we have assumed to be true, accurate and complete. We have reviewed information on the Company, including but not limited to, the Original Non-Competition Deed, the First Amended Non-Competition Deed, the Second Amended Non-Competition Deed, the circular of BCG dated 26 November 2014 in relation to the Original Non-Competition Deed (the “**2014 Circular**”), the circular of BCG dated 30 June 2016 in relation to the First Amended Non-Competition Deed (the “**2016 Circular**”), annual reports of the Company for each of the years ended 31 December 2016 (“**FY2016**”) (the “**2016 Annual Report**”) and 31 December 2017 (“**FY2017**”) (the “**2017 Annual Report**”, together with the 2016 Annual Report, the “**Annual Reports**”), the interim report of the Company for the six months ended 30 June 2018 (the “**2018 Interim Report**”) and other information contained in the Circular.

In addition, we have also sought and received confirmation from the Group that no material facts have been omitted from the information supplied by them and that their opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have, however, not conducted any independent investigation into the businesses and affairs of the Group and the BCL Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Proposed Amendments, we have considered the following principal factors and reasons:

1. Information on the Group

BCG was incorporated in the Cayman Islands and the Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in commercial property development, with a focus on the development, operation and management of outlets-backed commercial integrated projects and commercial property projects in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BCG has been engaged in the development of commercial property projects since 2015 following the acquisition of Xi'an Capital Xin Kai Real Estate Ltd. (the “**Xi'an First City Project**”).

As stated in the 2014 Circular, following the completion of the acquisition of the Xi'an First City Project, BCG would focus on the development of outlets-backed integrated property projects and commercial property projects. Accordingly, BCG has since then furthered its outlets-backed commercial integrated projects development as its focus and consistently expanded its business mainly through acquisitions. Set out below is the summary of acquisitions and transactions announced by the Group since 1 January 2015:

Date of announcement	Land acquired by the Group	Nature of the land use rights	Intended usage as stated in the announcements, circulars, or the Annual Reports
6 July 2015	Land use rights in Nanchang, the PRC	Commercial use	Development of outlets-backed integrated property, cinema, shopping market and other ancillary commercial properties
24 September 2015	Land use rights in Hangzhou, the PRC	Retail commercial use	Development of outlets-backed integrated properties, which includes outlet shops complimented by other properties including restaurants and car parking spaces. The outlet shops will be held as investment properties for leasing to retailers offering branded merchandises
27 October 2015	Land use rights in Wuhan, the PRC	Commercial use	Development of outlet shops, restaurants and car parking spaces. The outlet shops will be held as investment properties for leasing to retailers offering branded merchandises
23 November 2015	Formation of JV in Changsha, the PRC	Not disclosed	Development of an outlet project comprising outlet stores to be leased primarily to brand-name tenants
13 January 2016	Land use rights in Xi'an, the PRC	Commercial use	Development of outlet shops, restaurants and car parking spaces. The outlet shops will be held as investment properties for leasing to retailers offering brand merchandises.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Land acquired by the Group	Nature of the land use rights	Intended usage as stated in the announcements, circulars, or the Annual Reports
3 February 2016	Land use rights in Xingyang, Zhengzhou, the PRC	Commercial use	Development of self-operated outlet projects
8 June 2016	The outlets projects in Fangshan, Huzhou and Kunshan, the PRC (<i>Note</i>)	Outlets-backed commercial integrated projects	Development and operation of outlets-backed commercial integrated projects.
4 July 2016	Land use rights in Jinan, the PRC	Commercial use	Development of outlet shops, restaurants and car parking spaces. The outlet shops will be held as investment properties for leasing to retailers offering branded merchandises
12 August 2016	Land use rights in Hefei, the PRC	Commercial use	Development of outlet shops, restaurants and car parking spaces. The outlet shops will be held as investment properties for leasing to retailers offering branded merchandises
6 January 2017	Land use rights in Chongqing, the PRC	Commercial use	Development of outlet projects
21 June 2017	Land use rights in Kunming, the PRC	Wholesale, retail, residential and catering use	Development of outlet projects
10 May 2018	Land use rights in Qingdao, the PRC	Retail and commercial use	Development of outlet projects
6 July 2018	Land use rights in Nanning, the PRC	Wholesale and retail, accommodation and catering, as well as logistics and warehousing uses	Development of outlets-backed commercial integrated project

Note: On 8 June 2016, the Group acquired three outlets-backed commercial integrated projects from the BCL Group. At the same time, the First Amended Non-Competition Deed were entered into. Details of the acquisition are set out in the 2016 Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the above table, since 2015, the Group has predominately focused on the development of and investment in properties of mainly retail and outlets uses which are held for investment purposes. As at the Latest Practicable Date, majority of the residential units within the Xi'an First City Project have been sold and the unsold saleable gross floor area mainly consists of remaining inventory of office units, retail spaces and car parking spaces for sale which is expected to be sold in the short to medium term in or around 5 years, subject to market conditions, demand and supply and government policies and other factors not within the control of BCG. In addition, except for the Xi'an First City Project, as the Latest Practicable Date, all other property projects currently held by BCG are outlets-backed commercial integrated projects which do not contain residential and/or office commercial properties.

