
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Beijing Capital Land Ltd., you should at once hand this circular together with the accompanying reply slips and proxy forms to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



首創置業股份有限公司

BEIJING CAPITAL LAND LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2868)

- (1) PROPOSED RIGHTS ISSUE OF DOMESTIC SHARES, NON-H FOREIGN SHARES AND H SHARES
- (2) CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED UNDERWRITING
OF H SHARES BY THE CONTROLLING SHAREHOLDER
- (3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
- (4) NOTICES OF EGM AND CLASS MEETINGS

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders



中毅資本有限公司
Grand Moore Capital Limited

A letter from the Board is set out on pages 7 to 33 of this circular. A letter from the Independent Board Committee is set out on pages 34 to 35 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 36 to 69 of this circular.

A notice convening the EGM of the Company to be held at 9:00 a.m. on Monday, 10 June 2019 at F15, Red Goldage, No.2, Guang Ning Bo Street, Beijing, PRC, is set out on pages EGM-1 to EGM-6 of this circular. A notice of the H Share Class Meeting to be held at 9:30 a.m. (or immediately after the conclusion of the EGM) on Monday, 10 June 2019 at F15, Red Goldage, No.2, Guang Ning Bo Street, Beijing, PRC is set out on pages HCM-1 to HCM-5 of this circular. A notice of the Domestic Share Class Meeting to be held at 10:00 a.m. (or immediately after the conclusion of the H Share Class Meeting) on Monday, 10 June 2019 at F15, Red Goldage, No.2, Guang Ning Bo Street, Beijing, PRC is set out on pages DCM-1 to DCM-5 of this circular. The reply slips and proxy forms for use at the EGM and the Class Meetings are also enclosed herein.

Whether or not you are able to attend the EGM and/or the Class Meetings, you are requested to complete the enclosed proxy forms in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at shops 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of H Shares only) or the Company's principal place of business in the PRC at F17, Red Goldage, No. 2, Guang Ning Bo Street, Beijing, PRC (for holders of Domestic Shares and Non-H Foreign Shares only), as soon as possible but in any event not later than 5:00 p.m. on Sunday, 2 June 2019 for the reply slips and not later than 24 hours before the respective times appointed for holding the EGM and/or the Class Meetings or any adjournment thereof for the proxy forms. Completion and return of the proxy forms shall not preclude you from attending the EGM and/or the Class Meetings and voting in person at the EGM and/or the Class Meetings or any adjourned meetings should you so desire and in such event, the relevant form(s) of proxy shall be deemed to be revoked. Shareholders who intend to attend the meetings in person or by proxy should complete and return the reply slips in accordance with the instructions printed thereon on or before Sunday, 2 June 2019.

17 May 2019

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DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this circular shall have the meanings as follows:

“Articles”	the articles of association of the Company as revised from time to time
“Board”	the board of Directors of the Company
“Bookrunner”	an independent bookrunner to be appointed by the Company to place any unsubscribed H Rights Shares under the Compensatory Arrangements and ES Rights Shares
“Capital Group”	Beijing Capital Group Co., Ltd.* (北京首都創業集團有限公司), a state-owned enterprise incorporated in the PRC on 26 October 1994 and under the direct supervision of SASAC, the controlling shareholder of the Company and a connected person of the Company under Rule 14A.07 of the Listing Rules
“Class Meetings”	the Domestic Share Class Meeting and the H Share Class Meeting
“Company”	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 and whose H shares are listed on the Main Board of the Stock Exchange (Stock Code: 2868)
“Compensatory Arrangements”	placement of (i) the Unsubscribed H Rights Shares by the Bookrunner on a best effort basis pursuant to arrangements described in Rule 7.21(1)(b) of the Listing Rules; and (ii) the ES Rights Shares
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Directors”	the directors of the Company
“Domestic Rights Shares”	the new Domestic Shares proposed to be allotted and issued to the Qualifying Domestic Shareholders pursuant to the Domestic Share Rights Issue
“Domestic Share(s)”	ordinary domestic share(s) with par value of RMB1.00 each in the share capital of the Company

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“Domestic Share Class Meeting”	the class meeting of the Domestic Shareholders and Non-H Foreign Shareholders to be held to consider and, if thought fit, approve, among other things, the Rights Issue
“Domestic Share Record Date”	a date to be determined by the Board by reference to which entitlements to the Domestic Share Rights Issue are to be determined
“Domestic Share Rights Issue”	the proposed issue of not more than 824,602,850 Domestic Rights Shares at the Subscription Price on the basis of not more than 5 Domestic Rights Shares for every 10 existing Domestic Shares held on the Domestic Share Record Date
“Domestic Shareholder(s)”	holder(s) of the Domestic Shares
“EGM”	extraordinary general meeting of the Shareholders to be held to consider and, if thought fit, approve, among other things, the Rights Issue, the Letter of Undertaking and the transactions contemplated thereunder and the proposed amendments to the Articles
“ES Rights Shares”	the H Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders
“Excluded Shareholder(s)”	Overseas Shareholder(s) whom the Board, based on legal opinions provided by legal advisers, considers it necessary or expedient to exclude any such Overseas Shareholder(s) on account either of the legal restrictions under the laws of the place of his/her/their registered address(es) or the requirements of the relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries
“H Rights Shares”	the new H Shares proposed to be allotted and issued to the Qualifying H Shareholders pursuant to the H Share Rights Issue
“H Share(s)”	ordinary H shares with par value of RMB1.00 each in the share capital of the Company which are issued outside the PRC, listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars
“H Share Class Meeting”	the class meeting of the H Shareholders to be held to consider and, if thought fit, approve other things, the Rights Issue

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“H Share Record Date”	a date to be determined by the Board by reference to which entitlements to the H Share Rights Issue are to be determined
“H Share Rights Issue”	the proposed issue of not more than 510,378,000 H Rights Shares at the Subscription Price on the basis of not more than 5 H Rights Shares for every 10 existing H Shares held on the H Share Record Date
“H Share Rights Prospectus”	the prospectus to be issued by the Company and despatched to the H Shareholders in respect of the H Share Rights Issue containing further details of the H Share Rights Issue
“H Shareholder(s)”	holder(s) of the H Shares
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Board, comprising all independent non-executive Directors of the Company, namely Mr. Li Wang, Mr. Wong Yik Chung, John and Mr. Liu Xin
“Independent Financial Adviser”	Grand Moore Capital Limited, a licensed corporation to carry out types 1 and 6 regulated activities (dealing in securities and advising on corporate finance respectively) under the SFO and the independent financial adviser as approved and appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders with regard to the Letter of Undertaking and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than: (i) Capital Group and its associates; and (ii) all other persons (if any) who are or will be involved or interested in the Letter of Undertaking and the transactions contemplated thereunder, including the underwriting of the unsubscribed H Rights Shares
“Independent Third Party(ies)”	person(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is a third party independent of the Company and its connected person(s) under the Listing Rules
“Latest Practicable Date”	16 May 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular

DEFINITIONS

“Latest Time for Acceptance”	the latest time for acceptance of, and payment for, the Rights Shares, which is expected to be 4:00 p.m. on the latest acceptance date for acceptance of, and payment for, the Rights Shares
“Letter of Undertaking”	the letter of undertaking entered into between Capital Group (or its subsidiary) and the Company on 17 May 2019 in relation to the underwriting of the Underwritten Shares by Capital Group (or its subsidiary) under the H Share Rights Issue at the Subscription Price
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and modified from time to time
“Non-H Foreign Rights Shares”	the new Non-H Foreign Shares proposed to be allotted and issued to the Qualifying Non-H Foreign Shareholders pursuant to the Non-H Foreign Share Rights Issue
“Non-H Foreign Share(s)”	ordinary non-H foreign shares with par value of RMB1.00 each in the share capital of the Company
“Non-H Foreign Share Record Date”	a date to be determined by the Board by reference to which entitlements to the Non-H Foreign Share Rights Issue are to be determined
“Non-H Foreign Share Rights Issue”	the proposed issue of not more than 178,999,150 Non-H Foreign Rights Shares at the Subscription Price on the basis of not more than 5 Non-H Foreign Rights Shares for every 10 existing Non-H Foreign Shares held on the Non-H Foreign Share Record Date
“Non-H Foreign Shareholder(s)”	holder(s) of the Non-H Foreign Share(s)
“Overseas Shareholder(s)”	H Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the H Share Record Date and whose address(es) is/are in a place outside Hong Kong, if any
“Placing Agreement”	the placing agreement to be entered into between the Company and the Bookrunner in relation to the Placing Arrangement

DEFINITIONS

“Placing Arrangement”	the expected arrangement for the Bookrunner to place the Unsubscribed H Rights Shares and the ES Rights Shares to independent places on a best effort basis pursuant to the terms and conditions of the Placing Agreement and at a placing price which is expected to be no less than the sum of the Subscription Price and the expenses related to the Placing Arrangement
“PRC”	the People’s Republic of China but excluding, for the purposes of this circular, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Qualifying Domestic Shareholder(s)”	Domestic Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Domestic Share Record Date
“Qualifying H Shareholder(s)”	H Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the H Share Record Date (excluding the Excluded Shareholder(s))
“Qualifying Non-H Foreign Shareholder(s)”	Non-H Foreign Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Non-H Foreign Share Record Date
“Qualifying Shareholder(s)”	collectively, the Qualifying Domestic Shareholder(s), the Qualifying H Shareholder(s) and the Qualifying Non-H Foreign Shareholder(s)
“Record Date”	collectively, the Domestic Share Record Date, the H Share Record Date and the Non-H Foreign Share Record Date
“Rights Issue”	collectively, the Domestic Share Rights Issue, the H Share Rights Issue and the Non-H Foreign Share Rights Issue
“Rights Share(s)”	collectively, the Domestic Rights Share(s), the H Rights Share(s) and the Non-H Foreign Rights Share(s)
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality* (北京市人民政府國有資產監督管理委員會)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and modified from time to time

DEFINITIONS

“Share(s)”	Domestic Share(s), Non-H Foreign Share(s) and/or H Share(s)
“Shareholder(s)”	holder(s) of the Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the final subscription price for the Domestic Rights Shares, the H Rights Shares and the Non-H Foreign Rights Shares to be offered pursuant to the Rights Issue
“Underwritten Shares”	such H Rights Shares comprising: (i) Unsubscribed H Rights Shares not being placed by the Bookrunner under the Compensatory Arrangements; (ii) ES Rights Shares not being placed by the Bookrunner under the Compensatory Arrangements; and (iii) unsold fractions of the Rights Shares, to be underwritten by Capital Group (or its subsidiary) pursuant to the Letter of Undertaking and other independent underwriter(s)
“Unsubscribed H Rights Shares”	H Rights Shares that are not subscribed by Qualifying H Shareholders
“%”	per cent.

In this circular, unless the context otherwise requires, the terms “connected transaction(s)” 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.

For the purpose of this circular, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK\$1 to RMB0.8751 as at the Latest Practicable Date. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

References to the singular number include references to the plural and vice versa and references to one gender include every gender.

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



首創置業股份有限公司
BEIJING CAPITAL LAND LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2868)

Non-executive Director:

Li Songping (*Chairman*)

Executive Directors:

Zhong Beichen (*President*)

Li Xiaobin

Hu Weimin

Fan Shubin

Non-executive Director:

Su Jian

Independent non-executive Directors:

Li Wang

Wong Yik Chung, John

Liu Xin

Registered address:

Room 3071, 3/F Office, Block 4

No.13 Kaifang East Road

Huairou District

Beijing

PRC

Place of business in the PRC:

F17, Red Goldage

No. 2, Guang Ning Bo Street

Beijing

PRC

Place of business in Hong Kong:

Suites 4602-05

One Exchange Square

Central

Hong Kong

17 May 2019

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED RIGHTS ISSUE OF DOMESTIC SHARES, NON-H FOREIGN SHARES AND H SHARES
(2) CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED UNDERWRITING
OF H SHARES BY THE CONTROLLING SHAREHOLDER
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
(4) NOTICES OF EGM AND CLASS MEETINGS

INTRODUCTION

Reference is made to the announcement of the Company dated 10 March 2019 in relation to the possible Rights Issue of Domestic Shares, H Shares and Non-H Foreign Shares. The Board proposes to seek approval for the Rights Issue, which will comprise the issue of the Domestic Rights Shares, the Non-H Foreign Rights Shares and the H Rights Shares, and the proposed amendments to the Articles by the Shareholders and the Letter of

LETTER FROM THE BOARD

Undertaking and the transactions contemplated thereunder by the Independent Shareholders at the EGM and the Class Meetings (as the case maybe), in order to strengthen the financial position of the Group to support the continuing and sustainable business of the Group. The Rights Issue allows all Qualifying Shareholders to participate in the potential growth of the Company while maintaining their respective pro rata shareholding interests in the Company.

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Letter of Undertaking and the transactions contemplated thereunder. In this connection, the Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Letter of Undertaking and the transactions contemplated thereunder.

The purpose of this circular is (i) to provide you further information relating to the Rights Issue, the Letter of Undertaking and the transactions contemplated thereunder and the proposed amendments to the Articles; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Letter of Undertaking and the transactions contemplated thereunder; (iii) a letter of advice by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Letter of Undertaking and the transactions contemplated thereunder; and (iv) to give notice of the EGM and the Class Meetings.

Prior to the commencement of the H Share Rights Issue, the Company will make a further announcement and issue the H Share Rights Prospectus which will contain all the relevant details of the Rights Issue, including the definitive basis on which the Rights Shares are to be offered, the maximum number of Rights Shares to be issued, the Subscription Price, the period of any closure of the register of members and the Record Date, trading arrangements of the H Rights Shares, the Compensatory Arrangements, the arrangements for fractional entitlements, the underwriting arrangements and the expected timetable of the Rights Issue.

PROPOSED RIGHTS ISSUE

The Rights Issue will comprise an offer of Domestic Rights Shares, an offer of H Rights Shares and an offer of Non-H Foreign Rights Shares to Qualifying Domestic Shareholders, Qualifying H Shareholders and Qualifying Non-H Foreign Shareholders, respectively, on the preliminary terms set out below.

As at the Latest Practicable Date, the issued share capital of the Company is RMB3,027,960,000, which comprised of 1,649,205,700 Domestic Shares, 1,020,756,000 H Shares and 357,998,300 Non-H Foreign Shares.

LETTER FROM THE BOARD

The final amount of gross proceeds shall be determined based on the actual Subscription Price and the number of Rights Shares to be issued at the time of the Rights Issue. It is currently expected that the gross proceeds of the Rights Issue before expenses will be not more than RMB3,000,000,000 (approximately HK\$3,428,179,637), which, after deduction of all relevant expenses, is expected to be primarily used for the partial repayment of existing onshore and offshore interest-bearing indebtedness of the Group, such as (i) the borrowings with an aggregate principal amount of approximately RMB500 million payable by the end of October 2019 with interest rate at 8.3% per annum; (ii) the borrowings with an aggregate principal amount of approximately RMB694 million payable by the end of February 2020 with interest rate at 6.8% per annum; (iii) the borrowings with an aggregate principal amount of approximately RMB2,500 million payable by the end of May 2020 with interest rate at 6.45% per annum; and (iv) the perpetual securities issued by the Group with an aggregate principal amount of US\$450 million maturing on 2 December 2019 with interest rate at 7.125% per annum. The Company will ultimately determine the allocation of the proceeds from the Rights Issue for the repayment of the onshore and offshore interest-bearing indebtedness of the Group whilst taking into consideration of the regulatory approval, the then market conditions and their respective interest rates, interest payment terms and maturity dates as well as other alternative financing channels.

Details of the Proposed H Share Rights Issue

Type and Par Value of the Rights Shares:	H Shares with a par value of RMB1.00 each
Basis of the H Share Rights Issue:	Subject to final determination by the Board (or its authorised delegates) prior to the Rights Issue which is pursuant to the authorisation by the Shareholders at the EGM, the Domestic Share Class Meeting and the H Share Class Meeting. Not more than 5 H Rights Shares for every 10 existing H Shares held on the H Share Record Date by the Qualifying H Shareholders
Expected number of Shares in issue as at the H Share Record Date:	3,027,960,000
Expected number of H Shares in issue as at the H Share Record Date:	1,020,756,000
Number of H Rights Shares proposed to be issued under the H Share Rights Issue:	Not more than 510,378,000

LETTER FROM THE BOARD

**Subscription Price for the
H Rights Shares:**

The Subscription Price for the H Rights Shares is to be determined based on a discount of no more than 30% (the “Discount Cap”) of the higher of:

- (a) the closing price of the H Shares of the Company as quoted on the Stock Exchange immediately before the execution of the underwriting agreement relating to the Rights Issue; and
- (b) the higher of the average closing price of the H Shares of the Company for the 5 and 10 trading days immediately prior to the earlier of:
 - (i) the date of announcement of the Rights Issue;
 - (ii) the date of the underwriting agreement relating to the Rights Issue; and
 - (iii) the date on which the Subscription Price of the Rights Issue is fixed,

the Subscription Price shall not be lower than the lowest possible price permissible under Rule 7.27B of the Listing Rules, at which price the theoretical dilution effect of the Rights Issue shall not in any circumstances be 25% or more.

The eventual discount will be commercially determined by the Company in consultation with the underwriter(s), based on factor(s) including but not limited to percentage discount(s) in other comparable H share rights issue(s) at or around the date of the underwriting agreement relating to the Rights Issue; and any preliminary view(s) of regulatory bodies in the PRC in connection with the terms of the Rights Issue.