Set out below are highlights on the composition of the Group's total revenue for the three financial years ended 31 December 2017 and the six months ended 30 June 2018, which are extracted from the Annual Reports and the 2018 Interim Report:

	For the six months ended 30 June		For the financial year ended 31 December		
	2018	2017	2017	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Total revenue	391,236	300,138	511,523	997,931	893,872
Segment revenue:-					
– <i>Property development</i>	196,645	170,055	236,339	799,751	732,027
– <i>Investment property development and operation</i>	157,667	104,608	224,035	194,536	157,061
– <i>Others</i>	36,924	25,475	51,149	3,644	4,784

As disclosed in the Annual Reports and the 2018 Interim Report, the segment of property development derives its revenue primarily from sale of properties (i.e. mainly properties under the Xi'an First City Project), whilst the segment of investment property development and operation derives its revenue primarily from rental income. The drop in total revenue as well as the segment revenue of the property development for FY2017 were, according to the 2017 Annual Report, mainly as a result of the entry of the Xi'an First City Project into the stage of the sales of its remaining units and the decrease in the gross floor area delivered. Corresponding to the investment-driven business initiatives of the Group adopted since 2015, the segment revenue of investment property development and operation increased by approximately 23.86% for FY2016 and 15.16% for FY2017, as compared to the respective preceding year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Total revenue for the period ended 30 June 2018 increased by approximately 30.35% to approximately RMB391.2 million as compared to the same period in 2017. The increase was mainly driven by an approximate 50.72% increase in revenue reported for the investment property development and operation segment. For the period ended 30 June 2018, BCG reported a minor increase in the property development segment by approximately 15.64% to approximately RMB196.6 million. This increment was mainly derived from the sale of properties under the Xi'an First City Project and recognition of revenue derived from sales of shop spaces ancillary to and within the outlet complex throughout the reporting period.

As disclosed in the 2018 Interim Report, as at 30 June 2018, the Group owned and managed a total of 16 outlets projects, in which seven of them were in operation. In the six months ended 30 June 2018, the Group's seven outlet projects in operation achieved a turnover of approximately RMB2.37 billion, representing a year on year ("YoY") growth of around 43%; and customer traffic of around 10.32 million, representing a YoY growth of around 23%.

2. Information on the BCL Group

BCL is a joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the Main Board of the Stock Exchange (stock code: 2868). BCL is a leading large integrated real estate developer in the PRC, focusing primarily on developing the four main business streams of residential properties, outlets-backed commercial integrated properties (through the Group), urban core integrated complexes and primary land development complemented by innovative business areas such as high-tech industry properties and culture and creative industries.

BCL engages in property development business in Beijing, Shanghai, Tianjin, Chongqing and Chengdu and other cities across the PRC. BCL also has presence in Australia. The largest portfolio of the BCL Group's property interests is situated in Beijing, being the capital of the PRC. As disclosed in BCL's interim report for the six months ended 30 June 2018, the BCL Group's total land bank consisted of a gross floor area of approximately 11.92 million square meters, of which approximately 8.08 million square meters is directly attributable to BCL's equity interests.

3. Background of the Second Amended Non-Competition Deed

3.1 The Original Non-Competition Deed

As set out in the 2014 Circular, on 15 August 2014, BCG acquired the equity interest in the Xi'an First City Project, an outlets-backed commercial integrated project in Xi'an, the PRC, from its controlling shareholder, BCL. In relation thereto, BCL and BCG entered into the Original Non-Competition Deed on 13 November 2014 for the purpose of minimizing potential competition between the BCL Group and the Group by geographical segregation. Pursuant to the Original Non-Competition Deed, BCL had undertaken not to engage in any property projects in any Target Cities in the PRC and BCG had undertaken to not to engage in any property projects in any non-Target Cities in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.2 *The First Amended Non-Competition Deed*

As set out in the 2016 Circular, on 8 June 2016, BCG acquired the equity interest in three outlets-backed commercial integrated projects in Fangshan, Huzhou and Kunshan, the PRC from BCL. In order for BCG to operate such three projects in Beijing, Huzhou and Kunshan, which are not Target Cities, BCL and BCG entered into the First Amended Non-Competition Deed on 28 June 2016 to replace the Original Non-Competition Deed in its entirety. Pursuant to the First Amended Non-Competition Deed:

- (i) BCL has undertaken in favour of BCG (for itself and on behalf of its subsidiaries) that during the term of the First Amended Non-Competition Deed, it shall not, and shall procure that none of its subsidiaries shall (other than through the Group), directly or indirectly, carry on, engage, invest, participate or otherwise be interested in (a) any property projects in any of the Target Cities; and (b) the development, sale, lease and management of any outlets-backed commercial integrated projects in any non-Target Cities, save for the Hainan Integrated Outlets Project until BCL ceases to hold any interest therein; and
- (ii) BCG has undertaken in favour of BCL (for itself and on behalf of its subsidiaries) that during the term of the First Amended Non-Competition Deed, it shall not, and shall procure that none of its subsidiaries shall, directly or indirectly, carry on, engage, invest, participate or otherwise be interested in any property projects in any non-Target Cities, save and except for: (a) the development, sale, lease and management of any outlets-backed commercial integrated projects in any non-Target Cities; and (b) the leasing, operation and management of any retail portion(s) in the property projects of the BCL Group held as investment properties, where the BCL Group offers to entrust or grants a first right of refusal in favour of the Group to entrust such retail portion(s) to the Group for leasing, operation and management in accordance with the entrustment agreement(s) to be entered into by the parties from time to time.

3.3 *The Second Amended Non-Competition Deed*

Two years have passed since BCL and BCG entered into the First Amended Non-Competition Deed, during which the BCL Group has continued to operate under a primarily sales-driven business model which covers mainly residential properties, urban core integrated complexes and primary land development, whereas the Group has specialized in the development of outlets-backed commercial integrated projects across various cities in the PRC under a primarily investment-driven business model. During such period, BCL has encountered many new business opportunities for the development of property projects (being primarily residential properties) for sale in the Target Cities, but has not been able to freely pursue such new business opportunities at its discretion due to the restrictions under the First Amended Non-Competition Deed, despite the fact that BCG had not pursued such opportunities as they did not align with its investment-driven

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

business model nor its focus on the development of outlets-backed commercial integrated projects. On the other hand, BCG, having become a mature outlets developer and operator in the PRC, has the intention to, in parallel with its continuous focus in outlets-backed commercial integrated projects, expand its businesses to cover investment properties for Non-outlets Retail Uses, being non-outlets shopping malls, department stores, supermarkets, retail shops and other retail spaces across the country, if appropriate opportunities arise.

In view of the above, as disclosed in the letter from the Board in the Circular, both BCL and BCG are of the view that given the lapse of time, the respective non-competition undertakings given by BCL and BCG in favour of each other under the First Amended Non-Competition Deed, in particular the geographical segregation with reference to the Target Cities, should be revisited or otherwise, it would unnecessarily hinder the growth prospect of both BCL and BCG according to their respective business positioning and may no longer be in the best interests of both BCL and BCG in terms of business strategy and development. Instead of a geographical segregation, given that there is a clear difference in expertise and experience in residential and office properties and outlets-backed commercial integrated projects possessed by BCL and BCG, respectively, BCL and BCG consider it more suitable to delineate their businesses according to (i) usage of the land and properties to be developed; and (ii) the business models. Therefore, on 10 October 2018, BCL and BCG have entered into the Second Amended Non-Competition Deed to replace the First Amended Non-Competition Deed in its entirety.

4. Reasons for entering into the Second Amended Non-Competition Deed

As set out in the letter from the Board in the Circular, under its 5-year strategy plan (十三五戰略計劃) adopted in December 2015, BCG, with the goal to become one of the largest outlets operator in the PRC, has a clear focus on the development and operation of outlets-backed commercial integrated projects. Over the years, the Group has developed a designated team of skilled personnel with the knowledge, experience and strength in (i) leasing, in terms of its access to a variety of brand-name retailers (including their licensed distributors in the PRC) and established business relationship with such retailers; and (ii) operation and management, in terms of its ability to effectively manage the operations of the entire outlets properties (including supporting facilities, children recreational area, movie theatres, food and beverages and car parking spaces etc.).

Having become a mature outlets developer and operator in the PRC, BCG intends to, in parallel with its continuous focus on outlets-backed commercial integrated projects, leverage on its experience in the retail real estate sector and utilise its network and relationship knowhow with brand-name retailers, expand its business and property portfolio to cover other types of retail properties held for investment, including shopping malls and retail shops, across the country. Under the Second Amended Non-Competition Deed, the Group would have the liberty to engage in such non-outlets retail properties at any location, including non-Target Cities under the First Amended Non-Competition Deed. With its strength and market positioning acquired through outlets-backed commercial integrated projects, BCG is well-equipped to tap into the non-outlets retail property sector.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The entering into of the Second Amended Non-Competition Deed is expected to bring mutual benefits to both the BCL Group and the Group by (i) further reinforcing and enhancing the respective market positioning of the BCL Group and the Group through specialisation according to usages of land and properties and business models; and (ii) allowing both the BCL Group and the Group to expand their business and market presence across the PRC by leveraging on their respective experience and expertise in residential and office properties for sale and investment properties for retail uses without unnecessary geographical constraints and thus increasing their land bank, property portfolio and competitiveness among other industry competitors.

We have discussed with the Management in relation to the rationale and factors considered by BCG in agreeing to the amendments under the Second Amended Non-Competition Deed. Based on our discussion, we understand that the primary factors considered by Management in entering into the Second Amended Non-Competition Deed were the investment-driven business model of the Group and its business objective to become the largest operator in the PRC with a focus on the development and operation of outlets-backed commercial integrated projects. Such business objective has long been adhered to by the Group since 2015 following completion of the acquisition of the Xi'an First City Project.

Prior to the entering into of the Second Amended Non-Competition Deed, although BCG was able to operate other lines of property development and management projects including retail portion of investment properties of BCL and property projects falling into categories including residential, office, retail etc. in the Target Cities, and the Xi'an First City Project having been accounted for about 50% of the BCG's total revenue for the six months ended 30 June 2018, save for the Xi'an First City Project, BCG has in fact never been actively pursuing, or has participated in new property development or management projects other than outlets-backed commercial integrated projects and the Hainan Integrated Outlets Project. As discussed in detail in section headed "1. Information on the Group" above, following the acquisition of the Xi'an First City Project and since 2015, the Group has predominately focused on and acquired only properties projects that concern the development of and investment in properties of mainly retail and outlets uses and for investment purposes. In addition, except for the Xi'an First City Project, as the Latest Practicable Date, all other property projects currently held by BCG are outlets-backed commercial integrated projects which do not contain residential and/or office commercial properties. The Management also confirmed that BCG currently does not intend to pursue the development and management of property projects other than outlets-backed commercial integrated projects, the Hainan Integrated Outlets Project and Non-outlets Retail Uses property projects for investment purposes. Based on our understanding from the Management, in particular, the development of residential projects typically requires substantial funding requirement for acquisition of land and substantial capital expenditure and project financing for the subsequent development of the residential properties. BCG operates on an investment property model and hence, it does not have the requisite strong cash flow to fund the capital intensive residential projects. In a macro-economic environment where the costs of external funding are increasing, BCG considers it not in its interest to rely on external bank borrowing to fund residential projects which success is not guaranteed due to the lack of expertise in selection of land plots and development of residential properties with high-yield potentials.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account (i) the historical business profile of the Group; (ii) the cash flow requirements; (iii) increasing cost of external funding; and (iv) the relatively less experience of BCG in the residential and office property development and operation, we concur with the view of the Management that it is more prudent for it to reserve internal cash resources for its general working capital for its outlets-backed integrated property projects instead of deploying it for capital-intensive residential projects which it has less expertise and experience for. Therefore, it is considered that the entering into of the Second Amended Non-Competition Deed is in line with BCG's existing business objectives and strategies.