The final Subscription Price shall be determined by the Board (or its authorised delegates) on the basis above. The Subscription Price for the Domestic Rights Shares, the H Rights Shares and Non-H Foreign Shares (after adjustment in the exchange rates) shall be the same. The closing price of the H Shares as at the Latest Practicable Date was HK\$2.67.

**Target Subscribers for the
H Share Rights Issue:**

All Qualifying H Shareholders as determined on the H Share Record Date

LETTER FROM THE BOARD

Details of the Proposed Domestic Share Rights Issue

Type and Par Value of the Rights Shares:	Domestic Shares with a par value of RMB1.00 each
Basis of the Domestic Share Rights Issue:	<p>Subject to final determination by the Board (or its authorised delegates) prior to the Rights Issue which is pursuant to the authorisation by the Shareholders at the EGM, the Domestic Share Class Meeting and the H Share Class Meeting.</p> <p>Not more than 5 Domestic Rights Shares for every 10 existing Domestic Shares held on the Domestic Share Record Date by the Qualifying Domestic Shareholders</p>
Expected number of Shares in issue as at the Domestic Share Record Date:	3,027,960,000
Expected number of Domestic Shares in issue as at the Domestic Share Record Date:	1,649,205,700
Number of Domestic Rights Shares proposed to be issued under the Domestic Share Rights Issue:	Not more than 824,602,850
Subscription Price for the Domestic Rights Shares:	<p>The Subscription Price for the Domestic Rights Shares is to be determined based on a discount of no more than 30% (the “Discount Cap”) of the higher of:</p> <ul style="list-style-type: none">(a) the closing price of the H Shares of the Company as quoted on the Stock Exchange immediately before the execution of the underwriting agreement relating to the Rights Issue; and(b) the higher of the average closing price of the H Shares of the Company for the 5 and 10 trading days immediately prior to the earlier of:<ul style="list-style-type: none">(i) the date of announcement of the Rights Issue;(ii) the date of the underwriting agreement relating to the Rights Issue; and

LETTER FROM THE BOARD

(iii) the date on which the Subscription Price of the Rights Issue is fixed,

the Subscription Price shall not be lower than the lowest possible price permissible under Rule 7.27B of the Listing Rules, at which price the theoretical dilution effect of the Rights Issue shall not in any circumstances be 25% or more.

The eventual discount will be commercially determined by the Company in consultation with the underwriter(s), based on factor(s) including but not limited to percentage discount(s) in other comparable H share rights issue(s) at or around the date of the underwriting agreement relating to the Rights Issue; and any preliminary view(s) of regulatory bodies in the PRC in connection with the terms of the Rights Issue.

The final Subscription Price shall be determined by the Board (or its authorised delegates) on the basis above. The Subscription Price for the Domestic Rights Shares, the H Rights Shares and Non-H Foreign Shares (after adjustment in the exchange rates) shall be the same. The closing price of the H Shares as at the Latest Practicable Date was HK\$2.67.

Target Subscribers for the Domestic Share Rights Issue:

All Qualifying Domestic Shareholders as determined on the Domestic Share Record Date

Details of the Proposed Non-H Foreign Share Rights Issue

Type and Par Value of the Rights Shares:

Non-H Foreign Shares with a par value of RMB1.00 each

Basis of the Non-H Foreign Share Rights Issue:

Subject to final determination by the Board (or its authorised delegates) prior to the Rights Issue which is pursuant to the authorisation by the Shareholders at the EGM, the Domestic Share Class Meeting and the H Share Class Meeting.

Not more than 5 Non-H Foreign Shares for every 10 existing Non-H Foreign held on the Non-H Foreign Share Record Date by the Qualifying Non-H Foreign Shareholders

LETTER FROM THE BOARD

Expected number of Shares in issue as at the Non-H Foreign Share Record Date:	3,027,960,000
Expected number of Non-H Foreign Shares in issue as at the Non-H Foreign Share Record Date:	357,998,300
Number of Non-H Foreign Rights Shares proposed to be issued under the Non-H Foreign Share Rights Issue:	Not more than 178,999,150
Subscription Price for the Non-H Foreign Rights Shares:	<p>The Subscription Price for the Domestic Rights Shares is to be determined based on a discount of no more than 30% (the “Discount Cap”) of the higher of:</p> <ul style="list-style-type: none">(a) the closing price of the H Shares of the Company as quoted on the Stock Exchange immediately before the execution of the underwriting agreement relating to the Rights Issue; and(b) the higher of the average closing price of the H Shares of the Company for the 5 and 10 trading days immediately prior to the earlier of:<ul style="list-style-type: none">(i) the date of announcement of the Rights Issue;(ii) the date of the underwriting agreement relating to the Rights Issue; and(iii) the date on which the Subscription Price of the Rights Issue is fixed, <p>the Subscription Price shall not be lower than the lowest possible price permissible under Rule 7.27B of the Listing Rules, at which price the theoretical dilution effect of the Rights Issue shall not in any circumstances be 25% or more.</p>

LETTER FROM THE BOARD

The eventual discount will be commercially determined by the Company in consultation with the underwriter(s), based on factor(s) including but not limited to percentage discount(s) in other comparable H share rights issue(s) at or around the date of the underwriting agreement relating to the Rights Issue; and any preliminary view(s) of regulatory bodies in the PRC in connection with the terms of the Rights Issue.

The final Subscription Price shall be determined by the Board (or its authorised delegates) on the basis above. The Subscription Price for the Domestic Rights Shares, the H Rights Shares and Non-H Foreign Shares (after adjustment in the exchange rates) shall be the same. The closing price of the H Shares as at the Latest Practicable Date was HK\$2.67.

**Target Subscribers for the
Non-H Foreign Share
Rights Issue:**

All Qualifying Non-H Foreign Shareholders as determined on the Non-H Foreign Share Record Date

FURTHER DETAILS OF THE H SHARE RIGHTS ISSUE

Basis for determining the Subscription Price for the H Rights Shares

The basis of the Subscription Price and the Discount Cap for the H Rights Shares was determined by the Company after taking into consideration, among others, (a) the need to maintain flexibility in determining the Subscription Price in light of the amount of time customarily required for obtaining the approval(s) by the relevant PRC regulatory authorities in respect of the Rights Issue and the prevailing market conditions when determining the Subscription Price; (b) the pricing mechanism and discounts for similar rights issue transactions by H-share companies listed on the Main Board of the Stock Exchange; and (c) the funding needs of the Group.

Qualifying H Shareholders

The Company will send the H Share Rights Prospectus to the Qualifying H Shareholders (and to the Excluded Shareholders for information purposes only). To qualify for the H Share Rights Issue, a Shareholder must:

- (i) have been registered as a H Shareholder as at the H Share Record Date; and
- (ii) not be an Excluded Shareholder.

The Company will announce before the commencement of the H Share Rights Issue, the date by which the H Shareholders must lodge any transfers of existing H Shares (together with the relevant H Share certificates) with the Company's H Share registrar, in order for the transferee to be registered as a H Shareholder on or before the H Share Record Date.

LETTER FROM THE BOARD

H Share Record Date

The H Share Record Date and the trading arrangements for the nil-paid H Rights Shares will be fixed by the Board later and once so fixed, a further announcement will be made by the Company. The H Share Rights Issue will proceed only after the Rights Issue has been approved by the Shareholders at the EGM, the Domestic Shareholders and Non-H Foreign Shareholders at the Domestic Share Class Meeting and the H Shareholders at the H Share Class Meeting, and all other conditions to the Rights Issue have been fulfilled. The H Share Record Date will not precede the date of the EGM, the Domestic Share Class Meeting and the H Share Class Meeting or the date on which all relevant PRC governmental and regulatory approvals have been granted to the Company in relation to the Rights Issue.

Trading of the H Rights Shares

Dealings in the H Rights Shares in both their nil-paid and fully-paid forms registered with the Company's H Share registrar will be subject to the payment of stamp duty in Hong Kong. A further announcement will be made by the Company regarding the trading arrangements for the H Rights Shares (in both nil-paid and fully-paid forms) after such arrangements have been finalised by the Board.

Status of the H Rights Shares

The H Rights Shares (when allotted, issued and fully-paid) will rank *pari passu* in all respects with the then existing H Shares in issue. Holders of fully-paid H Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the H Rights Shares in their fully-paid form.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the H Rights Shares to be issued pursuant to the H Share Rights Issue.

Rights of Overseas Shareholders

The H Share Rights Prospectus will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will make enquiries regarding the feasibility of extending the H Share Rights Issue to the Overseas Shareholders. If, based on advice received from the relevant legal advisers, the Board considers that it would be necessary or expedient not to offer the H Rights Shares to certain Overseas Shareholders (that is, those Overseas Shareholders who are the Excluded Shareholders) on account either of the legal restrictions under the laws of the place of his/her/their registered address(es) or the requirements of the relevant regulatory body or stock exchange in that place, the H Share Rights Issue will not be made available to the Excluded Shareholders and no provisional allotment of the nil-paid Rights Shares or allotment of Rights Shares will be made to them. Further information in this connection will be set out in the H Share Rights Prospectus.

LETTER FROM THE BOARD

The Company will, to the extent permitted by relevant laws, send copies of the H Share Rights Prospectus to the Excluded Shareholders for their information only, but the Company will not send any provisional allotment letters to the Excluded Shareholders.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful.

Any ES Rights Shares will be first placed by the Bookrunner under the Placing Arrangement together with the Unsubscribed H Rights Shares. If unsuccessfully sold, such ES Rights Shares will be available as Underwritten Shares to be taken up by Capital Group (or its subsidiary) as the underwriter and/or other independent underwriter(s). The underwriter(s) to be appointed will satisfy the requirements under Rule 7.19 of the Listing Rules.

Procedures in respect of the Compensatory Arrangements for the H Share Rights Issue

Pursuant to Rule 7.21(2) of the Listing Rules, as the controlling shareholder of the Company, Capital Group (or its subsidiary) will act as an underwriter of the Rights Issue, the Company must make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose the Unsubscribed H Rights Shares to independent placees for the benefit of H Shareholders to whom they were offered by way of the H Share Rights Issue. There will be no excess application arrangements in relation to the H Share Rights Issue in compliance of Rule 7.21(2) of the Listing Rules.

Placing and Compensatory Arrangements

It is expected that the Company will appoint the Bookrunner to place the Unsubscribed H Rights Shares and the ES Rights Shares after the Latest Time for Acceptance of the Rights Issue to independent placees, on a best effort basis, with any premium over the aggregate amount of the Subscription Price and expenses will be paid to those holders of the Unsubscribed H Rights Shares who have not subscribed for nor sold such Rights Shares provisionally allotted to them under the provisional letters of allotment or their renounees and the ES Rights Shares on a pro-rata basis. If unsuccessfully sold, any remaining Unsubscribed H Rights Shares and ES Rights Shares will be available as Underwritten Shares by Capital Group (or its subsidiary) as the underwriter and other independent underwriter(s), if any. Pursuant to the Letter of Undertaking, it is the current intention for the H Share Rights Issue to be fully underwritten. The underwriter(s) to be appointed will satisfy the requirements under Rule 7.19 of the Listing Rules.

LETTER FROM THE BOARD

Conditions of the H Share Rights Issue

It is expected that the H Share Rights Issue will be conditional upon the fulfilment of the following matters:

- (i) the approval of the Rights Issue by the Shareholders at the EGM;
- (ii) the approval of the Rights Issue at the H Share Class Meeting and the Domestic Share Class Meeting, respectively;
- (iii) the approval(s) by the relevant PRC regulatory authorities including the SASAC and the CSRC in respect of the Rights Issue;
- (iv) the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the H Rights Shares in their nil-paid and fully-paid forms, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any) by no later than the date of posting of the H Share Rights Prospectus; and
- (v) the delivery to the Stock Exchange and filing and registration of all documents in relation to the H Share Rights Issue as required by law to be filed by and registered with the Registrar of Companies in Hong Kong.

None of the above conditions for the completion of the H Share Rights Issue may be waived by the Company or has been satisfied as at the Latest Practicable Date, save for the SASAC approval that has been obtained by the Company already. If the conditions are not fulfilled, the H Share Rights Issue will not proceed.

The Domestic Share Rights Issue, the H Share Rights Issue and the Non-H Foreign Share Rights Issue are inter-conditional. In the event that the conditions of the Domestic Share Rights Issue and/or the Non-H Foreign Share Rights Issue are not fulfilled, the H Share Rights Issue will not proceed, and vice versa.

Underwriting by the controlling shareholder and other independent underwriter(s)

Subject to the entering into of a definitive underwriting agreement by Company with Capital Group and other independent underwriter(s), if any, the Company's current intention is to proceed with the H Share Rights Issue on a fully underwritten basis by Capital Group and other independent underwriter(s), if any, and such underwriting will be conducted in accordance with the requirements of the Listing Rules including Rule 7.19 of the Listing Rules as to requirements of the underwriter(s) and Rule 8.24 of the Listing Rules as to minimum public float requirement. In the event that the H Share Rights Issue is not underwritten by any independent underwriter(s), the total number of Rights Shares to be issued may be reduced to such extent so that the Company will satisfy the minimum public float requirement under the Listing Rules.

LETTER FROM THE BOARD

If the H Share Rights Issue is not fully underwritten, the Company will disclose further details in the formal Rights Issue announcement, upon when the final underwriting structure will be determined.

Pursuant to the Letter of Undertaking, Capital Group has undertaken that it or its subsidiary will, alongside independent underwriter(s), if any, act as an underwriter to take up such maximum number of the Underwritten Shares to the effect that the minimum public float requirement under the Listing Rules is satisfied by the Company. Details of the Letter of Undertaking from Capital Group are set out below under in the section headed “Letter of Undertaking From Capital Group”.

Details of the underwriting arrangement in relation to the Rights Issue and the underwriting agreement will be provided to the Shareholders in a further announcement on the Rights Issue to be issued by the Company in due course.

LETTER OF UNDERTAKING FROM CAPITAL GROUP

Underwriting Arrangement

Principal terms of the Letter of Undertaking are set out below:

Date	:	17 May 2019
Issuer	:	The Company
Underwriter	:	Capital Group, the controlling shareholder of the Company, or its subsidiary
Conditions	:	The Letter of Undertaking is conditional upon the conditions of the H Share Rights Issue being waived or fulfilled (as the case may be), details of which are set out under the paragraph headed “Conditions of the H Share Rights Issue” under “Further Details of the H Share Rights Issue” in this letter.

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No. of Underwritten Shares : Capital Group has undertaken that it or its subsidiary will, alongside independent underwriter(s), if any, underwrite the Underwritten Shares (assuming no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue) at the Subscription Price, with the maximum number of Underwritten Shares to be subject to the following (a) the total Shares legally and/or beneficially held by Capital Group and its associates, including of such number of Rights Shares which Capital Group and its associates have undertaken to accept shall not exceed 75% of the entire issued share capital of the Company as enlarged by the Rights Shares to be issued under the Rights Issue and (b) the Company satisfies the minimum public float requirement under the Listing Rules.

Note: The final number of Underwritten Shares to be underwritten by each of Capital Group and any independent underwriter(s) will be determined in the underwriting agreement. The actual number of Underwritten Shares to be taken up by the controlling shareholder of the Company will also depend on inter alia, the level of subscription by Qualifying Shareholders, the results of the placing of Unsubscribed H Rights Shares and the ES Rights Shares and also the level of unsold fractions of the Rights Shares.

Underwriting commission : The underwriting commission rate payable by the Company to Capital Group or its subsidiary will be no more than the rate payable to independent underwriters in respect of a rights issue of this type or other similar transactions in the market.

Subject to the determination of the Subscription Price for the H Rights Shares, the Company will further enter into a definitive underwriting agreement with Capital Group and other independent underwriter(s), if any, which will supplement the Letter of Undertaking.

The Board (including members of the Independent Board Committees whose opinion is set forth in this circular after having been advised by the Independent Financial Adviser) considers that the Letter of Undertaking is on normal commercial terms and is fair and reasonable and in the interest of the Company and the Shareholders as a whole. Save for Mr. Li Songping and Mr. Su Jian who have abstained from voting on the relevant Board resolution(s) for reasons of their directorships or senior management roles in Capital Group, to the best knowledge of the Company and having made all reasonable enquiries, no other Director is required to abstain from voting on the relevant Board resolution(s).

LETTER FROM THE BOARD

FURTHER DETAILS OF THE DOMESTIC SHARE RIGHTS ISSUE

Qualifying Domestic Shareholders

To qualify for the Domestic Share Rights Issue, a Shareholder must have been registered as a Domestic Shareholder of the Company on the Domestic Share Record Date.

Domestic Share Record Date

The Domestic Share Record Date will be determined by the Board at a later time and once so fixed, a further announcement will be made by the Company. The Domestic Share Rights Issue will proceed only after the Rights Issue has been approved by the Shareholders at the EGM, the Domestic Shareholders and Non-H Foreign Shareholders at the Domestic Share Class Meeting and the H Shareholders at the H Share Class Meeting and all other conditions to the Domestic Share Rights Issue have been fulfilled. The Domestic Share Record Date will not precede the date of the EGM, the H Share Class Meeting and the Domestic Share Class Meeting or the date on which all relevant PRC governmental and regulatory approvals have been granted to the Company in relation to the proposed Rights Issue.

Procedures in respect of Unsubscribed Domestic Rights Shares

An undertaking to subscribe from Capital Group has been received by the Company to the effect that Capital Group will subscribe for such number of the Domestic Rights Shares to be provisionally allotted to it according to the Domestic Share Rights Issue and in no circumstance should it result in the Company not satisfying the minimum public float requirement under the Listing Rules. In the event that the H Share Rights Issue is (i) not underwritten by any independent underwriter(s); and (ii) undersubscribed to such extent that the Company is unable to meet the minimum public float requirement under the Listing Rules, the total number of Domestic Rights Shares to be subscribed by Capital Group under its provisional allotment entitlement might be reduced. Given such undertaking, there will be no underwriting arrangement or compensatory arrangement for any unsubscribed Domestic Rights Shares. Under PRC laws, there is no requirement for the Domestic Share Rights Issue to be fully underwritten.

Status of the Domestic Rights Shares

The Domestic Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Domestic Shares then in issue. Holders of fully-paid Domestic Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Domestic Rights Shares. The Domestic Shares are not, and the Domestic Rights Shares will not be, listed on any stock exchanges unless the Domestic Shares and the Domestic Rights Shares are approved by the CSRC for listing.

LETTER FROM THE BOARD

Conditions of the Domestic Share Rights Issue

It is expected that the Domestic Share Rights Issue will be conditional upon the fulfilment of the following matters:

- (i) the approval of the Rights Issue by the Shareholders at the EGM;
- (ii) the approval of the Rights Issue at the Domestic Share Class Meeting and the H Share Class Meeting, respectively; and
- (iii) the approval(s) by the relevant PRC regulatory authorities including the SASAC and the CSRC in respect of the Rights Issue.

None of the above conditions for the completion of the Domestic Share Rights Issue may be waived by the Company or has been satisfied as at the Latest Practicable Date, save for the SASAC approval that has been obtained by the Company already. If the conditions are not fulfilled, the Domestic Share Rights Issue will not proceed.

The Domestic Share Rights Issue, the H Share Rights Issue and the Non-H Foreign Share Rights Issue are inter-conditional. In the event that the conditions of the Domestic Share Rights Issue and/or the Non-H Foreign Share Rights Issue are not fulfilled, the Domestic Share Rights Issue will not proceed, and vice versa.

FURTHER DETAILS OF THE NON-H FOREIGN SHARE RIGHTS ISSUE

Qualifying Non-H Foreign Shareholders

To qualify for the Non-H Foreign Share Rights Issue, a Shareholder must have been registered as a Non-H Foreign Shareholder of the Company on the Non-H Foreign Share Record Date.

Non-H Foreign Share Record Date

The Non-H Foreign Share Record Date will be determined by the Board at a later time and once so fixed, a further announcement will be made by the Company. The Non-H Foreign Share Rights Issue will proceed only after the Rights Issue has been approved by the Shareholders at the EGM, the Domestic Shareholders and Non-H Foreign Shareholders at the Domestic Share Class Meeting and the H Shareholders at the H Share Class Meeting and all other conditions to the Non-H Foreign Share Rights Issue have been fulfilled. The Non-H Foreign Share Record Date will not precede the date of the EGM, the H Share Class Meeting and the Domestic Share Class Meeting or the date on which all relevant PRC governmental and regulatory approvals have been granted to the Company in relation to the proposed Rights Issue.

Procedures in respect of Unsubscribed Non-H Foreign Rights Shares

Under PRC laws, there is no requirement for the Non-H Foreign Shares Rights Issue to be fully underwritten and Non-H Foreign Shares are unlisted shares which lack liquidity. Accordingly, there will be no underwriting arrangement or compensatory arrangement for

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any unsubscribed Non-H Foreign Rights Shares. Any unsubscribed Non-H Foreign Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Status of the Non-H Foreign Rights Shares

The Non-H Foreign Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Non-H Foreign Shares then in issue. Holders of fully-paid Non-H Foreign Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Non-H Foreign Rights Shares. The Non-H Foreign Shares are not, and the Non-H Foreign Rights Shares will not be, listed on any stock exchanges unless the Non-H Foreign Shares and the Non-H Foreign Rights Shares are approved by the CSRC for listing.

Conditions of the Non-H Foreign Share Rights Issue

It is expected that the Non-H Foreign Share Rights Issue will be conditional upon the fulfilment of the following matters:

- (i) the approval of the Rights Issue by the Shareholders at the EGM;
- (ii) the approval of the Rights Issue at the Domestic Share Class Meeting and the H Share Class Meeting, respectively; and
- (iii) the approval(s) by the relevant PRC regulatory authorities including the SASAC and the CSRC in respect of the Rights Issue.

None of the above conditions for the completion of the Non-H Foreign Share Rights Issue may be waived by the Company or has been satisfied as at the Latest Practicable Date, save for the SASAC approval that has been obtained by the Company already. If the conditions are not fulfilled, the Non-H Foreign Share Rights Issue will not proceed.

The Domestic Share Rights Issue, the H Share Rights Issue and the Non-H Foreign Share Rights Issue are inter-conditional. In the event that the conditions of the Domestic Share Rights Issue and/or the Non-H Foreign Share Rights Issue are not fulfilled, the Non-H Foreign Share Rights Issue will not proceed, and vice versa.

FURTHER DETAILS OF THE RIGHTS ISSUE

Shareholders approvals for the Rights Issue

Under the applicable PRC laws and regulations and the Articles, the following Shareholders' approvals are required for the Rights Issue:

- (i) approval of the Rights Issue (including the Domestic Share Rights Issue, the Non-H Foreign Share Rights Issue and the H Share Rights Issue) by special resolution passed at the EGM by at least two-thirds of the Shares with voting rights represented by the Shareholders (or their proxies) attending the EGM;

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- (ii) approval of the Rights Issue (including the Domestic Share Rights Issue, the Non-H Foreign Share Rights Issue and the H Share Rights Issue) by special resolution passed at the Domestic Share Class Meeting by at least two-thirds of the Domestic Shares and Non-H Foreign Shares with voting rights represented by the Domestic Shareholders and Non-H Foreign Shareholders (or their respective proxies) attending the Domestic Share Class Meeting; and
- (iii) approval of the Rights Issue (including the Domestic Share Rights Issue, the Non-H Foreign Share Rights Issue and the H Share Rights Issue) by special resolution passed at the H Shareholders Class Meeting by at least two-thirds of the H Shares with voting rights represented by the H Shareholders (or their proxies) attending the H Share Class Meeting.

The resolutions on the Rights Issue shall remain valid for a period of 12 months from the date on which the resolutions are approved at the EGM, the Domestic Share Class Meeting and the H Share Class Meeting.

Resolutions will be proposed at the EGM, the Domestic Share Class Meeting and the H Share Class Meeting, respectively, to obtain such approvals as set out in the notices to such meetings. The notices convening the EGM, the Domestic Share Class Meeting and the H Share Class Meeting are set out on pages EGM-1 to EGM-6, pages HCM-1 to HCM-5 and pages DCM-1 to DCM-5, respectively, of this circular.

Undertaking from Capital Group

As at the Latest Practicable Date, Capital Group directly holds an aggregate of 1,649,205,700 Domestic Shares, representing the entire issued Domestic Shares of the Company and approximately 54.47% of the total issued share capital of the Company. On 17 May 2019, the Company received from Capital Group an undertaking that it will subscribe for such number of the Domestic Rights Shares to be allotted to it according to the Domestic Share Rights Issue that will be approved at the EGM and the Domestic Share Class Meeting and in no circumstance should it result in the Company not satisfying the minimum public float requirement under the Listing Rules. In the event that the H Share Rights Issue is (i) not underwritten by any independent underwriter(s); and (ii) undersubscribed to such extent that the Company is unable to meet the minimum public float requirement under the Listing Rules, the total number of Domestic Rights Shares to be subscribed by Capital Group under its provisional allotment entitlement might be reduced. Given such undertaking from Capital Group, there will be no underwriting arrangement or compensatory arrangement for any unsubscribed Domestic Rights Shares.

Save for the undertaking from Capital Group, the Company has not obtained any undertakings from other Shareholders that they will subscribe for or will not subscribe for any or all of the Rights Shares to be provisionally allotted to them under the Rights Issue.

LETTER FROM THE BOARD

Registered Capital and Amendments to the Articles

As a result of the completion of the Rights Issue, the registered capital of the Company will be increased and certain amendments will be made to the Articles in relation to such increase in the registered capital of the Company. The Company will duly comply with the relevant PRC laws and regulations and the requirements as set out under the Listing Rules in respect of such amendments to the Articles. Please refer to the section headed “Proposed Amendments to the Articles” in this letter for details.

Fractional entitlement to Rights Shares

The Company will not provisionally allot fractions of Rights Shares. All fractions of H Rights Shares, if any, will be aggregated and sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. The unsold fractions of the H Rights Shares, if any, will be available as Underwritten Shares to be underwritten by the underwriter(s).

Further Announcement and Issuance of H Share Rights Prospectus in relation to the Rights Issue

Prior to the commencement of the H Share Rights Issue, the Company will make a further announcement and issue the H Share Rights Prospectus which will contain all the relevant details of the Rights Issue, including the definitive basis on which the Rights Shares are to be offered, the maximum number of Rights Shares to be issued, the Subscription Price, the period of closure of the register of members and the Record Date, trading arrangements of the H Rights Shares, the Compensatory Arrangements, the arrangements for fractional entitlements, the underwriting arrangement and the expected timetable of the Rights Issue.

Reasons for the Rights Issue and Use of Proceeds

The purpose of the Rights Issue is to (i) strengthen the financial position of the Group and the financial stability of the Group and support the continuing and sustainable business development of the Group; (ii) improve the quality of the Group’s financial resources through reducing the Group’s gearing and the related financial costs; and (iii) increase the liquidity of and facilitate trading in the Company’s H Shares, thus realising the Group’s inherent values. The final amount of gross proceeds shall be determined based on the actual Subscription Price and the number of Rights Shares to be issued at the time of the Rights Issue. It is currently expected that the gross proceeds of the Rights Issue before expenses will be not more than RMB3,000,000,000 (approximately HK\$3,428,179,637), which, after deduction of all relevant expenses, is expected to be primarily used for the partial repayment of existing onshore and offshore interest-bearing indebtedness of the Group, such as (i) the borrowings with an aggregate principal amount of approximately RMB500 million payable by the end of October 2019 with interest rate at 8.3% per annum; (ii) the borrowings with an aggregate principal amount of approximately RMB694 million payable by the end of February 2020 with interest rate at 6.8% per annum; (iii) the borrowings with an aggregate principal amount of approximately RMB2,500 million payable by the end of May 2020 with interest rate at 6.45% per annum; and (iv) the perpetual securities issued by

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the Group with an aggregate principal amount of US\$450 million maturing on 2 December 2019 with interest rate at 7.125% per annum. The Company will ultimately determine the allocation of the proceeds from the Rights Issue for the repayment of the onshore and offshore interest-bearing indebtedness of the Group whilst taking into consideration of the regulatory approval, the then market conditions and their respective interest rates, interest payment terms and maturity dates as well as other alternative financing channels.

Taking into account (a) the development plans of the Group which includes, among others, increasing the Company's regional investments in three key metropolitan areas, and strengthening its primary land development platform in Beijing — Tianjin — Hebei which are capital intensive; (b) the current financial position of the Group having higher gearing and higher borrowing costs, which may be reduced through the Rights Issue; (c) other equity financing options such as placement or subscription of new Shares, or the issue of convertible bonds, which are either not in the best interest of the Company or expected to increase the leverage of the Group and having a greater potential dilutive effect on existing Shareholders, the Rights Issue allows all Qualifying Shareholders to have a fair opportunity to participate in the potential growth of the Company while maintaining their respective pro rata shareholding interests in the Company. As such, the Directors consider that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Shareholding Structure of the Company

The following table illustrates the shareholding structure of the Company as at the Latest Practicable Date and immediately after the completion of the Rights Issue (assuming that, among others, the Rights Issue is conducted on the basis of 5 Rights Shares for every 10 existing Shares with full subscription for the Domestic Rights Shares pursuant to the undertaking from the sole Qualifying Domestic Shareholder to subscribe for its pro-rata entitlement, no Unsubscribed H Rights Shares have been placed pursuant to the Compensatory Arrangements and no other changes to the issued share capital of the Company prior to the completion of the Rights Issue):

	Share class	As at the Latest Practicable Date		Immediately after the Rights Issue (Note 4)			
		Total number of Shares held	Percentage of total issued Shares	Assuming none of the H Rights Shares and Non-H Foreign Shares are taken up by the Qualifying H Shareholders and Qualifying Non-H Foreign Shareholders respectively (Note 1)	Percentage of total issued Shares (Note 1)	Assuming 100% of the H Rights Shares and Non-H Foreign Shares are taken up by the Qualifying H Shareholders and Qualifying Non-H Foreign Shareholders respectively (Note 1)	Percentage of total issued Shares (Note 1)
Capital Group and other non-public Shareholders (Note 2)							
Capital Group (Notes 3, 7)	Domestic H Shares	1,649,205,700	54.47%	2,473,808,550	56.70%	2,473,808,550	54.47%
		—	—%	318,584,787	7.30%	—	—%
China Resource Products Limited (Notes 3 & 4)	Non-H Foreign	275,236,200	9.09%	275,236,200	6.31%	412,854,300	9.09%
Yieldwell International Enterprise Limited (Notes 3 & 5)	Non-H Foreign	82,762,100	2.73%	82,762,100	1.90%	124,143,150	2.73%
Reco Pearl Private Limited (Note 6)	H Shares	121,814,000	4.02%	121,814,000	2.79%	182,721,000	4.02%
<i>Subtotal</i>		<u>2,129,018,000</u>	<u>70.31%</u>	<u>3,272,205,637</u>	<u>75.00%</u>	<u>3,193,527,000</u>	<u>70.31%</u>
Public Shareholders							
Independent Underwriters (Note 7)	H Shares	—	—%	191,793,213	4.40%	—	—%
Other H Shareholders (Note 8)	H Shares	898,942,000	29.69%	898,942,000	20.60%	1,348,413,000	29.69%
<i>Subtotal</i>		<u>898,942,000</u>	<u>29.69%</u>	<u>1,090,735,213</u>	<u>25.00%</u>	<u>1,348,413,000</u>	<u>29.69%</u>
Total issued Shares		<u>3,027,960,000</u>	<u>100.00%</u>	<u>4,362,940,850</u>	<u>100.00%</u>	<u>4,541,940,000</u>	<u>100.00%</u>

Notes:

1. Based on the number of the Shares to be issued under the Rights Issue assuming on the basis of 5 Rights Shares for every 10 existing Shares in issue.
2. Non-public Shareholders refer to core connected persons (as defined under the Listing Rules) of the Company of which their respective shareholdings will not be regarded as part of the public float.
3. 1,649,205,700 Shares are directly held by Capital Group. As at the Latest Practicable Date, Yieldwell International Enterprise Limited is a subsidiary of China Resource Products Limited, which is held as to 31.53% by Beijing Sunshine Real Estate Comprehensive Development Company* (北京陽光房地產綜合開發公司), which in turn is wholly-owned by Capital Group. Accordingly,

LETTER FROM THE BOARD

Capital Group is not deemed to be interested in 275,236,200 Shares held through China Resource Products Limited and 82,762,100 Shares held through China Resource Products Limited and Yieldwell International Enterprise Limited pursuant to the SFO, but however, China Resource Products Limited and Yieldwell International Enterprise Limited are core connected persons of the Company pursuant to the Listing Rules.

4. 275,236,200 Shares are directly held by China Resource Products Limited and deemed corporate interests pursuant to the SFO indirectly held by Beijing Rongtong Zhenghe Investment Management Co., Ltd. (北京融通正和投資管理有限公司) through Guoda Limited and China Resource Products Limited.
5. 82,762,100 Shares are directly held by Yieldwell International Enterprise Limited and deemed corporate interests pursuant to the SFO indirectly held by Beijing Rongtong Zhenghe Investment Management Co., Ltd. (北京融通正和投資管理有限公司) through Guoda Limited, China Resources Products Limited and Yieldwell International Enterprise Limited.
6. To the best knowledge of the Company, Reco Pearl Private Limited is a wholly-owned subsidiary of Recosia China Pte. Ltd., which in turn is a wholly-owned subsidiary of Recosia Pte. Ltd., which in turn is a wholly-owned subsidiary of Government of Singapore Investment Corporation (Realty) Pte. Ltd.. Reco Pearl Private Limited directly holds 121,814,000 H Shares in the Company (representing approximately 4.02% of the Company's total issued share capital as at the Latest Practicable Date) and is a core connected person of the Company pursuant to the Listing Rules by virtue of it being a substantial shareholder of the subsidiary(ies) of the Company.
7. The basis of underwriting arrangement among Capital Group and the independent underwriter(s), if any, has not yet been determined as of the date of this circular. Please note that the information presented in the table above for independent underwriter(s) is based on the assumption that Capital Group will underwrite the highest number of Underwritten Shares whilst meeting the public float requirements under the Listing Rules and the independent underwriter(s) will underwrite the remaining Underwritten Shares, for illustrative purpose only. The final number of Underwritten Shares to be underwritten by each of Capital Group and the independent underwriter(s) will be determined in the underwriting agreement.
8. The other H Shareholders are public Shareholders.
9. Figures shown above are calculated assuming that no other Shares will be issued or transferred after the Latest Practicable Date until the completion of the Rights Issue.