We have also discussed and understand that the Management considers the prospects of outlets consumer market being positive and leveraging onto the Group's expertise on the operation and management of outlets-backed commercial integrated projects, the Management is confident in diversifying the Group's property portfolio to cover investment properties for Non-outlets Retail Uses across the PRC through the operation of the Second amended Non-Competition Deed.

As advised by the Management, the business performance of the outlets owned by the Group has been encouraging. As disclosed in the 2017 Annual Report, the Group's six outlet projects in operation achieved a turnover of approximately RMB3.24 billion, representing a YoY growth of around 35%; and annual customer traffic of over 25.4 million, representing a YoY growth of around 34%. Further as disclosed in the 2018 Interim Report, as at 30 June 2018, the Group owned and managed a total of 16 outlets projects, in which seven of them are in operation. In the six months ended 30 June 2018, the Group's seven outlet projects in operation achieved a turnover of approximately RMB2.37 billion, representing a YoY growth of around 43%; and customer traffic of around 10.32 million, representing a YoY growth of around 23%.

Demand for consumption is one of the major driving force for future growth of outlets and overall retail consumer markets. According to the National Bureau of Statistics of China, disposable income per capita in China has been increasing continuously during the period from 2013 to 2017, at a compounded annual growth rate ("CAGR") of approximately 12.36%. The consumption expenditure per capita in China has also recorded a continuous increase at a CAGR of approximately 11.49% for the same period. In addition, the total retail sales of consumer goods in China also reported a CAGR of over 11.30% between 2013 and 2017. To win over customers and achieve leaping development in China's increasingly segmented consumer market, the Management believes that outlet operators must gain insights into consumers' preferences and their detailed needs, so as to establish omni-channel contact points that suit the lifestyles of their target customer groups through online stores to physical stores integration (a concept otherwise known as "O2O" or "Online to Offline Model").

To maintain its competitiveness, the Group may need to focus its resources in implementing its business strategy of "Precise Expansion and Lean Operation", including to further expand its strategic coverage over quality projects, reinforce its win-win partnerships with brand owners, and ensure the timely opening of new quality projects, the aim of which is to consolidate the Group's edges in the scale of economies underpinning its chain operation. Furthermore, as disclosed in the 2017 Annual Report, the Group has actively explored online channels and introduced new business formats, aiming to integrate the capital outlets shopping experience into the daily life of its target customer groups. In 2017, BCG launched "鉅MAX", a self-operated e-commerce platform embracing nearly 120,000 registered users. It

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

is also stated in the 2017 Annual Report that BCG will continue to effectively give full play to the advantages of online and offline channel integration. Given the outlook of the overall consumer market and the latest business development of the Group, it is considered prudent and justifiable for BCG to remain focused on the development, operation and management of outlets-backed commercial integrated projects while diversifying into the operation and management of properties for Non-outlets Retail Uses nationwide by leveraging onto its existing experience and expertise on managing and leasing the outlets properties.

Based on the above, the Second Amended Non-Competition Deed will not only allow the Group to continue to develop and operate its existing specialised business, being the development and operation and management of outlets-backed commercial integrated projects, adhering to its business objective and strategies, at the same time it also allows the Group to leverage onto its expertise to further expand its portfolio into properties for Non-outlets Retail Uses across the PRC. Meanwhile, the Group will not be restricted from holding and/or selling the unsold saleable area of the Xi'an First City Project which is the Pre-existing Property Project pursuant to the Second Amended Non-Competition Deed. Accordingly, we concur the view of the Board that the entering into of the Second Amended Non-Competition Deed by BCG is in line with BCG's existing business objectives and strategies as well as its intended future business development and therefore, is fair and reasonable.

5. Principal terms of the Second Amended Non-Competition Deed

5.1 Non-competition undertakings

Under the Second Amended Non-Competition Deed, the geographical segregation by Target Cities and non-Target Cities will be abolished, and the businesses of BCL and BCG will be delineated and segregated in the following manner:

- (i) BCL undertakes in favour of BCG (for itself and on behalf of its subsidiaries) that during the term of the Second Amended Non-Competition Deed, it shall not, and it shall procure that none of its subsidiaries (other than through the Group) shall, directly or indirectly engage in:
 - (a) the development, sale, lease and management of any outlets-backed commercial integrated projects in the PRC, save for the Hainan Integrated Outlets Project until BCL ceases to hold any interest therein; or
 - (b) the development for lease, leasing, operation and management of any properties for Non-outlets Retail Uses which are or to be held as investment properties in the PRC; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) BCG undertakes in favour of BCL (for itself and on behalf of its subsidiaries) that during the term of the Second Amended Non-Competition Deed, it shall not, and shall procure that none of its subsidiaries shall, directly or indirectly engage in:
 - (a) the development, sale, lease and management of any residential, office and hotel properties in the PRC; or
 - (b) the development for sale and sale of any properties for Non-outlets Retail Uses which are or to be held as properties for sale in the PRC, but BCL shall grant a first right of refusal in favour of BCG to entrust the Group and BCG may exercise such right and be entrusted with the leasing, marketing, operation and management of any unsold portion(s) of such properties in accordance with the entrustment agreement(s) to be entered into by the parties from time to time.