The Company has received from the Domestic Shareholder an undertaking that it will subscribe for such number of the Domestic Rights Shares to be allotted to it according to the Domestic Share Rights Issue that will be approved at the EGM and the Domestic Share Class Meeting subject to the conditions of the Rights Issue being satisfied such that the Company satisfies the minimum public float requirement under the Listing Rules. Please refer to the paragraph headed "Undertaking from Capital Group" under "Further Details of the Rights Issue" in this letter for details.

As at the Latest Practicable Date, the Company has no outstanding options, convertible securities or warrants which confer the right to subscribe for the new Shares.

LETTER FROM THE BOARD

The H Share Rights Issue is conditional upon the fulfilment of the conditions set out under the sections headed “Conditions of the Rights Issue” and “Conditions of the H Share Rights Issue” in this circular. If any of the conditions is not fulfilled, the H Share Rights Issue will not proceed. Investors are advised to exercise caution when dealing in the H Shares.

PROPOSED AMENDMENTS TO THE ARTICLES

In connection with the Rights Issue, the Board resolved to propose for the EGM to consider and approve the amendments to the Articles, which are mainly to reflect the share capital structure as a result of the proposed Rights Issue. As at the Latest Practicable Date, the information relating to the number of Shares to be finally issued pursuant to the Rights Issue is still outstanding, the Company will fill in the relevant information once such information is finalized. Details of the proposed amendments to the Articles are set forth below:

- (1) The current provisions in the Articles proposed to be amended state that:

- (a) *Article 3.6*

As approved by the relevant authorities and HKSE, the Company has issued 513,300,000 overseas listed foreign invested shares at June 2003 after its incorporation and according to the relevant requirements of the State in respect of reduction of state-owned shares, the state-owned shareholder of the Company has sold 51,330,000 state-owned shares to overseas investors upon the issuance of overseas listed foreign invested shares. As approved by the relevant authorities and HKSE, the Company has allotted 102,660,000 overseas listed foreign invested shares at February 2005 and according to the relevant requirements of the State in respect of reduction of state-owned shares, the state-owned shareholder of the Company has sold 10,266,000 state-owned shares to overseas investors upon the issuance of overseas listed foreign invested shares. As approved by the relevant authorities and HKSE, the Company has further allotted 312,000,000 overseas listed foreign invested shares at October 2006 and according to the relevant requirements of the State in respect of reduction of state-owned shares, the state-owned shareholder of the Company has sold 31,200,000 state-owned shares to overseas investors upon the issuance of overseas listed foreign invested shares. Pursuant to the approval of the relevant authorities, the Company has allotted 1,000,000,000 new domestic shares to Capital Group at November 2015.

The share capital structure of the Company would be: 3,027,960,000 ordinary shares, of which 2,007,204,000 shares would be held by holders of the domestic shares and foreign invested shares, representing 66.29% of the total issuable ordinary shares of the Company, and 1,020,756,000 shares would be held by holders of the overseas listed foreign invested shares, representing 33.71% of the total issuable ordinary shares of the Company.

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(b) *Article 3.7*

Upon the plan for the issue by the Company of overseas listed foreign invested shares and domestic shares being approved by the authorities of the State Council responsible for securities, the Board may implement arrangement, for the respective issue thereof.

The plan for the issue of overseas listed foreign invested shares and domestic shares may be implemented respectively by the Company pursuant to the provisions as aforesaid within 15 months upon the approval of the authorities of the State Council responsible for securities.

Where the total number of shares to be issued by the Company as determined under the plan includes the number of overseas listed foreign invested shares and the number of domestic shares, the capital shall be raised by one instalment; where the capital cannot be raised by one instalment under special circumstances, it can be raised by separate instalments with the approval of the authorities of the State Council responsible for securities.

The registered capital of the Company shall be RMB3,027,960,000 upon completion of the aforesaid issue of new domestic shares.

The Company shall apply to the Administration of Industry and Commerce for registration of its registered capital, and shall report the same to the authorities of the State Council responsible for business approval and securities administration respectively.

- (2) Subject to approval by Shareholders at the EGM and upon completion of the Rights Issue, the relevant provisions of the Articles set out in (1) above will be replaced in their entirety with the following:

(a) *Article 3.6*

As approved by the relevant authorities and HKSE, the Company has issued 513,300,000 overseas listed foreign invested shares at June 2003 after its incorporation and according to the relevant requirements of the State in respect of reduction of state-owned shares, the state-owned shareholder of the Company has sold 51,330,000 state-owned shares to overseas investors upon the issuance of overseas listed foreign invested shares. As approved by the relevant authorities and HKSE, the Company has allotted 102,660,000 overseas listed foreign invested shares at February 2005 and according to the relevant requirements of the State in respect of reduction of state-owned shares, the state-owned shareholder of the Company has sold 10,266,000 state-owned shares to overseas investors upon the issuance of overseas listed foreign invested shares. As approved by the relevant authorities and HKSE, the Company has further allotted 312,000,000 overseas listed foreign invested shares at October 2006 and according to the relevant requirements of the State in respect of reduction of state-owned shares, the state-owned shareholder of the Company has sold 31,200,000 state-owned shares to overseas investors upon the

LETTER FROM THE BOARD

issuance of overseas listed foreign invested shares. Pursuant to the approval of the relevant authorities, the Company has allotted 1,000,000,000 new domestic shares to Capital Group at November 2015. Pursuant to the approval of the relevant authorities and HKSE, the Company has allotted [•] new domestic shares, [•] new foreign invested shares and [•] new overseas listed foreign invested shares at [•] 2019, respectively.

The share capital structure of the Company would be: [•] ordinary shares, of which [•] shares would be held by holders of the domestic shares and foreign invested shares, representing [•]% of the total issuable ordinary shares of the Company, and [•] shares would be held by holders of the overseas listed foreign invested shares, representing [•]% of the total issuable ordinary shares of the Company.

(b) Article 3.7

Upon the plan for the issue by the Company of overseas listed foreign invested shares and domestic shares being approved by the authorities of the State Council responsible for securities, the Board may implement arrangement, for the respective issue thereof.

The plan for the issue of overseas listed foreign invested shares and domestic shares may be implemented respectively by the Company pursuant to the provisions as aforesaid within 15 months upon the approval of the authorities of the State Council responsible for securities.

Where the total number of shares to be issued by the Company as determined under the plan includes the number of the overseas listed foreign invested shares and the number of domestic shares, the capital shall be raised by one instalment; where the capital cannot be raised by one instalment under special circumstances, it can be raised by separate instalments with the approval of the authorities of the State Council responsible for securities.

The registered capital of the Company shall be RMB[•] upon completion of the aforesaid issue of new domestic shares, new foreign invested shares and new overseas listed foreign invested shares.

The Company shall apply to the Administration of Industry and Commerce for registration of its registered capital, and shall report the same to the authorities of the State Council responsible for business approval and securities administration respectively.

Other chapters or clauses of the Articles remain unchanged. If any number of the chapters and clauses of the Articles is affected due to the addition, deletion or rearrangement of certain clauses of the Articles, the numbers of the chapters and changes of the Articles shall be numbered or descended and the cross references to the numbers of the chapters and clauses of the Articles shall be correspondingly changed.

LETTER FROM THE BOARD

The Articles are written in Chinese and there is no official English translation in respect thereof. The English translation is for reference only, and in case of any inconsistency between the English and Chinese versions, the Chinese version shall prevail. The proposed amendments to the Articles will be subject to Shareholders' approval at the EGM by way of a special resolution and upon completion of the Rights Issue.

INFORMATION ON THE PARTIES

Information relating to the Group

The Company 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). The Group is a leading large integrated real estate developer in the PRC, focusing primarily on developing four main business streams comprising residential property development, outlets, urban core integrated complex and primary land development.

Information relating to Capital Group

Capital Group is a state-owned enterprise incorporated in the PRC and under the direct supervision of SASAC and is primarily engaged in infrastructure, financial securities, real estate and environmental related businesses. Capital Group is the controlling shareholder of the Company and a connected person of the Company under Rule 14A.07 of the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Capital Group directly holds 1,649,205,700 Domestic Shares in the Company, representing approximately 54.47% of the Company's total issued share capital. According to the Listing Rules, Capital Group is a controlling shareholder and hence, a connected person of the Company. Accordingly, the Letter of Undertaking and the transactions contemplated thereunder constitutes a connected transaction of the Company and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Letter of Undertaking will be proposed by way of ordinary resolution at the EGM to be approved by the Independent Shareholders. Capital Group and its associates (including, among others, China Resource Products Limited and Yieldwell International Enterprise Limited) will (and any other shareholder who is involved or interested in the Letter of Undertaking will be required to) abstain from voting on the resolution(s) to be proposed at the EGM for approving the proposed Letter of Undertaking and the transactions contemplated thereunder.

EGM AND CLASS MEETINGS

Special resolutions will be proposed to the Shareholders at the EGM and the Class Meetings to consider and, if thought fit, to approve, among other things, the Rights Issue. A special resolution will also be proposed to the Shareholders at the EGM to consider and,

LETTER FROM THE BOARD

if thought fit, to approve, among other things, the proposed amendments to the Articles and an ordinary resolution will also be proposed to the Independent Shareholders at the EGM to consider and, if thought fit, to approve, among other things, the Letter of Undertaking and the transactions contemplated thereunder. The voting in relation to the Rights Issue, the Letter of Undertaking and the proposed amendments to the Articles at the EGM and the Class Meetings (as the case may be) will be conducted by way of poll.

Capital Group and its associates (including, among others, China Resource Products Limited and Yieldwell International Enterprise Limited) will (and any other shareholder who is involved or interested in the Letter of Undertaking will be required to) abstain from voting on the resolutions to be proposed at the EGM for approving the proposed Letter of Undertaking and the transactions contemplated thereunder. Save for Capital Group and its associates, to the best knowledge of the Company, none of the Shareholders are required to abstain from voting on the ordinary resolution proposed at the EGM to consider and, if thought fit, to approve, among other things, the Letter of Undertaking.

A notice convening the EGM of the Company to be held at 9:00 a.m. on Monday, 10 June 2019 at F15, Red Goldage, No.2, Guang Ning Bo Street, Beijing, PRC, is set out on pages EGM-1 to EGM-6 of this circular. A notice of the H Share Class Meeting to be held at 9:30 a.m. (or immediately after the conclusion of the EGM) on Monday, 10 June 2019 at F15, Red Goldage, No.2, Guang Ning Bo Street, Beijing, PRC is set out on pages HCM-1 to HCM-5 of this circular. A notice of the Domestic Share Class Meeting to be held at 10:00 a.m. (or immediately after the conclusion of the H Share Class Meeting) on Monday, 10 June 2019 at F15, Red Goldage, No.2, Guang Ning Bo Street, Beijing, PRC is set out on pages DCM-1 to DCM-5 of this circular. The reply slips and proxy forms for use at the EGM and the Class Meetings are also enclosed herein.

Whether or not you are able to attend the EGM and/or the Class Meetings, you are requested to complete the enclosed proxy forms in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at shops 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of H Shares only) or the Company's principal place of business in the PRC at F17, Red Goldage, No. 2, Guang Ning Bo Street, Beijing, PRC (for holders of Domestic Shares and Non-H Foreign Shares only), as soon as possible but in any event not later than 5:00 p.m. on Sunday, 2 June 2019 for the reply slips and not later than 24 hours before the respective times appointed for holding the EGM and/or the Class Meetings or any adjournment thereof for the proxy forms. Completion and return of the proxy forms shall not preclude you from attending the EGM and/or the Class Meetings and voting in person at the EGM and/or the Class Meetings or any adjourned meetings should you so desire and in such event, the relevant form(s) of proxy shall be deemed to be revoked. Shareholders who intend to attend the meetings in person or by proxy should complete and return the reply slips in accordance with the instructions printed thereon on or before Sunday, 2 June 2019.

An announcement of the poll results of the EGM and the Class Meetings will be published on the websites of the Stock Exchange and the Company.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 34 to 35 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 36 to 69 of this circular, consider that the Letter of Undertaking and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Independent Shareholders. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve, among other things, the Letter of Undertaking and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors) consider that (a) the special resolutions in relation to the Rights Issue proposed at the EGM and the Class Meetings; and (b) the special resolution in relation to the proposed amendments to the Articles proposed at the EGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the proposed resolutions in relation to the Rights Issue and the proposed amendments to the Articles to be proposed at the EGM and the Class Meetings (as the case may be).

FURTHER INFORMATION

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

Yours faithfully,
By Order of the Board
Beijing Capital Land Ltd.
Li Songping
Chairman



首創置業股份有限公司
BEIJING CAPITAL LAND LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2868)

17 May 2019

To the Independent Shareholders

Dear Sir or Madam,

- (1) PROPOSED RIGHTS ISSUE OF DOMESTIC SHARES, NON-H FOREIGN SHARES AND H SHARES
(2) CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED UNDERWRITING
OF H SHARES BY THE CONTROLLING SHAREHOLDER
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
(4) NOTICES OF EGM AND CLASS MEETINGS

We refer to the circular dated 17 May 2019 issued by the Company of which this letter forms part of (the “**Circular**”). Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

Under the Listing Rules, the Letter of Undertaking and the transactions contemplated thereunder constitutes a connected transaction for the Company and is subject to the approval of the Independent Shareholders at the EGM.

We have been authorised by the Board to form the Independent Board Committee to consider the Letter of Undertaking and the transactions contemplated thereunder (the “**Transaction**”) and advise the Independent Shareholders as to the fairness and reasonableness of the Transaction, and to recommend how the Independent Shareholders should vote at the EGM.

We wish to draw your attention to the letter from the Board set out on pages 7 to 33 of the Circular and the letter from Grand Moore Capital Limited, the Independent Financial Adviser as approved and appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders, which contains its advice to us in respect of the Transaction, as set out on pages 36 to 69 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the Transaction is fair and reasonable and on normal commercial terms, and the Transaction is in the interests of the Company and the Independent Shareholders.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve, among other things, the Transaction.

Yours faithfully,
for and on behalf of the
Independent Board Committee
Li Wang Wong Yik Chung, John Liu Xin
Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Grand Moore Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and Independent Shareholders in respect of the Letter of Undertaking prepared for the purpose of incorporation in this circular.



Unit 1607, 16/F.
Silvercord Tower 1
30 Canton Road
Tsim Sha Tsui
Kowloon, Hong Kong

17 May 2019

*To the Independent Board Committee and
the Independent Shareholders of
Beijing Capital Land Ltd.*

Dear Sirs,

(1) PROPOSED RIGHTS ISSUE OF DOMESTIC SHARES, NON-H FOREIGN SHARES AND H SHARES; AND (2) CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED UNDERWRITING OF H SHARES BY THE CONTROLLING SHAREHOLDER

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to (i) advise the Independent Board Committee and the Independent Shareholders in respect of whether the Letter of Undertaking, the connected transaction contemplated thereunder and the Rights Issue (collectively, the “**Transactions**”) are fair and reasonable as far as the Independent Shareholders are concerned; (ii) give our recommendation as to whether the Transactions are in the interest of the Company and the Shareholders as a whole; and (iii) advise the Independent Shareholders on how to vote at the EGM. Details of the Transactions are set out in the section headed “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 17 May 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular, unless the context requires otherwise.

Reference is made to the announcement made by the Company dated 10 March 2019 and the Letter from the Board in relation to the Transactions. The Company proposes to raise gross proceed before expenses not more than RMB3,000,000,000 (approximately HK\$3,428,179,637 by way of issue of not more than 824,602,850 Domestic Rights Shares, not more than 510,378,000 H Rights Shares and not more than 178,999,150 Non-H Foreign Rights Shares at the Subscription Price (to be determined based on the mechanism as

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

described in the Letter from the Board) on the basis of not more than 5 Rights Shares for every 10 existing Shares of the Company held by the Qualifying Shareholders on the Record Date.

On 17 May 2019, Capital Group has entered into the Letter of Undertaking pursuant to which it has undertaken it or its subsidiary will, alongside independent underwriter(s), if any, act as an underwriter to take up such maximum number of the Underwritten Shares to the effect that the minimum public float requirement under the Listing Rules is satisfied by the Company. The remaining Underwritten Shares, if any, are expected to be underwritten by other independent underwriter(s), subject to determination by the Board or any director(s) so authorized by the Board and the entering into of definitive underwriting agreement. Details of the Letter of Undertaking from Capital Group and underwriting arrangements for the Underwritten Shares are set out in the Letter from the Board under in the sections headed “Further details of the H Share Rights Issue” and “Letter of Undertaking from Capital Group” respectively.

As at the Latest Practicable Date, Capital Group directly holds 1,649,205,700 Domestic Shares in the Company, representing approximately 54.47% of the Company’s total issued share capital. According to the Listing Rules, Capital Group is a controlling shareholder and hence, a connected person of the Company. Accordingly, the Letter of Undertaking and the transactions contemplated thereunder constitutes a connected transaction of the Company and is subject to reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Capital Group and its associates (including, among others, China Resource Products Limited and Yieldwell International Enterprise Limited) will (and any other shareholder who is involved or interested in the Letter of Undertaking will be required to) abstain from voting on the resolutions to be proposed at the EGM for approving the proposed Letter of Undertaking and the transactions contemplated thereunder. Save for Capital Group and its associates, to the best knowledge of the Company, none of the Shareholders are required to abstain from voting on the ordinary resolution proposed at the EGM to consider, and if thought fit, to approve, among other things, the Letter of Undertaking.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Li Wang, Mr. Wong Yik Chung, John and Mr. Liu Xin, has been established to advise the Independent Shareholders on the Letter of Undertaking and the transactions contemplated thereunder.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company or any of its respective substantial shareholders, directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Transactions. In the last two years, we have not acted as any financial adviser role to the Company, but we have been engaged as an independent financial adviser to the independent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

board committee and independent shareholders of the Company in an amendment of non-competition undertaking, the details of which are set out in the Company's circular dated 14 November 2018 (the "**Previous Appointment**").