As disclosed in the letter from the Board in the Circular, outlets-backed commercial integrated projects are distinctive in nature and refer to commercial projects which are centered around outlet shops offering branded products, such as apparels, footwear and bags, etc., at discounted prices and which are usually located in sub-urban areas outside the central business districts. Properties for Non-outlets Retail Uses are retail properties other than outlet shops and refer to shopping malls, department stores, supermarkets, retail shops and other retail spaces primarily offering a variety of seasonal products at regular retail prices which standalone or together form the main integral commercial part of a property project and not of an ancillary or supporting function to other land use type(s) in a property project.

Under the Second Amended Non-Competition Deed, BCL will be primarily engaged in the development and sale of residential and office properties and properties for Non-outlets Retail Uses, while BCG will be primarily engaged in the development, leasing, operation and management of outlets-backed commercial integrated projects and properties for Non-outlets Retail Uses across the PRC.

The respective non-competition undertakings by BCL and BCG under the Second Amended Non-Competition Deed shall not apply to:

- (i) the direct or indirect aggregate holding of less than 30% of the issued share capital or total equity interest by BCL (or any member of the BCL Group) or BCG (or any member of the Group) (as the case may be) in any company, private equity or venture capital funds or real estate investment trusts (each a “**Target Entity**”), provided that:
 - (a) the annual investment amount contributed by BCL (or any member of the BCL Group) or BCG (or any member of the Group) (as the case may be) in the Target Entities shall not in aggregate exceed 15% of the audited total assets of BCL or BCG (as the case may be) as published in their respective annual reports for the latest financial year; (b) BCL (or any member of the BCL Group) or BCG (or any member of the Group) (as the case may be) has no right to appoint the majority of directors or members of the decision-making body of such Target Entity; and (c) such Target Entity will not become a subsidiary of BCL or BCG and its financial results will not be consolidated into the accounts of BCL or BCG (as the case may be) (the “**Exception**”);

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) The Pre-existing Property Projects of the BCL Group and the Group; and
- (iii) the acquisition or holding of properties by the BCL Group or the Group (as the case may be) for self-use.

As regards the Exception set out under paragraph (i) above, and as discussed in the letter from the Board in the Circular, the Board considers that the investments by the BCL Group or the Group (as the case may be) in the Target Entities would not give rise to material business competition between BCL and the Company or cause material adverse financial impact on the Company given that (i) the BCL Group or the Group (as the case may be) will not directly or indirectly hold 30% interest or more in a Target Entity and accordingly will not have control over the operation and management of the Target Entity; (ii) the investments by the BCL Group or the Group (as the case may be) in the Target Entities will be limited in scale as the annual aggregate investment amount shall not be more than 15% of the latest audited total assets of the BCL or the Company (as the case may be); and (iii) the Target Entities will not be a major source of income for either BCL or the Company as their financial results will not be consolidated into the accounts of BCL or the Company (as the case may be).

As regards the three Pre-existing Property Projects:

- (i) Hainan Integrated Outlets Project is an outlets-backed commercial integrated project held by BCL as to 55% interest. BCL has been in negotiations with the minority shareholder in respect of potential transfer of the remaining minority interest in Hainan Integrated Outlets Project but have not yet reached a consensus as to the commercial terms. BCL will continue with the negotiations and the common intention of BCL and BCG is to have BCL sell all its interest in Hainan Integrated Outlets Project to the Group within 12 months from the date of the Second Amended Non-Competition Deed, and until then the leasing, marketing, operation and management of Hainan Integrated Outlets Project will continue to be entrusted to the Group with management fees computed based on the total sales of Hainan Integrated Outlets Project for the entrustment period. Such entrustment arrangement constitutes a continuing connected transaction for BCG under Chapter 14A of the Listing Rules, and BCG will comply with all applicable requirements under the Listing Rules from time to time. Save for its interest in Hainan Integrated Outlets Project, the BCL Group does not hold any outlets-backed commercial integrated projects as at the Latest Practicable Date;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) Lize Financial Business District Project is a mixed-use property project comprising shopping mall, offices and apartments. As stated in BCL's announcement dated 5 September 2018, BCL proposed to dispose of 51% interest in the holding company of the retail portion of Lize Financial Business District Project by means of equity transfer through public tender in the China Beijing Equity Exchange. As recently disclosed in BCL's announcement dated 18 October 2018, an interested potential bidder has been identified. Upon completion of the disposal, BCL will become a minority shareholder holding 49% equity interest in the holding company of the retail portion of Lize Financial Business District Project, the financial results of which will no longer be consolidated into the accounts of BCL. Apart from Lize Financial Business District Project, BCL does not hold any mixed-use property project which contains Non-outlets Retail Uses properties for lease; and

- (iii) Xi'an First City contains residential, shop space, office and other ancillary elements. As at the Latest Practicable Date, BCG has nearly sold all of its residential units in Xi'an First City and the unsold saleable area mainly consists of the remaining inventory of office units, retail spaces and car parking spaces for sale to date which is expected to be sold in the short to medium term in or around 5 years, subject to market conditions, demand and supply, government policies and other factors not within the control of BCG. Apart from Xi'an First City, BCG does not hold any mixed-use property project which contains residential and/or office properties.

5.2 *Conditions precedent*

Pursuant to the First Amended Non-Competition Deed, any adjustment or amendment to the material terms thereof, including the change in the number and/or composition of the Target Cities and the rights of BCL and BCG in relation to property projects in the Target Cities and non-Target Cities respectively, shall be subject to the approvals of the independent non-executive directors and independent shareholders of both BCL and BCG.

The Second Amended Non-Competition Deed shall take effect upon the satisfaction of the following conditions precedent:

- (i) approvals having been obtained from the independent non-executive directors of both BCL and BCG of the Second Amended Non-Competition Deed; and

- (ii) approvals having been obtained from the BCL Independent Shareholders and the Independent Shareholders in general meetings of BCL and BCG, respectively, of the Second Amended Non-Competition Deed.