With regards to our independence from the Company, it is noted that (i) apart from the normal professional fees paid to us in relation to the Previous Appointment by the Company and the current appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or other parties that could reasonably be regarded as relevant to our independence; (ii) the aggregate professional fees paid/to be paid to us do not make up a significant portion of our revenue during the relevant period which would affect our independence; and (iii) we have maintained our independence from the Company during the Previous Appointment, and our independence from the Company has not been compromised because of the Previous Appointment. Accordingly, we consider that the Previous Appointment does not affect our independence, and that we are independent to act as the Independent Financial Adviser in respect of the Transactions pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the Company's annual report for the year ended 31 December 2018 (the "**2018 Annual Report**"); (iii) other information provided by the Directors and/or the senior management of the Company (the "**Management**"); (iv) the opinions expressed by and the representations of the Directors and the Management; and (v) our review of the relevant public information. We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the Management (where applicable), which have been provided to us. The Directors have confirmed that, to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied to us and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the Transactions, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. The Company has been separately advised by its own professional advisers with respect to the Transactions and the preparation of the Circular (other than this letter).

We have assumed that the Transactions will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Transactions, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Transactions. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in relation to the Transactions, we have taken into account the following principal factors and reasons:

1. Background information of the parties

1.1 Background information and financial overview of the Group

As stated in the Letter from the Board, the Company 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). The Company is a leading large integrated real estate developer in the PRC, focusing primarily on developing the four main business streams comprising residential property development, outlets, urban core integrated complex and primary land development.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Certain summary financial information of the Group as extracted from the 2018 Annual Report for the two years ended 31 December 2017 and 2018 (the “FY2017” and “FY2018” respectively) is set out below.

	For the year ended	
	31 December	
	2018	2017
	RMB'000	RMB'000
	(audited)	(audited)
Revenue	23,257,053	21,292,040
Gross profit	6,307,610	6,076,627
Profit attributable to owners of the Company	1,922,932	2,112,580

For FY2018, the Group’s consolidated revenue increased by approximately RMB1,965.0 million, or 9.2%, from approximately RMB21,292.0 million for FY2017 to approximately RMB23,257.1 million. As per the 2018 Annual Report, the increase of revenue was primarily attributable to the increase in new projects completed and occupied and revenue of primary land development during FY2018. It is stated in the 2018 Annual Report that during FY2018, the Group recorded (i) total contracted sales of approximately RMB70.64 billion, representing an increase of approximately 26.5% as compared to FY2017; (ii) total contracted sales area of approximately 3.063 million sq.m., representing an increase of approximately 27.6% as compared to FY2017; and (iii) an average selling price of RMB23,000 per sq.m., which was flat year-over-year.

The Group recorded an increase in gross profit of approximately RMB231.0 million, or 3.8%, from approximately RMB6,076.6 million for FY2017 to approximately RMB6,307.6 million for FY2018. As per the Management, such increase was mainly attributable to the increase of revenue and relatively stable business profitability.

The Group’s net financial expenses increased by approximately RMB1,771.9 million, or 161.5%, from approximately RMB1,097.3 million for FY2017 to approximately RMB2,869.2 million for FY2018. As confirmed by the Management, such increase was mainly attributable to increased expensed portion and decreased capitalized portion of the total interest payouts due to enlarged project investment in joint ventures and associates during FY2018. As stated in the 2018 Annual Report, the interest expenses were approximately RMB1,327.5 million and RMB2,570.9 million for FY2017 and FY2018, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded consolidated profit attributable to owners of the Company of approximately RMB1,922.9 million for FY2018, representing a decrease of approximately RMB189.6 million, or 9.0%, as compared to that of approximately RMB2,112.6 million for FY2017. Such decrease was attributable to the increased expensed portion and decreased capitalized portion of the total interest payouts as mentioned above.

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Cash at bank and on hand	22,526,602	21,038,178
Current assets	137,511,685	111,827,343
Net current assets	73,734,472	45,781,975
Total assets	169,716,823	141,421,169
Current liabilities	63,777,213	66,045,368
Total liabilities	131,516,141	109,489,636
Net assets attributable to owners of the Company	29,115,392	20,932,623

The Group's cash at bank and on hand amounted to approximately RMB22,526.6 million as at 31 December 2018, representing an increase of approximately RMB1,488.4 million, or 7.1%, as compared to that of approximately RMB21,038.2 million as at 31 December 2017. According to the Management, such increase was mainly attributable to the proceeds from contracted sales and financing activities.

The Group recorded net current assets of approximately RMB73,734.5 million as at 31 December 2018, representing an increase of approximately RMB27,952.5 million, or 61.1% as compared to that of approximately RMB45,782.0 million as at 31 December 2017. Such increase was mainly attributable to the increase in current assets of approximately 23.0% and a decrease in current liabilities of approximately 3.4% as at 31 December 2018. As per the Management, the increase in current assets and decrease in current liabilities were mainly attributable to the increase of inventory and other receivables representing the Group's enlarged investment in property projects and the refinancing of indebtedness due within one year with new long-term funds. The improvement in liquidity and solvency gives rise to an increase in current ratio from approximately 1.69 times as at 31 December 2017 to approximately 2.16 times as at 31 December 2018.

The Group's total liabilities increased by approximately RMB22,026.5 million, or 20.1%, from approximately RMB109,489.6 million as at 31 December 2017 to approximately RMB131,516.1 million as at 31 December 2018. Such increase was mainly attributable to the increase in long-term borrowings and debentures payable during FY2018. Based on the 2018 Annual Report, as at 31 December 2018, loans and debentures of the Group amounted to approximately RMB88,549.8 million, of which the loans and debentures due within one year amounted to approximately RMB23,419.6 million and long-term loans and debentures amounted to approximately RMB65,130.2 million. As per the 2018 Annual Report, the bank loans were mainly used to satisfy the capital requirements of the Group's property development projects. As per the Management, the weighted average interest rate for the Group's total borrowings is 5.5% as at 31 December 2018.

The Group recorded total equity attributable to owners of the Company of approximately RMB29,115.4 million as at 31 December 2018, which has increased by approximately 39.1%, as compared to approximately RMB20,932.6 million as at 31 December 2017. This was mainly attributable to a significant increase in other equity instruments — perpetual bonds from approximately RMB5,890.0 million as at 31 December 2017 to approximately RMB13,476.0 million as at 31 December 2018.

1.2 Background information of Capital Group

As stated in the Letter from the Board, Capital Group is a state-owned enterprise incorporated in the PRC and under the direct supervision of SASAC and is primarily engaged in infrastructure, financial securities, real estate and environmental related businesses. Capital Group is the controlling shareholder of the Company and a connected person of the Company under Rule 14A.07 of the Listing Rules.

2. Reasons for the Rights Issue and use of proceeds

It is stated in the Letter from the Board that the purpose of the Rights Issue is to (i) strengthen the financial position of the Group and the financial stability of the Group and support the continuing and sustainable business development of the Group; (ii) improve the quality of the Group's financial resources through reducing the Group's gearing and the related financial costs; and (iii) increase the liquidity of and facilitate trading in the Company's H Shares, thus realizing the Group's inherent values. The final amount of gross proceeds shall be determined based on the actual Subscription Price and the number of Rights Shares to be issued at the time of the Rights Issue. It is currently expected that the gross proceeds of the Rights Issue before expenses will be not more than RMB3,000,000,000 (approximately HK\$3,428,179,637), which after deduction of all relevant expenses, is expected to be primarily used for the partial repayment of existing onshore and offshore interest-bearing indebtedness of the Group, such as (i) the borrowings with an aggregate principal amount of approximately RMB500 million payable by the end of October

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2019 with interest rate at 8.3% per annum; (ii) the borrowings with an aggregate principal amount of approximately RMB694 million payable by the end of February 2020 with interest rate at 6.8% per annum; (iii) the borrowings with an aggregate principal amount of approximately RMB2,500 million payable by the end of May 2020 with interest rate at 6.45% per annum; and (iv) the perpetual securities issued by the Group with an aggregate principal amount of US\$450 million maturing on 2 December 2019 with interest rate at 7.125% per annum. The Company will ultimately determine the allocation of the proceeds from the Rights Issue for the repayment of the onshore and offshore interest-bearing indebtedness of the Group whilst taking into consideration of the regulatory approval, the then market conditions and their respective interest rates, interest payment terms and maturity dates as well as other alternatives financing channels.

The Letter from the Board carries on to state that the Company has taken into account (a) the development plan of the Group which includes, among others, increasing the Company's regional investments in three key metropolitan areas, and strengthening its primary land development platform in Beijing — Tianjin — Hebei which are capital intensive; (b) the current financial position of the Group having higher gearing and higher borrowing costs, which may be reduced through the Rights Issue; and (c) other equity financing options such as placement or subscription of new Shares, or the issue of convertible bonds, which are either not in the best interest of the Company or expected to increase the leverage of the Group and having a greater potential dilutive effect on existing Shareholders, the Rights Issue allows all Qualifying Shareholders to have a fair opportunity to participate in the potential growth of the Company while maintaining their respective pro rata shareholding interests in the Company.

In order to assess the reasonableness for the aforesaid partial repayment of existing on-shore and off-shore interest-bearing indebtedness of the Group, we have reviewed the Group's loan portfolio. We note that the aforesaid existing onshore and offshore interest-bearing indebtedness of the Group carry relatively higher interest rates as compared to the Group's entire loan portfolio.

As confirmed by the Management, the Company intends to continue to strive to achieve quality growth and implement development strategies including, but not limited to, increasing the Company's regional investments with momentum from fast turnover primarily in its three key metropolitan areas, acquiring strategic resources by taking advantage of its RMB100 billion primary land development platform in the Beijing-Tianjin-Hebei, and creating synergies across different industries and seeking corporation and mergers and acquisitions opportunities. We understand from the Management that such business strategies require more capital and can be facilitated and the Company's resource potentials can be activated after enlarging equities followed by more financing space.

As discussed in section 1.1 of this letter, as at 31 December 2018, loans and debentures of the Group amounted to approximately RMB88,549.8 million, of which the loans and debentures due within one year amounted to approximately

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RMB23,419.6 million and long-term loans and debentures amounted to approximately RMB65,130.2 million. In addition, the Group incurred approximately RMB2,869.2 million of net financial expenses in FY2018, of which approximately RMB2,570.9 million was interest expenses.

We have performed a prudent estimation on the possible interest expense saving on the repayment of indebtedness of the Group, assuming the Group fully repays the borrowings with an aggregate principal amount of approximately RMB2,500 million becoming due for repayment by the end of May 2020 with interest rate at 6.45% per annum, being the on-shore loan with the lowest interest rate among the indebtedness as mentioned in the Letter from the Board, the Group would be able to save approximately RMB161.3 million of annual interest expenses (the “**Estimated Savings**”) as a result. Such calculation is a prudent estimation to the extent that the Group repays the borrowings with the lowest interest rate among the four mentioned existing on-shore and off-shore interest-bearing indebtedness, despite the final allocation of use of proceeds for repayment of indebtedness of the Group is subject to the Group’s consideration of, amongst other things, the respective interest rates, interest payment terms, maturity dates and alternative financing channels. Should the Estimated Savings be hypothetically excluded as an expense in the Company’s income statement, this would bring a positive contribution of approximately 8.4% to the net profit attributable to owners of the Company of approximately RMB1,922.9 million for the FY2018. As per the Management, it is expected that the partial repayment of existing on-shore and off-shore interest-bearing indebtedness of the Group, will allow the Group to improve its gearing ratio. We have conducted an analysis for the financial effects of the Rights Issue, details of which are set out in section 8 of this letter.

As per the Management, the Company considered that the H Shares Rights Issue will allow the Company an increase in the liquidity of and facilitate trading in the H Shares given an enlarged shareholding base of H Shares will be traded in the stock market, thus realising the Group’s inherent values. Details of the dilution effect on the shareholding structure of the Company are set out in section 7 of this letter. We have performed an analysis on liquidity of the Company’s H Shares, details of which are stated in section 5 of this letter.

In light of the above, we concur with the Management that the partial repayment of the Company’s existing on-shore and off-shore interest-bearing indebtedness of the Group will allow the Group to (i) strengthen its financial position and financial stability and support the continuing and sustainable business development of the Group; and (ii) improve the quality of the Group’s financial resources through reducing the Group’s gearing and the related financial costs.

3. Other financing alternatives available to the Group

As discussed with the Management, apart from the Rights Issue, the Company has considered other financing alternatives such as placement/subscription of new Shares, issue of convertible bonds or raising additional debts to satisfy its funding needs.

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With respect to placement/subscription of new Shares, it is a common market practice to conduct the placement on a best effort basis where the amount to be raised is uncertain and subject to the market conditions and considerable implementation risks, such as uncertainties in achieving acceptable timing of execution and pricing which can meet the expectations of both investors and regulators, immediate dilution to the existing Shareholders without offering an option to maintain their respective existing shareholding interests in the Company. On the contrary, the Rights Issue offers existing Shareholders an equal opportunity to maintain their proportional interests in the Company and a lower than historical prevailing market price to obtain additional Shares of the Company at a relatively low price as compared to the historical and prevailing market prices of the Shares.

With respect to an open offer, it would also allow the Shareholders to maintain their respective shareholding interests in the Company, nevertheless, it generally does not facilitate a trading arrangement of nil-paid rights on the Stock Exchange where Qualifying Shareholders can still realise a gain on the disposal of the nil-paid rights without participation in the open offer. As per the Letter from the Board, a further announcement will be made by the Company regarding the trading arrangements for the nil-paid H Rights Shares after such arrangements have been finalised by the Board.

We are given to understand that the Company is taking a multi-faceted approach to serve the fund-raising needs to support business development and at the same time improve its gearing and reduce financial costs. As set out in section 8.3 of this letter, the Group had a gearing ratio of approximately 173.5% as at 31 December 2018. We concur with the Management that the Rights Issue allows the Group to obtain sufficient amount of proceeds to partially repay the existing on-shore and off-shore indebtedness with relatively high interest rates and therefore able to improve the gearing and save financial costs, which is beneficial to the Shareholders, other than replacing such by way of additional debt financing.

We concur with the Management that the Rights Issue is currently a better option than the other equity, convertible or debt financing alternatives given that (i) issue of convertible bonds or raising additional debts to repay existing debts would not achieve the stated goal of the Rights Issue, i.e. to decrease the Group's gearing and reduce financial costs; and (ii) the Rights Issue allows the Company to strengthen its balance sheet by raising long term equity fund without the need for payment of interest and repayment of principal at maturity.

4. The proposed Rights Issue

The Rights Issue will comprise an offer of Domestic Rights Shares, an offer of H Rights Shares and an offer of Non-H Foreign Rights Shares to Qualifying Domestic Shareholders, Qualifying H Shareholders and Qualifying Non-H Foreign Shareholders, respectively, on the preliminary terms set out in the Letter from the Board.

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As at the Latest Practicable Date, the issued share capital of the Company is RMB3,027,960,000, which comprised of 1,649,205,700 Domestic Shares, 1,020,756,000 H Shares and 357,998,300 Non-H Foreign Shares.

4.1 Details of the Proposed H Share Rights Issue

Type and Par Value of the Rights Shares:	H Shares with a par value of RMB1.00 each
Basis of the H Share Rights Issue:	Subject to final determination by the Board (or its authorised delegates) prior to the Rights Issue which is pursuant to the authorisation by the Shareholders at the EGM, the Domestic Share Class Meeting and the H Share Class Meeting. Not more than 5 H Rights Shares for every 10 existing H Shares held on the H Share Record Date by the Qualifying H Shareholders
Expected number of Shares in issue as at the H Share Record Date:	3,027,960,000
Expected number of H Shares in issue as at the H Share Record Date:	1,020,756,000
Number of H Rights Shares proposed to be issued under the H Share Rights Issue:	Not more than 510,378,000
Subscription Price for the H Rights Shares:	The Subscription Price for the H Rights Shares is to be determined based on the Discount Cap of no more than 30% of the higher of: (a) the closing price of the H Shares of the Company as quoted on the Stock Exchange immediately before the execution of the underwriting agreement relating to the Rights Issue; and

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(b) the higher of the average closing price of the H Shares of the Company for the 5 and 10 trading days immediately prior to the earlier of:

(i) the date of announcement of the Rights Issue;

(ii) the date of the underwriting agreement relating to the Rights Issue; and

(iii) the date on which the Subscription Price of the Rights Issue is fixed,

the Subscription Price shall not be lower than the lowest possible price permissible under Rule 7.27B of the Listing Rules, at which price the theoretical dilution effect of the Rights Issue shall not in any circumstances be 25% or more.

The eventual discount will be commercially determined by the Company in consultation with the underwriter(s), based on factor(s) including but not limited to percentage discount(s) in other comparable H share rights issue(s) at or around the date of the underwriting agreement relating to the Rights Issue; and any preliminary view(s) of regulatory bodies in the PRC in connection with the terms of the Rights Issue.

The final Subscription Price shall be determined by the Board (or its authorised delegates) on the basis above. The Subscription Price for the Domestic Rights Shares, the H Rights Shares and Non-H Foreign Shares (after adjustment in the exchange rates) shall be the same. The closing price of the H Shares as at the Latest Practicable Date was HK\$2.67.

**Target Subscribers for
the H Share Rights
Issue:**

All Qualifying H Shareholders as determined on the H Share Record Date

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4.2 *Details of the Proposed Domestic Share Rights Issue*

Type and Par Value of the Rights Shares:	Domestic Shares with a par value of RMB1.00 each
Basis of the Domestic Share Rights Issue:	Subject to final determination by the Board (or its authorised delegates) prior to the Rights Issue which is pursuant to the authorisation by the Shareholders at the EGM, the Domestic Share Class Meeting and the H Share Class Meeting. Not more than 5 Domestic Shares for every 10 existing Domestic Shares held on the Domestic Share Record Date by the Qualifying Domestic Shareholders
Expected number of Shares in issue as at the Domestic Share Record Date:	3,027,960,000
Expected number of Domestic Shares in issue as at the Domestic Share Record Date:	1,649,205,700
Number of Domestic Rights Shares proposed to be issued under the Domestic Rights Issue:	Not more than 824,602,850
Subscription Price for the Domestic Rights Shares:	The Subscription Price for the Domestic Rights Shares is to be determined based on the Discount Cap of no more than 30% of the higher of: (a) the closing price of the H Shares of the Company as quoted on the Stock Exchange immediately before the execution of the underwriting agreement relating to the Rights Issue; and

(b) the higher of the average closing price of the H Shares of the Company for the 5 and 10 trading days immediately prior to the earlier of:

(i) the date of announcement of the Rights Issue;

(ii) the date of the underwriting agreement relating to the Rights Issue; and

(iii) the date on which the Subscription Price of the Rights Issue is fixed,

the Subscription Price shall not be lower than the lowest possible price permissible under Rule 7.27B of the Listing Rules, at which price the theoretical dilution effect of the Rights Issue shall not in any circumstances be 25% or more.

The eventual discount will be commercially determined by the Company in consultation with the underwriter(s), based on factor(s) including but not limited to percentage discount(s) in other comparable H share rights issue(s) at or around the date of the underwriting agreement relating to the Rights Issue; and any preliminary view(s) of regulatory bodies in the PRC in connection with the terms of the Rights Issue.

The final Subscription Price shall be determined by the Board (or its authorised delegates) on the basis above. The Subscription Price for the Domestic Rights Shares, the H Rights Shares and Non-H Foreign Shares (after adjustment in the exchange rates) shall be the same. The closing price of the H Shares as at the Latest Practicable Date was HK\$2.67.

Target Subscribers for the Domestic Rights Issue:

All Qualifying Domestic Shareholders as determined on the Domestic Share Record Date

4.3 Details of the Proposed Non-H Foreign Share Rights Issue

Type and Par Value of the Rights Shares:	Non-H Foreign Shares with a par value of RMB1.00 each
Basis of the Non-H Foreign Share Rights Issue:	Subject to final determination by the Board (or its authorised delegates) prior to the Rights Issue which is pursuant to the authorisation by the Shareholders at the EGM, the Domestic Share Class Meeting and the H Share Class Meeting. Not more than 5 Non-H Foreign Shares for every 10 existing Non-H Foreign Shares held on the Non-H Foreign Share Record Date by the Qualifying Non-H Foreign Shareholders
Expected number of Shares in issue as at the Non-H Foreign Share Record Date:	3,027,960,000
Expected number of Non-H Foreign Shares in issue as at the Non-H Foreign Share Record Date:	357,998,300
Number of Non-H Foreign Rights Shares proposed to be issued under the Non-H Foreign Share Rights Issue:	Not more than 178,999,150
Subscription Price for the Non-H Foreign Rights Shares:	The Subscription Price for the Non-H Foreign Rights Shares is to be determined based on the Discount Cap of no more than 30% of the higher of: (a) the closing price of the H Shares of the Company as quoted on the Stock Exchange immediately before the execution of the underwriting agreement relating to the Rights Issue; and

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(b) the higher of the average closing price of the H Shares of the Company for the 5 and 10 trading days immediately prior to the earlier of:

(i) the date of announcement of the Rights Issue;

(ii) the date of the underwriting agreement relating to the Rights Issue; and

(iii) the date on which the Subscription Price of the Rights Issue is fixed,

the Subscription Price shall not be lower than the lowest possible price permissible under Rule 7.27B of the Listing Rules, at which price the theoretical dilution effect of the Rights Issue shall not in any circumstances be 25% or more.

The eventual discount will be commercially determined by the Company in consultation with the underwriter(s), based on factor(s) including but not limited to percentage discount(s) in other comparable H share rights issue(s) at or around the date of the underwriting agreement relating to the Rights Issue; and any preliminary view(s) of regulatory bodies in the PRC in connection with the terms of the Rights Issue.

The final Subscription Price shall be determined by the Board (or its authorised delegates) on the basis above. The Subscription Price for the Domestic Rights Shares, the H Rights Shares and Non-H Foreign Shares (after adjustment in the exchange rates) shall be the same. The closing price of the H Shares as at the Latest Practicable Date was HK\$2.67.

**Target Subscribers for
the Non-H Foreign
Share Rights Issue:**

All Qualifying Non-H Foreign Shareholders as determined on the Non-H Foreign Share Record Date

Please refer to the section headed “Proposed Rights Issue” in the Letter from the Board for further details of the H Share Rights Issue, Domestic Share Rights Issue and Non-H Foreign Share Rights Issue.

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4.4 Underwriting by the controlling shareholder and other independent underwriter(s)

Subject to the entering into of definitive underwriting agreement by Company with Capital Group and other independent underwriter(s), if any, the Company's current intention is to proceed with the H Share Rights Issue on a fully underwritten basis by Capital Group and other independent underwriter(s), if any, and such underwriting will be conducted in accordance with the requirements of the Listing Rules including Rule 7.19 of the Listing Rules as to requirements of the underwriter(s) and Rule 8.24 of the Listing Rules as to minimum public float requirement. In the event that the H Share Rights Issue is not underwritten by any independent underwriter(s), the total number of Rights Shares to be issued may be reduced to such extent so that the Company will satisfy the minimum public float requirement under the Listing Rules.

If the H Share Rights Issue is not fully underwritten, the Company will disclose further details in the formal Rights Issue announcement, upon when the final underwriting structure will be determined.

Pursuant to the Letter of Undertaking, Capital Group has undertaken that it or its subsidiary will, alongside independent underwriter(s), if any, act as an underwriter to take up such maximum number of the Underwritten Shares to the effect that the minimum public float requirement under the Listing Rules is satisfied by the Company. Details of the Letter of Undertaking from Capital Group are set out below.

Details of the underwriting arrangement in relation to the Rights Issue and the underwriting agreement will be provided to the Shareholders in a further announcement on the Rights Issue to be issued by the Company in due course.

Principal terms of the Letter of Undertaking are set out below:

Date	:	17 May 2019
Issuer	:	The Company
Underwriter	:	Capital Group, the controlling shareholder of the Company, or its subsidiary
Conditions	:	The Letter of Undertaking is conditional upon the conditions of the H Share Rights Issue being waived or fulfilled (as the case may be), details of which are set out under the paragraph headed "Conditions of the H Share Rights Issue" under "Further Details of the H Share Rights Issue" in this letter.

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No. of Underwritten Shares : Capital Group has undertaken that it or its subsidiary will fully or partially underwrite the Underwritten Shares (assuming no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue) at the Subscription Price, with the maximum number of Underwritten Shares to be subject to the following (a) the total Shares legally and/or beneficially held by Capital Group and its associates, including of such number of Rights Shares which Capital Group and its associates have undertaken to accept shall not exceed 75% of the entire issued share capital of the Company as enlarged by the Rights Shares to be issued under the Rights Issue and (b) the Company satisfies the minimum public float requirement under the Listing Rules.

Note: The final number of Underwritten Shares to be underwritten by each of Capital Group and any independent underwriter(s) will be determined in the underwriting agreement. The actual number of Underwritten Shares to be taken up by the controlling shareholder of the Company will also depend on inter alia, the level of subscription by Qualifying Shareholders, the results of the placing of Unsubscribed H Rights Shares and the ES Rights Shares and also the level of unsold fractions of the Rights Shares.

Underwriting commission : The underwriting commission rate payable by the Company to Capital Group or its subsidiary will be no more than the rate payable to independent underwriters in respect of a rights issue of this type or other similar transactions in the market.

Subject to the determination of the Subscription Price for the H Rights Shares, the Company will further enter into a definitive underwriting agreement with Capital Group and other independent underwriter(s), if any, which will supplement the Letter of Undertaking.

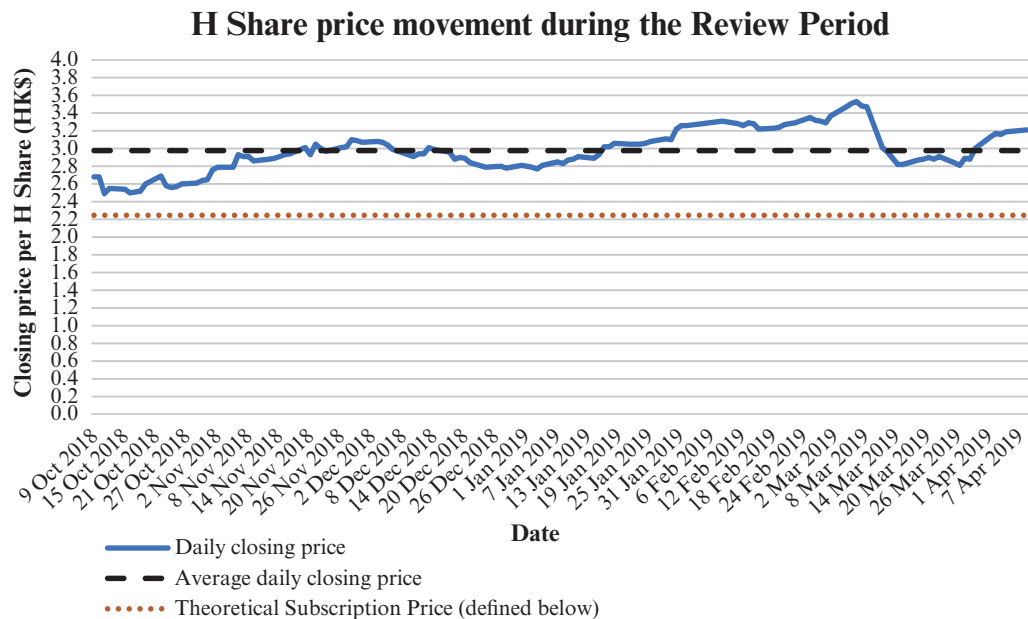
5. Historical price and trading volume of the H Shares

For the information of the Shareholders, we have conducted analysis on (i) the daily closing prices of the H Shares as quoted on the Stock Exchange commencing from 9 October 2018 up to and including the date on which the framework on key transaction terms of the Rights Issue was finalized amongst the parties involved on 8 April 2019 (the “**Framework Determination Date**”), being a 6 months period (the “**Review Period**”); and (ii) the average daily trading volume of the H Shares for each of the months during the Review Period.

In relation to the 6 months Review Period adopted in our analysis, we note that (i) it represents a reasonable period to provide a general overview of the recent price performance of the H Shares which has fully reflected relevant information of the Group’s performance; (ii) a shorter period (e.g. 3 months) may not sufficiently illustrate a meaningful historical trend for a proper assessment; and (iii) a longer period (e.g. 12 months) may have been too distant in time making such historical trend less relevant within the context of the Rights Issue and with reference to the dynamic financial markets. Accordingly, we consider that the sampling period of 6 months for the Review Period is appropriate when conducting an analysis among the historical closing prices of the H Shares, trading volumes and the Discount Cap.

5.1 H Share price movement during the Review Period

The chart below sets out the daily closing prices of the H Shares as quoted on the Stock Exchange during the Review Period.



Source: website of the Stock Exchange

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As illustrated in the chart above, the closing prices of H Shares exhibited a general upward trend during the Review Period. Starting from HK\$2.68 per H Share at the beginning of the Review Period, after a slight decrease to HK\$2.49 per H Share on 11 October 2018, an upward momentum had been developed. The closing price of H Shares reached HK\$3.10 per H Share on 28 November 2018, followed by a slight turnaround to HK\$2.77 per H Share on 3 January 2019. Since then, the H Shares price carried on an upward momentum to HK\$3.53 per H Share on 6 March 2019 and declined back to HK\$2.82 per H Share on 14 March 2019. The closing price of the H Shares gradually increased from HK\$2.81 per H Share on 26 March 2019 and reached HK\$3.21 per H Share on the Framework Determination Date. In relation to (i) the sharp decrease of the closing price per H Share from HK\$3.53 on 6 March 2019 to HK\$2.82 on 14 March 2019; and (ii) the significant increase in the average daily trading volume of the H Shares in March and April 2019 as compared to the other months of the Review Period (as discussed in section 5.2 below), we are unable to point out the definitive reason for such fluctuations in our capacity as the Independent Financial Adviser but in any event, we note that the Company had published an announcement dated 10 March 2019 in connection with the possible Rights Issue. In view of that (i) any listed securities are constantly subject to price fluctuations due to changes in the demand and supply of the relevant security as a result of internal affairs of the relevant security and/or outside market factors; and (ii) the Discount Cap is to be applied on certain benchmark prices of the H Shares on the date of the underwriting agreement relating to the Rights Issue and the final Subscription Price remains undetermined as at the Latest Practicable Date, we are of the view that the aforementioned fluctuations in the closing price and average daily trading volume of the H Share during the Review Period do not affect our assessment on the fairness and reasonableness of the terms of the Rights Issue.

During the Review Period, the closing prices of the H Shares ranged from HK\$3.53 per H Share (recorded on 6 March 2019) to HK\$2.49 per H Share (recorded on 11 October 2018). The theoretical subscription price of HK\$2.25 per H Share (the “**Theoretical Subscription Price**”), calculated with reference to the Discount Cap of 30% to the closing price of the H Shares on the Framework Determination Date, falls outside of the abovementioned range and represents a discount of approximately 36.3% and discount of approximately 9.6% over the lowest and highest closing price of the H Shares during the Review Period, respectively.

In addition to the H Shares price movement of the Company, we have also reviewed the average daily trading volume of H Share for each month during the Review Period.

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5.2 Average daily trading volume of the H Shares for each month during the Review Period

The table below sets out the average daily trading volume of the H Shares for each month during the Review Period.

Month	Number of trading days	Average daily trading volume of H Shares during the month/period (Note 1) (approximate)	Average daily trading volume of the H Shares during the month/period to the total number of issued H Shares (Note 2) (approximate) (%)	Average daily trading volume of the H Shares during the month/period to the total number of issued Shares (Note 3 & 4) (approximate) (%)
2018				
October (from 9 October 2018)	16	3,381,154	0.331	0.112
November	22	2,478,596	0.243	0.082
December	19	1,490,721	0.146	0.049
2019				
January	22	2,588,767	0.254	0.085
February	17	2,088,000	0.205	0.069
March	21	11,288,520	1.106	0.373
April (up to the Framework Determination Date)	5	11,187,604	1.096	0.369

Source: website of the Stock Exchange

Notes:

1. The average daily trading volumes are calculated by dividing the total trading volume of the H Shares for the month/period by the number of trading days during the month/period.
2. As at the Latest Practicable Date, the total number of issued H Shares is 1,020,756,000.
3. Based on the sum of the total number of issued H Shares, Non-H Foreign Shares and Domestic Shares as 3,027,960,000 as at the Latest Practicable Date.
4. The Non-H Foreign Shares and Domestic Shares are not listed securities, therefore are not available for trading.

During the Review Period, the average daily trading volume of the H Shares in each month ranged from the highest of approximately 11.3 million H Shares in March 2019 to the lowest of approximately 1.5 million H Shares in December

2018, representing approximately 1.11% and 0.15% to the total number of issued H Shares as at the end of the month and approximately 0.37% and 0.05% to the total number of issued Shares as at the end of the month, respectively.

As per the Management, the Company believes that increasing the total number of tradable H Shares on the Stock Exchange through the Rights Issue may allow the Group to increase the liquidity of the H Shares due to a higher number of H Shares available for trading in the market, which in turn is beneficial to the Shareholders in the long term.

According to the Management, the Company intends to offer a discount to Qualifying Shareholders so that Qualifying Shareholders have a fair opportunity to participate in the potential growth of the Company while maintaining their respective pro rata shareholding interests in the Company by subscribing to the Rights Shares at a lower than historical prevailing price to obtain additional Shares of the Company. We concur with the Management that a reasonable amount of pricing discount may increase the overall appeal or attractiveness of the Rights Issue to the Qualifying Shareholders and the independent underwriter(s). Accordingly, we consider that it is reasonable to set the Subscription Price at a discount to the prevailing historical closing prices of the H Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue, and to maintain their respective shareholding interest in the Company.

6. Comparative analysis on the proposed terms of the Rights Issue

6.1 The Comparables

In order to assess the fairness and reasonableness of the proposed terms of the Rights Issue, we have identified an exhaustive list of 13 companies (the “**Comparable(s)**”) listed on the Main Board and GEM of the Stock Exchange which announced rights issue during three-month period prior to and including the Framework Determination Date.