In the event that the above conditions precedent (which are not waivable by the parties to the Second Amended Non-Competition Deed) are not fulfilled by 31 December 2018 (or such later date as the parties to the Second Amended Non-Competition Deed may agree in writing), the Second Amended Non-Competition Deed shall terminate and cease to have effect on any parties thereto. In such circumstances, the First Amended Non-Competition Deed will remain in effect.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5.3 *Internal Review Process*

Pursuant to the Second Amended Non-Competition Deed, BCL shall grant a first right of refusal in favour of BCG to entrust the Group with the leasing, marketing, operation and management of any unsold portion(s) of its properties for Non-outlets Retail Uses. In the event that any first right(s) of refusal is granted by BCL in favour of BCG, a board committee, comprising all non-executive directors (including independent non-executive directors) of BCG who are not a director or employee of BCL or Capital Group, will review, consider and decide whether to exercise such first right(s) of refusal by the Group, after considering all relevant factors including feasibility studies, estimated profitability, market and commercial risks, compliance with the business strategy of the Group, potential synergy with the Group's operation, funding requirements for land acquisition and project development, financial and other resources available to the Group, cash flow commitments, qualifications and capacity of the Group at the relevant time, as well as relevant legal, regulatory and contractual requirements.

If the Group elects to exercise the first right(s) of refusal, the entrustment agreement(s), when entered into, and the entrustment arrangement(s) contemplated thereunder will constitute continuing connected transaction(s) of BCG, and BCG will comply with all applicable requirements under Chapter 14A of the Listing Rules from time to time. In the event that the Group elects not to exercise the first right(s) of refusal, BCL will have BCG's consent to, at its discretion, entrust third party(ies) with the leasing, marketing, operation and management of such unsold portion(s) of the relevant non-outlets commercial properties or to take up the same by itself, which would not constitute breach by BCL of its undertakings given to BCG under the Second Amended Non-Competition Deed.

6. **Discussion**

As discussed in detail in section headed "4. Reasons for entering into the Second Amended Non-Competition Deed" above, it is the business objective of the Group to become the largest operator in the PRC with a focus on the development and operation of outlets-backed commercial integrated projects and its business model is investment-driven. The business opportunities that the Group may forego pursuant to the Second Amended Non-Competition Deed, being the development, sale, lease and management of residential, office and hotel properties in the PRC or for the development for sale and sale of properties for Non-outlets Retail Uses, which are or to be held as properties for sale in the PRC, have in fact never been actively pursued as evidenced by acquisitions/investments it has made historically since 2015. More importantly, having considered issues such as cash flow requirements, increasing cost of external financing and BCG having less experience in the residential and office property development and operation as discussed in detail in the same section, such opportunities are neither intended to be actively explored or pursued by the Group in the future as confirmed by the Group. Accordingly, any such business as regards the residential, office and/or hotel properties and/or Non-outlets Retail Uses properties for sale, being or to be undertaken by BCL Group should not be regarded as competition to the core businesses of the Group and therefore, the Proposed Amendments under the Second Amended Non-Competition Deed will not have material adverse impact on the Group's existing specialised business, which is the development and operation and management of outlets-backed commercial integrated projects, and is considered to be in line with its business objective and strategies.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, since BCL undertakes in favour of BCG (for itself and on behalf of its subsidiaries) pursuant to the Second Amended Non-Competition Deed that it shall not, and it shall procure that none of its subsidiaries (other than through the Group) shall, directly or indirectly engage in the development for lease, leasing, operation and management of any properties for Non-outlets Retail Uses which are or to be held as investment properties in the PRC, the Second Amended Non-Competition Deed will at the same time allow the Group to leverage onto its expertise to further expand its portfolio into investment properties of Non-outlets Retail Uses across the PRC which constitutes a substantial part of its future business plan.

Based on all the above, we concur with the Board that a delineation according to usage of land and properties to be developed and business models in the Second Amended Non-Competition Deed as opposed to the geographical segregation in the First Amended Non-Competition Deed is fair and reasonable.

Though, as at the Latest Practicable Date, the BCL Group held 55% interest in the pre-existing Hainan Integrated Outlets Project which is one of the Pre-existing Property Projects where the Second Amended Non-Competition Deed will not apply, as stated in the letter from the Board in the Circular, it is the common intention of BCL and BCG to have BCL sell all its interest in the Hainan Integrated Outlets Project to the Group within 12 months from the date of the Second Amended Non-Competition Deed, and until then the leasing, marketing, operation and management of the Hainan Integrated Outlets Project will continue to be entrusted to the Group with management fees computed based on the total sales of the Hainan Integrated Outlets Project for the entrustment period. The carve-out of Hainan Integrated Outlets Project from the Second Amended Non-Competition Deed is therefore acceptable.