We do not include transactions of open offer in the Comparables, given the fundamental difference between rights issue and open offer such as (i) the entitlements of rights attached to open offer cannot be separated from the existing shares, where qualifying shareholders must either put up the cash or suffer dilution from the discount at which the shares are issued to other shareholders or to the underwriters; and (ii) on the contrary, the rights offered to qualifying shareholders by way of rights issue are normally traded as separate temporary securities from the shares, commonly referred to as nil-paid rights. As such fundamental difference may directly affect the salient terms of open offer and rights issue such as pricing, despite the similar nature of open offer with pro-rata offering to existing shareholders, we do not consider transactions of open offer are directly comparable to Rights Issue and are therefore excluded from the Comparables.

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Although the Comparables include rights issue in different scale, engaged in different business or have different financial performance and funding needs from the Company, having considered (i) all of the Comparables and the Group are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the principal terms of the rights issue and we are not aware of any established evidence showing any correlation between scale of the rights issue and its underlying principal terms; (iii) including transactions conducted by the Comparables with different funding needs and business represents a more comprehensive overall market sentiment in our comparable analysis; (iv) a 3-month period for the selection of the Comparables has generated a reasonable and meaningful samples size of 13 Hong Kong listed issuers to reflect the market practice regarding rights issue in the recent period, whereas if a longer period (e.g. 6 months) is used, that would have generated way too many comparable issues making the analysis less meaningful with a wider range of premium and discount of the relevant subscription prices; (v) the Comparables were included without any artificial selection or filtering on our part so the Comparables represent a true and fair view of the recent market trends for similar transactions conducted by other Hong Kong listed issuers; and (vi) although one of the Comparables, namely Prosperity International Holdings (H.K.) Limited (“**Prosperity**”), has relevant discounts that appear to be much higher than that of the other Comparables, we have not excluded Prosperity as one of the Comparables since (a) Prosperity fulfills our search criteria for the Comparables as stated above; (b) non-exclusion of Prosperity is in line with point (v) as stated immediately above; (c) the relevant discounts of Prosperity is roughly 40–50% higher than that of the next highest Comparable, namely Birmingham Sports Holdings Limited, and accordingly, Prosperity does not appear to have a large enough deviation for us to classify it as an outlier for exclusion; and (d) due to a reasonable number of Comparables, the inclusion or exclusion of Prosperity do not appear to impact our final analysis in a very significant manner and it is therefore included for the sake of completeness, we consider that the Comparables are fair and representative samples.

Based on the above, we are of the view that our comparable analysis based on the above criteria is meaningful for us to form our view regarding the fairness and reasonableness of the Theoretical Subscription Price derived from the Discount Cap. To the best of our knowledge and as far as we are aware of, the Comparables represent all relevant companies fitting our search criterion mentioned above, and we consider that such Comparables can provide a reference on the recent rights issues given the sufficient number of transactions in such period resulting in a reasonable sample size.

It should be noted that all the subject companies constituting in the Comparables may have different principal activities market capitalisation, profitability and financial position as compared with those of the Company, and the circumstances leading to the subject companies to proceed with the issues of rights issue may also be different from that of the Company.

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The following table sets forth the relevant details of the Comparables:

Company Name (Stock Code)	Announcement Date	Basis of Entitlement	Average closing price: premium/(discount) %			(Discount)/ premium of subscription price (to)/over the theoretical ex-entitlement price (Note 1)	Potential maximum dilution of shareholding (Note 3)	Theoretical dilution effect (Note 4)	Underwriting Commission (Note 5)	Compensatory Arrangements
			Date of Announcement	5-days	10-days					
JTF International Holdings Limited (8479)	3 Apr 2019	1 for 2	(8.82)%	(9.09)%	(13.29)%	(6.06)%	33.33%	3.03%	Non-underwritten basis	Y
Prosperity International Holdings (H.K.) Limited (803)	2 Apr 2019	2 for 5	(65.30)%	(64.60)%	(63.90)%	(57.40)%	28.57%	18.66%	Non-underwritten basis	Y
Xinjiang Goldwind Science & Technology Co., Ltd (2208)	18 Mar 2019	1.9 for 10	(20.75)%	(21.69)%	(19.83)%	(18.04)%	15.97%	3.46%	N/A	N
Sing Lee Software (Group) Limited (8076)	13 Mar 2019	1 for 2	(30.23)%	(30.88)%	(33.04)%	(22.38)%	33.33%	10.29%	Non-underwritten basis	Y
APAC Resources Limited (1104)	11 Mar 2019	1 for 2	(4.73)%	(13.25)%	(16.98)%	(10.35)%	33.33%	4.91%	2.50%	N
Birmingham Sports Holdings Limited (2309)	28 Feb 2019	1 for 2	(43.18)%	(44.20)%	(45.12)%	(35.06)%	33.33%	14.73%	1.50%	N
Greatwalle Inc. (8315)	20 Feb 2019	1 for 2	(20.63)%	(35.06)%	(38.65)%	(14.53)%	33.33%	11.69%	Non-underwritten basis	N
Southwest Securities International Securities Limited (812)	20 Feb 2019	1 for 2	(20.61)%	(16.98)%	(12.55)%	(14.94)%	33.33%	6.87%	2.50%	N
Victory City International Holdings Limited (539)	19 Feb 2019	1 for 2	(14.78)%	(14.78)%	(11.71)%	(10.09)%	33.33%	4.93%	1.00%	N
Universal Technologies Holdings Limited (1026)	17 Feb 2019	2 for 1	(33.33)%	(33.33)%	(32.85)%	(14.28)%	66.67%	22.22%	Non-underwritten basis	N
i-Cable Communications Limited (1097)	27 Jan 2019	3 for 4	(13.00)%	(13.00)%	(13.00)%	(8.30)%	42.86%	5.57%	Non-underwritten basis	Y
GT Group Holdings Limited (263)	15 Jan 2019	4 for 1	(27.27)%	(21.13)%	(24.12)%	(6.98)%	80.00%	21.82%	3.00%	N
Chen Xing Development Holdings Limited (2286)	11 Jan 2019	1 for 5	(5.66)%	(4.46)%	(3.85)%	(5.06)%	16.67%	0.94%	1.12%	N (Note 6)
		<i>Average:</i>	(24.48)%	(24.80)%	(25.30)%	(17.19)%	37.24%	9.93%	1.94%	
		<i>Min:</i>	(65.30)%	(64.60)%	(63.90)%	(57.40)%	15.97%	0.94%	1.00%	
		<i>Max:</i>	(5.66)%	(4.46)%	(3.85)%	(5.06)%	80.00%	22.22%	3.00%	
		<i>Median:</i>	(20.63)%	(21.13)%	(19.83)%	(14.28)%	33.33%	6.87%	2.00%	
Company (2868)	8 March 2019	5 for 10	(30.00)%	(30.00)%	(30.00)%	(22.1)%	33.33%	10.00%	To be determined	Y (Note 2) (Note 7) (Note 7)

Source: website of the Stock Exchange

Notes:

- The theoretical ex-entitlement price is calculated by the sum of closing price as quoted on Stock Exchange on the last trading day before going ex-entitlement and multiple of entitlement per existing share and subscription price, divided by one plus the entitlement per existing share.

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2. The theoretical ex-entitlement price is calculated by the sum of closing price as quoted on Stock Exchange on the Framework Determination Date and multiple of entitlement per existing share and Theoretical Subscription Price, divided by one plus the entitlement per existing share.
3. The potential maximum dilution effect of each Comparable is calculated by the number of new rights shares divided by the total number of issued shares as enlarged by the issue of the new rights shares.
4. Theoretical dilution effect of an offer is calculated according to Rule 7.27B of the Listing Rules and refers to the discount of the “theoretical dilution price” to the “benchmarked price” of shares. “Theoretical diluted price” refers to the sum of (i) the issuer’s total market capitalization (by reference to the “benchmarked price” and the number of issued shares immediately before the issue) and (ii) the total funds raised and to be raised from the issue, divided by the total number of shares as enlarged by the issue. While the “benchmarked price” means the higher of: (i) the closing price on the date of the agreement involving the issue; and (ii) the average closing price in the 5 trading days immediately prior to the earlier of: (1) the date of announcement of the issue; (2) the date of the agreement involving the issue; and (3) the date on which the issue price is fixed. If there is a premium or no discount of subscription price over to the closing price per share on the respective last trading day, the dilution impact is deemed to be not applicable.
5. Underwriting commission is deemed to be not applicable if the underwriting commission is not disclosed.
6. The underwriting commission for Chen Xing Development Holdings Limited (stock code: 2286) was calculated by fixed underwriting commission of HK\$1.3 million, plus a discretionary bonus of 0.25% on the total amount to be raised. Based on expected amount to be raised of HK\$150.0 million, 99,999,989 underwritten shares and a subscription price of HK\$1.50 per right share, the expected discretionary bonus is calculated as HK\$375,000. Thus, relevant underwriting commission is calculated as approximately 1.12%.
7. Based on the Discount Cap of 30% and potential maximum dilution of shareholding of 33.33%, the theoretical dilution effect would be 10.00%.

6.2 The Discount Cap and dilution

As illustrated in the table above, we note that variance of the subscription price to the closing price on the respective last trading day of the Comparables ranges from a discount of approximately 65.30% to a discount of approximately 5.66%, with an average figure being a discount of approximately 24.48%. The Discount Cap therefore falls within the range of the discount to the last trading day of the Comparables and represents a slightly higher discount than the average figure thereof.

We note that the variance of the subscription price to the average closing price of the last five trading days of the Comparables ranges from a discount of approximately 64.60% to a discount of approximately 4.46%, with an average figure being a discount of approximately 24.80%. The Discount Cap therefore

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falls within the range of discount to the average closing price of the last five trading day of the Comparables and represents a slightly higher discount than the average figure thereof.

We further note that the variance of the subscription price to the last ten trading days of the Comparables ranges from a discount of approximately 63.90% to a discount of approximately 3.85%, with an average figure being a discount of approximately 25.30%. The Discount Cap therefore falls within the range of the discount to the average closing price of the last ten trading days of the Comparables and represents a slightly higher discount than the average figure thereof.

In determining the current subscription ratio and the Discount Cap of the Rights Issue, we understand from the Management that the Company has considered various factors, including (i) the need to maintain flexibility in determining the Subscription Price in light of the amount of time customarily required for obtaining the approval(s) by the relevant PRC regulatory authorities in respect of the Rights Issue and the prevailing market conditions when determining the Subscription Price; (ii) as in other market precedents, that a reasonable discount to the closing price of the H Shares is necessary to attract the Qualifying Shareholders to participate in the Rights Issue; (iii) the funding needs of the Group; (iv) the pricing mechanism and discounts for similar rights issue transactions by H-share companies listed on the Main Board of the Stock Exchange; (v) the Subscription Price has to be set at a discount to the closing price of the H Shares that is acceptable to the Capital Group and other independent underwriter(s); and (vi) the dilution effect to the existing Shareholders as further discussed in section 7 of this letter.

It is noted that the potential maximum dilution on shareholding of the Comparables ranged from approximately 16.0% to approximately 80.0% (the “**Shareholding Dilution Range**”) with a mean of approximately 37.2%. The potential dilution effect of Rights Issue of approximately 33.3% therefore (i) falls within the Shareholding Dilution Range; and (ii) is slightly below the average figure. We note that the dilution effect is determined by the basis of entitlement of rights issue which also determines the number of rights shares available for subscription.

It is noted that the theoretical dilution effect (the calculation of which is explained in note 4 above) of the Comparables ranged from approximately 0.94% to approximately 22.22% (the “**Theoretical Dilution Effect Range**”) with a mean of approximately 9.93%. Based on Discount Cap of 30%, the theoretical dilution effect of the Rights Issue of approximately 10.00% therefore: (i) falls within the Theoretical Dilution Effect Range; and (ii) is in line with the average figure. As the theoretical dilution effect of the Rights Issue is below 25%, it is in compliance with Rule 7.27B of the Listing Rules.

In view of that (i) although the Discount Cap represents slightly higher discount than the closing price of the last trading day, average closing price of the last five trading days and the average closing price of the last ten trading days of the Comparables, respectively, it still falls within the ranges of such in the Comparables; (ii) as advised by the Management, the Discount Cap was and the ultimate discount will be determined between the Company, the Capital Group and independent underwriter(s) on arm's length basis and with reference to the market rates of similar rights issue; (iii) the Discount Cap is available to all Qualifying Shareholders, the Capital Group and the independent underwriter(s) without any prejudice or favoritism towards any particular party; (iv) a relatively higher Discount Cap may increase the overall appeal or attractiveness of the Rights Issue to the Qualifying Shareholders; (v) as certain time period may be customarily required for obtaining the approval(s) by the relevant PRC regulatory authorities in respect of the Rights Issue, a relatively higher Discount Cap allows the Company to maintain flexibility in determining the Subscription Price and determine the Subscription Price based on the then market conditions; (vi) the potential maximum dilution on shareholding of the Rights Issue fall within the range of the Shareholding Dilution Range and is slightly lower than the average figure; (vii) the theoretical dilution effect of the Rights Issue falls within the range of the Theoretical Dilution Effect Range and is in line with the average figure indicating when taking both shareholding dilution and price discount into consideration, the Rights Issue is in line with the market practice; and (viii) the Discount Cap is merely a "cap" and the ultimate Subscription Price may be set by the Company, Capital Group and the independent underwriter(s) at a discount which is less than the Discount Cap, we consider that the basis of determination of the Subscription Price with reference to the Discount Cap is fair and reasonable to the Shareholders and in the interest of the Company and the Shareholders as a whole.

6.3 Underwriting Commission

As illustrated in the analysis set out in section 6.1 of this letter, the underwriting commission of the Comparables range from a low of 1.0% to a high of 3.00%, with the average being approximately 1.94%. As per the Letter of Undertaking, the underwriting commission rate payable by the Company to Capital Group or its subsidiary will be no more than the rate payable to independent underwriters in respect of a rights issue of this type or other similar transactions in the market.

In view of the above, we consider that there is mechanism in place to ensure that the underwriting commission rate payable to Capital Group is no more favorable than that payable to independent underwriters. Furthermore, the underwriting commission rate payable to Capital Group will also be determined with reference to other similar transactions in the market. As such, we consider the underwriting commission payable to Capital Group should be in line with the market practice and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6.4 Compensatory Arrangements

As stated in the Letter from the Board, on 17 May 2019, an undertaking to subscribe from Capital Group has been received by the Company to the effect that Capital Group will subscribe for such number of the Domestic Rights Shares to be provisionally allotted to it according to the Domestic Share Rights Issue that will be approved at the EGM and the Domestic Share Class Meeting and in no circumstance should it result in the Company not satisfying the minimum public float requirement under the Listing Rules. In the event that the H Share Rights Issue is (i) not underwritten by any independent underwriter(s); and (ii) undersubscribed to such extent that the Company is unable to meet the minimum public float requirement under the Listing Rules, the total number of Domestic Rights Shares to be subscribed by Capital Group under its provisional allotment entitlement might be reduced. Given such undertaking, there will be no underwriting arrangement or compensatory arrangement for any unsubscribed Domestic Rights Shares. Despite there is no compensatory arrangement for any unsubscribed Domestic Rights Shares, the Letter of Undertaking provides assurance that the Company shall, upon the fulfilment of the conditions precedent, receive the net proceeds of the Domestic Shares of Rights Issue.

As per the Letter from the Board, there will be no underwriting arrangement or compensatory arrangement as there is no requirement for any unsubscribed Domestic Shares Right Shares and Non-H Foreign Rights Shares to be fully underwritten under PRC laws.