The Xi'an First City Project, which is currently held by the Group and consists of small quantity of unsold saleable area of residential units, office units, retail spaces and car parking spaces that are held for sale, is carved out as the Pre-existing Property Project under the Second Amended Non-Competition Deed. The Group will then be allowed to continue to hold and/or sell the unsold saleable area of the Xi'an First City Project. The Xi'an First City Project has been held by the Group prior to the entering into of the Second Amended Non-Competition Deed, and as stated in the letter from the Board in the Circular, the remaining inventory of office units, retail spaces and car parking spaces held by BCG for sale under the Xi'an First City Project is expected to be sold in the short to medium term in or around 5 years subject to market conditions, demand and supply, government policies and other factors not within the control of BCG. Further, as stated in the letter from the Board in the Circular, apart from Xi'an First City, BCG does not hold any mixed-use property project which contains residential and/or office properties. Having considered the above, we concur with the view of the Management that the carve-out of the Xi'an First City Project under the Second Amended Non-Competition Deed is acceptable and is not a material concern in the context of business competition between the Group and the BCL Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Lize Financial Business District Project, being another Pre-existing Property Projects held by the BCL Group, is also carved out as the Pre-existing Property Project under the Second Amended Non-Competition Deed. As set out in the letter from the Board in the Circular, the Lize Financial Business District Project is a mixed-use property project comprising shopping mall, offices and apartments. As discussed in the section headed “5.1 Non-competition undertakings” above, prior to the entering into of the Second Amended Non-Competition Deed, BCL has proposed to dispose of the controlling stake in the retail portion of the Lize Financial Business District Project through a public tender (the “**Disposal**”) and as recently disclosed in BCL’s announcement dated 18 October 2018, an interested potential bidder has been identified. As advised by the Management, if the Disposal materialises, BCL will become a minority shareholder holding only 49% equity interest in the retail portion of the Lize Financial Business District Project which is still under development and there will be uncertainty for BCL, as a minority shareholder following the Disposal, to ensure the granting of a first right of refusal in the future in favour of the Group to entrust it with the leasing, marketing, operation and management of any unsold portion(s) of such Non-outlets Retail Uses properties of the Lize Financial Business District Project (the “**Arrangements**”) upon completion of the development, as the Arrangements shall be subject to further discussion with and agreement by the then major shareholder and any such discussion could possibly and unavoidably cause unnecessary delay on the finalisation of the Second Amended Non-Competition Deed (the “**Possible Delay**”). More importantly, we have been provided by the Management its assessment with reference to, among other things, the range of rates generally chargeable for entrusted property management services by BCG and the planned GFA of the retail portion of the Lize Financial Business District Project, which shows that the possible effect as a result of the carve-out of the Lize Financial Business District Project is not considered material to the overall income base of BCG as a whole. Having taken into account, (i) it is the understanding of both BCL and BCG that the Second Amended Non-Competition Deed is mainly agreed to govern any future business activities of the parties in a view to allow each of them to further develop their core business according to their respective business strategies and to avoid direct competition, but not intended to re-allocate or shuffle the existing projects currently held by the two groups. Similar concept is also applied when the parties agreed to carve out the Xi’an First City Project under the Second Amended Non-Competition Deed; (ii) as discussed above, the carve-out of the Lize Financial Business District Project is not expected to have material impact on BCG’s overall business and as stated in the letter from the Board in the Circular, apart from the Lize Financial Business District Project, BCL does not hold any mixed-use property project which contains Non-outlets Retail Uses properties for lease; and (iii) the Possible Delay as discussed in detail above, we concur with the view of the Management that the carve-out of Lize Financial Business District Project under the Second Amended Non-Competition Deed is acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the discussion with the Management, we understand that the Exception is intended to prevent unnecessary prohibitions of mere investment in companies, although not in their principal activities, engaging in (i) the development, sale, lease and management of any outlets-backed commercial integrated projects in the PRC (for BCL); or (ii) the development, sale, lease and management of any residential, office and hotel properties in the PRC (for BCG), where BCL or BCG does not have control over, either in terms of shareholding interest or decision making power (i.e. passive investment). We concur that the Exception is designed to exclude companies that are merely passive investment(s) of the covenanter in which the covenanter does not have direct control either in terms of board representation or shareholding interest and most importantly, Shareholders should note that the Exception is a reciprocal undertaking provided by BCL and BCG respectively to each other, that is, BCG will be entitled to the Exception to the same extent as BCL. As a general reference, there was market precedent similar to the Exception, being the non-competition undertaking provided by controlling shareholders of Sansheng Holdings (Group) Co. Ltd. (previously known as Lifestyle Properties Development Limited) (stock code: 2183) (“**Lifestyle Properties**”) at the time of the spin-off from Lifestyle International Holdings Limited (stock code: 1212) (the “**Lifestyle International**”) pursuant to which Lifestyle International shall not and shall procure that its subsidiaries will not, among others, acquire an interest in any company principally engaged in the business of Lifestyle Properties if such company will become a subsidiary of Lifestyle International under the Listing rules following such acquisition. Having considered that (i) the proposed amendments under the Second Non-Competition Deed including the Exception aims to strike a balance between restricting undue competition between BCG and its controlling shareholder BCL on the one hand, and providing flexibility in pursuing new business opportunities by BCG and correspondingly, BCL on the other hand; and (ii) the Exception is a reciprocal undertaking provided by BCL and BCG respectively to each other and BCG will be entitled to the Exception to the same extent as BCL, we consider the Exception to be acceptable.

RECOMMENDATION

Having considered of the above principal factors and reasons, we consider that the entering into of the Second Amended Non-Competition Deed, though not in the ordinary and usual course of the business of BCG, are in the interests of BCG and the Shareholders as a whole, and the terms of the Second Amended Non-Competition Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Shareholders, and the BCG Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to approve the Second Amended Non-Competition Deed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Lyan Tam
Director

Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 16 years of experience in corporate finance industry.

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 INTERESTS BY DIRECTORS

- (a) As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are (i) 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 he/she is taken or was deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, 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 2017 (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 Company.

3. SUBSTANTIAL SHAREHOLDERS

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:

Name of Shareholder	Capacity	No. of Shares	As at the Latest Practicable Date		Total interests	Approx. % of total issued interest to total issued share capital
			Approx. % of total issued Shares	No. of Shares convertible from the CPS and the perpetual convertible bond securities of the Company		
BECL Investment	Beneficial owner	701,353,846	72.94%	1,072,928,106 (Note 5)	1,774,281,952	184.53%
BCL	Interest of controlled corporation (Note 1)	701,353,846	72.94%	1,072,928,106 (Note 5)	1,774,281,952	184.53%
Chinastar	Beneficial owner	19,800,000	2.06%	–	19,800,000	2.06%
Capital Group	Interest of controlled corporation (Note 2)	721,153,846	75%	1,072,928,106 (Note 5)	1,794,081,952	186.58%
Smart Win Group Limited	Beneficial owner	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Sino-Ocean Land (Hong Kong) Limited	Interest of controlled corporation (Note 3)	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Faith Ocean International Limited	Interest of controlled corporation (Note 3)	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Shine Wind Development Limited	Interest of controlled corporation (Note 3)	95,192,308	9.9%	313,140,124	408,332,432	42.47%
Sino-Ocean Group Holding Limited	Interest of controlled corporation (Note 3)	95,192,308	9.9%	313,140,124	408,332,432	42.47%
KKR CG Judo Outlets	Beneficial owner	95,192,308	9.9%	200,045,787	295,238,095	30.70%

Name of Shareholder	Capacity	No. of Shares	As at the Latest Practicable Date			Total interests	Approx. % of total issued interest to total issued share capital
			Approx. % of total issued Shares	No. of Shares convertible from the CPS and the perpetual convertible bond securities of the Company	Company		
KKR CG Judo	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%	
KKR China Growth Fund L.P.	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%	
KKR Associates China Growth L.P.	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%	
KKR China Growth Limited	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%	
KKR Fund Holdings L.P.	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%	
KKR Fund Holdings GP Limited	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%	
KKR Group Holdings Corp.	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%	
KKR & Co. Inc. (formerly known as KKR & Co. L.P.)	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%	
KKR Management LLC	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%	
Henry Robert Kravis	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%	
Roberts George R.	Interest of controlled corporation <i>(Note 4)</i>	95,192,308	9.9%	200,045,787	295,238,095	30.70%	

Notes:

1. Total interests in 1,774,281,952 shares were deemed to be the corporation interest under the SFO.
2. Total interests in 1,794,081,952 shares were deemed to be the corporation interest under the SFO.
3. Total interests in 408,332,432 shares were deemed to be the corporation interest under the SFO.
4. Total interests in 295,238,095 shares were deemed to be the corporation interest under the SFO.
5. On 19 December 2016, the Company issued 905,951,470 class B limited-voting non-redeemable convertible preference shares to BECL Investment pursuant to the class B convertible preference share subscription agreement. On 28 December 2016, BECL Investment converted 571,153,846 Class A Convertible Preference Shares into ordinary shares.

As shown in the table above, BCL and BECL Investment are companies with interests which fall to be disclosed to the Company under provisions of Division 2 and 3 of Part XV of the SFO. Mr. Zhong Beichen is an executive director of BCL and also a director of BECL Investment.

4. LITIGATION AND CLAIMS

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

5. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated accounts of the Group were made up.

6. 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.

7. EXPERT'S CONSENT AND QUALIFICATIONS

Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s) and/or opinion(s) and the references to its name included herein in the form and context in which it is respectively included.

The following are the qualifications of the expert who has given opinions or advices which are contained in this circular:

Name	Qualifications
Somerley Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Somerley confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. GENERAL

The English text of this circular shall prevail over the Chinese text in case of inconsistency.

The company secretary is Mr. Lee Sze Wai, who is a member of the Hong Kong Institute of Certified Public Accountants.

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 of the Company in Hong Kong is at Suites 4602-05, One Exchange Square, Central, Hong Kong. The transfer office of the Company is Tricor Investor Services Limited, Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong.

9. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Suites 4602-05, One Exchange Square, Central, Hong Kong unless (i) a tropical cyclone warning signal number 8 or above is hoisted, or (ii) a black rainstorm warning signal is issued, except public holidays, for a period of 14 days from the date of this circular:

- (a) the Articles;
- (b) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in the circular;
- (c) the Second Amended Non-Competition Deed;
- (d) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 16 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 17 to 34 of this circular;
- (f) the consent letter referred to in the paragraph headed "Expert's consent and qualifications" in this Appendix; and
- (g) this circular.

NOTICE OF THE EGM

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 THE 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 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Thursday, 29 November 2018 at 10:00 a.m. for the purposes of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company, with or without amendments. Capitalised terms contained in the circular dated 14 November 2018 (the “Circular”) issued by the Company shall have the same meanings when used herein unless otherwise specified.

ORDINARY RESOLUTION

Resolution in relation to the Second Amended Non-Competition Deed

1. “**THAT:**

the Second Amended Non-Competition Deed and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and 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 this resolution”

Yours faithfully,
For and on behalf of the Board of
Beijing Capital Grand Limited
Lee Sze Wai
Company Secretary

Hong Kong, 14 November 2018

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.

NOTICE OF THE EGM

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. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the EGM or any adjournment thereof.
5. Delivery of the form of proxy will not preclude a shareholder from attending and voting in person at the EGM or any adjourned meeting or upon the poll concerned and, in such event, the instrument appointing a proxy will be deemed to be revoked.
6. As at the date of this notice, the Board comprises Mr. ZHONG Beichen (Chairman) and Mr. FENG Yujian (Chief Executive Officer) as executive directors; Mr. SUN Shaolin, Mr. WANG Hao, Mr. WANG Honghui and Mr. YANG, Paul Chunyao as non-executive directors; and Dr. NGAI Wai Fung, Ms. ZHAO Yuhong and Mr. HE Xiaofeng as independent non-executive directors.