The Letter from the Board further states that it is expected that the Company will appoint the Bookrunner to place the Unsubscribed H Rights Shares and the ES Rights Shares after the Latest Time for Acceptance of the Rights Issue to independent places, on a best effort basis, with any premium over the aggregate amount of the Subscription Price and expenses will be paid to those holders of the Unsubscribed H Rights Shares who have not subscribed for nor sold such Rights Shares provisionally allotted to them under the provisional letters of allotment or their renounces and the ES Rights Shares on a pro-rata basis. If unsuccessfully sold, any remaining Unsubscribed H Rights Shares and ES Rights Shares will be available as Underwritten Shares by the Capital Group (or its subsidiary) as the underwriter and other independent underwriter(s), if any. Pursuant to the Letter of Undertaking, it is the current intention for the H Share Rights Issue to be fully underwritten. We are of the view that the Compensatory Arrangements are in compliance with Rule 7.21(1)(b) of the Listing Rules. As there is already Compensatory Arrangements in place for the Rights Issue, there will be no excess application arrangements in relation to the H Share Rights Issue in compliance with Rule 7.21(2) of the Listing Rules. We note that 4 out of 13 Comparables have facilitated the compensatory arrangements. Therefore, we consider that the Compensatory Arrangements is in line with the market practice, is not out of the ordinary and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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7. Possible dilution effect on interests of other public Shareholders

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue (assuming that, among others, the Rights Issue is conducted on the basis of 5 Rights Shares for every 10 existing Shares with full subscription for the Domestic Rights Shares pursuant to the undertaking from the sole Qualifying Domestic Shareholder to subscribe for its pro-rata entitlement, no Unsubscribed H Rights Shares have been placed pursuant to the Compensatory Arrangements and no other changes to the issued share capital of the Company prior to the completion of the Rights Issue):

	Share class	As at the Latest Practicable Date		Immediately after the Rights Issue (Note 4)			
		Total number of Shares held	Percentage of total issued Shares	Assuming none of the H Rights Shares and Non-H Foreign Share are taken up by the Qualifying H Shareholders and Qualifying Non-H Foreign Shareholders respectively (Note 1)	Percentage of total issued Shares (Note 1)	Assuming 100% of the H Rights Shares and Non-H Foreign Shares are taken up by the Qualifying H Shareholders and Qualifying Non-H Foreign Shareholders respectively (Note 1)	Percentage of total issued Shares (Note 1)
Capital Group and other non-public Shareholders (Note 2)							
Capital Group (Notes 3, 7)	Domestic H Shares	1,649,205,700 —	54.47% —%	2,473,808,550 318,584,787	56.70% 7.30%	2,473,808,550 —	54.47% —%
China Resource Products Limited (Notes 3 & 4)	Non-H Foreign	275,236,200	9.09%	275,236,200	6.31%	412,854,300	9.09%
Yieldwell International Enterprise Limited (Notes 3 & 5)	Non-H Foreign	82,762,100	2.73%	82,762,100	1.90%	124,143,150	2.73%
Reco Pearl Private Limited (Note 6)	H Shares	121,814,000	4.02%	121,814,000	2.79%	182,721,000	4.02%
<i>Subtotal</i>		<u>2,129,018,000</u>	<u>70.31%</u>	<u>3,272,205,637</u>	<u>75.00%</u>	<u>3,193,527,000</u>	<u>70.31%</u>
Public Shareholders							
Independent Underwriters (Note 7)	H Shares	—	—%	191,793,213	4.40%	—	—%
Other H Shareholders (Note 8)	H Shares	898,942,000	29.69%	898,942,000	20.60%	1,348,413,000	29.69%
<i>Subtotal</i>		<u>898,942,000</u>	<u>29.69%</u>	<u>1,090,735,213</u>	<u>25.00%</u>	<u>1,348,413,000</u>	<u>29.69%</u>
Total issued Shares		<u><u>3,027,960,000</u></u>	<u><u>100.00%</u></u>	<u><u>4,362,940,850</u></u>	<u><u>100.00%</u></u>	<u><u>4,541,940,000</u></u>	<u><u>100.00%</u></u>

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Notes:

1. Based on the number of the Shares to be issued under the Rights Issue assuming on the basis of 5 Rights Shares for every 10 existing Shares in issue.
2. Non-public Shareholders refer to core connected persons (as defined under the Listing Rules) of the Company of which their respective shareholdings will not be regarded as part of the public float.
3. 1,649,205,700 Shares are directly held by Capital Group. As at the Latest Practicable Date, Yieldwell International Enterprise Limited is a subsidiary of China Resource Products Limited, which is held as to 31.53% by Beijing Sunshine Real Estate Comprehensive Development Company* (北京陽光房地產綜合開發公司), which in turn is wholly-owned by Capital Group. Accordingly, Capital Group is not deemed to be interested in 275,236,200 Shares held through China Resource Products Limited and 82,762,100 Shares held through China Resource Products Limited and Yieldwell International Enterprise Limited pursuant to the SFO, but however, China Resource Products Limited and Yieldwell International Enterprise Limited are core connected persons of the Company pursuant to the Listing Rules.
4. 275,236,200 Shares are directly held by China Resource Products Limited and deemed corporate interests pursuant to the SFO indirectly held by Beijing Rongtong Zhenghe Investment Management Co., Ltd. (北京融通正和投資管理有限公司) through Guoda Limited and China Resource Products Limited.
5. 82,762,100 Shares are directly held by Yieldwell International Enterprise Limited and deemed corporate interests pursuant to the SFO indirectly held by Beijing Rongtong Zhenghe Investment Management Co., Ltd. (北京融通正和投資管理有限公司) through Guoda Limited, China Resources Products Limited and Yieldwell International Enterprise Limited.
6. To the best knowledge of the Company, Reco Pearl Private Limited is a wholly-owned subsidiary of Recosia China Pte. Ltd., which in turn is a wholly-owned subsidiary of Recosia Pte. Ltd., which in turn is a wholly-owned subsidiary of Government of Singapore Investment Corporation (Realty) Pte. Ltd.. Reco Pearl Private Limited directly holds 121,814,000 H Shares in the Company (representing approximately 4.02% of the Company's total issued share capital as at the Latest Practicable Date) and is a core connected person of the Company pursuant to the Listing Rules by virtue of it being a substantial shareholder of the subsidiary(ies) of the Company.
7. The basis of underwriting arrangement among Capital Group and the independent underwriter(s), if any, has not yet been determined as of the date of the Circular. Please note that the information presented in the table above for independent underwriter(s) is based on the assumption that Capital Group will underwrite the highest number of Underwritten Shares whilst meeting the public float requirements under the Listing Rules and the independent underwriter(s) will underwrite the remaining Underwritten Shares, for illustrative purpose only. The final number of Underwritten Shares to be underwritten by each of Capital Group and the independent underwriter(s) will be determined in the underwriting agreement.
8. The other H Shareholders are public Shareholders.
9. Figures shown above are calculated assuming that no other Shares will be issued or transferred after the Latest Practicable Date until the completion of the Rights Issue.

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The shareholding interests of the Qualifying Shareholders who take up their provisional allotments of the Rights Shares in full will not suffer from any dilution. On the contrary, the shareholding interests of those who decide not to take up any of their provisional allotments of the Rights Shares will be diluted to a maximum extent of approximately 33.33% (which is calculated by dividing maximum number of Rights Shares to be issued by the Company's issued share capital as enlarged by the Rights Shares).

We are aware of the above-mentioned potential dilution effects. However, we consider that the dilutive effect should be considered in conjunction with the following factors:

- (1) Independent Shareholders are given the chance to express their views on the terms of the Rights Issue through their votes at the EGM;
- (2) Qualifying Shareholders have the choice to accept or not accept the Rights Issue;
- (3) the Rights Issue offers the Qualifying Shareholders an opportunity to subscribe for their pro rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of the H Shares;
- (4) those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue;
- (5) those ES Rights Shares will be first placed by the Bookrunner under the Placing Arrangement together with the Unsubscribed H Rights Shares. If unsuccessfully sold, such ES Rights Shares will be available as Underwritten Shares to be taken up by Capital Group (or its subsidiary) as the underwriter and/or other independent underwriter(s). Such arrangement allows the Company to obtain sufficient funding to serve the funding needs of the Company; and
- (6) despite the Excluded Shareholders will not be offered and allotted the nil-paid Rights Shares, as stated in the Letter from the Board, the Company will make arrangements for the H Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in the market in their nil-paid form after dealings in the nil-paid H Rights Shares commence on the Stock Exchange but before the Latest Time for Acceptance, if a premium (net of expenses) can be obtained. The proceeds of each sale, less expenses, will be paid by the Company to the relevant Excluded Shareholder(s) pro rata to their shareholdings in the Company on the H Share Record Date in Hong Kong dollars. Such arrangement allows Excluded Shareholders to also enjoy the premium of a sale of the nil-paid H Rights Shares.

Having considered that (i) the principal terms of the Rights Issue are fair and reasonable as discussed in section 6 above; (ii) any form of non-pro rata fund raising activities would also have immediate dilution effect to non-participating Shareholders; (iii) if the Company satisfies future funding needs through other equity financing such as placement/subscription of new Shares and/or issue of convertible bonds or raising additional debts to satisfy its funding needs, such equity/debt financing methods will either have an immediate dilution effect to all existing Shareholders or further increase gearing of the Group possibly with repayment of principal; (iv) the Rights Issue is conducted on the basis that all Qualifying Shareholders have been offered the equal opportunity to maintain their proportional interests in the Company at a lower than historical prevailing market price to obtain additional Shares of the Company; and (v) as per the section 6.2 of this letter that the potential dilution effect of Rights Issue falls within the Shareholding Dilution Range and is slightly below the average figure, we are of the view that the potential dilution effect on interests of the existing Shareholders is acceptable.

8. Financial effects of the Rights Issue

8.1 Net asset value

As per the 2018 Annual Report, the Group had net assets (total equity) attributable to owners of the Company of approximately RMB29,115.4 million as at 31 December 2018, and a consolidated net assets attributable to owners of the Company per Share of approximately RMB9.62 based on the Company's issued share capital as at the Latest Practicable Date.

As per the Letter from the Board, the Group would have a cash inflow of the estimated gross proceeds from the Rights Issue before expenses of not more than RMB3,000,000,000. Accordingly, the Rights Issue is expected to have a positive impact on the Group's net assets position upon completion of the Rights Issue. On the other hand, the Rights Shares which will be issued at a discount to the net assets attributable to owners of the Company per Share as mentioned above are expected to decrease the net assets attributable to owners of the Company per Share upon the completion of the Rights Issue.

8.2 Working Capital

The Rights Issue is expected to have a positive effect on the Group's working capital upon completion as the proceeds from the Rights Issue will bring in gross proceeds before expenses of not more than RMB3,000,000,000 to the Group.

8.3 Gearing ratio

As per the 2018 Annual Report, the Group had total debts (comprising of (i) short-term borrowings of approximately RMB2,748.7 million; (ii) long-term borrowings of approximately RMB38,213.0 million; and (iii) debentures payables of approximately RMB25,310.2 million) of approximately RMB66,271.9 million and total equity of approximately RMB38,200.7 million as at 31 December 2018, which give rise to a gearing ratio (total debts / total equity x 100%) of approximately 173.5%.

As 100% of proceeds will be used for the partial repayment of existing onshore and offshore interest-bearing indebtedness of the Group, it is expected that the total liabilities will be reduced and the gearing ratio of the Group would decrease as a result.

8.4 Liquidity

As per the 2018 Annual Report, the Group had current assets of approximately RMB137,511.7 million and current liabilities of approximately RMB63,777.2 million as at 31 December 2018. Accordingly, the current ratio (current assets/current liabilities) as at 31 December 2018 was approximately 2.16 times.

The gross proceeds from the Rights Issue before expenses is expected to further enhance the Group's current assets by no more than RMB3,000,000,000 and the Rights Issue is expected to improve the Group's liquidity position immediately after its completion.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

RECOMMENDATION

Having considered the above principal factors and in particular, (i) the development plan of the Group requiring more capital; (ii) the current financial position of the Group having more gearing and thus high interests expenses, which is expected to be improved after the Rights Issue; (iii) other equity financing options are either not in the best interest of the Company or more complicated, time-consuming and having a greater potential dilutive effect on existing Shareholders; (iv) the Rights Issue allows all Qualifying Shareholders to have a fair opportunity to participate in the potential growth of the Company while maintaining their respective pro rata shareholding interests in the Company by subscribing to the Rights Shares at a lower than historical prevailing price to obtain

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additional Shares of the Company; (v) the terms of the Letter of Undertaking and the Rights Issue are fair and reasonable; (vi) the underwriting commission to be charged by Capital Group is fair and reasonable; and (vii) the potential dilution effect to the existing Shareholders is acceptable, we are of the opinion that the Transactions are fair and reasonable and in the interest of the Company and Shareholders as a whole. Accordingly, we would advise (i) the Independent Board Committee to recommend the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Letter of Undertaking and the connected transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Grand Moore Capital Limited
Kevin So

Director – Investment Banking Department

Note: Mr. Kevin So is a licensed person under the SFO to undertake type 6 regulated activity (advising on corporate finance) and is a responsible officer in respect of Grand Moore Capital Limited's type 6 regulated activity (advising on corporate finance). Mr. So has over 16 years of experience in the corporate finance industry in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility for the information contained herein, includes particulars given in compliance with the Listing Rules for the purpose of giving information relating to the Group. 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

- (a) As at the Latest Practicable Date, none of the Directors, supervisors and the chief executive of the Company or their associates had any interests or short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the supervisors of the Company).
- (b) As at the Latest Practicable Date, Capital Group was directly interested in 1,649,205,700 Domestic Shares in the Company, representing approximately 54.47% of the Company's total issued share capital (as disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO). As at the Latest Practicable Date, Mr. Li Songping and Mr. Su Jian had directorships or senior management roles in Capital Group. Save as disclosed herein, as at the Latest Practicable Date, none of the other Directors or any proposed director of the Company was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO. Nevertheless, Mr. Li Songping and Mr. Su Jian have abstained from voting on the relevant Board resolution(s) approving the Letter of Undertaking by virtue of their directorships or senior management roles in Capital Group.
- (c) As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

- (d) 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 2018 (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.
- (e) There is no contract or arrangement subsisting at the date of this circular in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company), so far as are known to any Director, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Number of Shares directly and indirectly held	Class of Shares	Approximate percentages in relevant class of shares (%)			Approximate percentages in total issued share capital (%)		
			Direct interests	Indirect interests	Aggregate interests	Direct interests	Indirect interests	Aggregate interests
Capital Group	1,649,205,700 (Note 1)	Non-listed Shares	82.17 (long position)	—	82.17 (long position)	54.47 (long position)	—	54.47
Beijing Rong Tong Zheng He Investment Management Company Limited* (北京融通正和投資管理有限公司) (“Rongtong Zhenghe”)	357,998,300 (Note 1 & 2)	Non-listed Shares	—	17.83 (long position)	17.83	—	11.82 (long position)	11.82
Guoda Limited	357,998,300 (Note 3)	Non-listed Shares	—	17.83 (long position)	17.83	—	11.82 (long position)	11.82
China Resource Products Limited	357,998,300 (Note 4)	Non-listed Shares	13.71 (long position)	4.12 (long position)	17.83 (long position)	9.09 (long position)	2.73 (long position)	11.82
Yieldwell International Enterprise Limited	82,762,100	Non-listed Shares	4.12 (long position)	—	4.12 (long position)	2.73 (long position)	—	2.73
Reco Pearl Private Limited	121,814,000	H Shares	11.93 (long position)	—	11.93 (long position)	4.02 (long position)	—	4.02
Recosia China Pte Ltd	121,814,000 (Note 5)	H Shares	—	11.93 (long position)	11.93	—	4.02 (long position)	4.02
Recosia Pte Ltd.	121,814,000 (Note 6)	H Shares	—	11.93 (long position)	11.93	—	4.02 (long position)	4.02
Government of Singapore Investment Corporation (Realty) Pte Ltd.	121,814,000 (Note 7)	H Shares	—	11.93 (long position)	11.93	—	4.02 (long position)	4.02

Notes:

- 1,649,205,700 Shares are directly held by Capital Group. As at the Latest Practicable Date, China Resource Products Limited is held as to 31.53% by Beijing Sunshine Real Estate Comprehensive Development Company* (北京陽光房地產綜合開發公司), which in turn is wholly-owned by Capital Group. Accordingly, Capital Group is not deemed to be interested in 275,236,200 Shares held through China Resource Products Limited and 82,762,100 Shares held through China Resource Products Limited and Yieldwell International Enterprise Limited pursuant to the SFO.

2. 275,236,200 Shares are deemed corporate interests pursuant to the SFO indirectly held through Guoda Limited and China Resource Products Limited. 82,762,100 Shares are deemed corporate interests pursuant to the SFO indirectly held through Guoda Limited, China Resources Products Limited and Yieldwell International Enterprise Limited.
3. 275,236,200 Shares are deemed corporate interests pursuant to the SFO indirectly held through China Resource Products Limited. 82,762,100 Shares are deemed corporate interests pursuant to the SFO indirectly held through China Resources Products Limited and Yieldwell International Enterprise Limited.
4. 82,762,100 Shares are deemed corporate interests pursuant to the SFO indirectly held through Yieldwell International Enterprise Limited.
5. 121,814,000 Shares are deemed corporate interests pursuant to the SFO indirectly held through Reco Pearl Private Limited.
6. 121,814,000 Shares are deemed corporate interests pursuant to the SFO indirectly held through Reco Pearl Private Limited and Recosia China Pte Ltd.
7. 121,814,000 Shares are deemed corporate interests pursuant to the SFO indirectly held through Reco Pearl Private Limited, Recosia China Pte Ltd. and Recosia Pte Ltd.

Save as disclosed, so far as is known to the Directors, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the experts who have given opinions or advices for inclusion in this circular:

Name	Qualification
Grand Moore Capital Limited	a licensed corporation to carry out types 1 and 6 regulated activities (dealing in securities and advising on corporate finance respectively) under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s), report(s), certificate(s) and/or opinion(s) (as the case may be) and the references to its name included herein in the form and context in which it is respectively included.

The above expert 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 2018 (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.

5. MATERIAL CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2018 (being the date to which the latest published audited financial statements of the Company were made up) up to the Latest Practicable Date.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their close associates had interests in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the place of business of the Company in Hong Kong at Suites 4602–05, One Exchange Square Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the letter from the Board, the text of which is set out on pages 7 to 33 of this circular;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 34 to 35 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 36 to 69 of this circular;
- (d) the written consent referred to in the paragraph headed “Expert’s Qualification and Consent” in this appendix;
- (e) the Letter of Undertaking; and
- (f) this circular.



首創置業股份有限公司
BEIJING CAPITAL LAND LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2868)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Beijing Capital Land Ltd. (the “Company”) will be held on Monday, 10 June 2019 at 9:00 a.m. at F15, Red Goldage, No.2, Guang Ning Bo Street, Beijing, People's Republic of China (the “PRC”) to consider and, if thought fit, pass the following resolutions. Capitalised terms defined in the circular dated 17 May 2019 issued by the Company (the “Circular”) shall have the same meanings when used herein unless otherwise specified:

SPECIAL RESOLUTIONS

Resolution in relation to the Rights Issue of Domestic Shares, Non-H Foreign Shares and H Shares by the Company

1. “**THAT:**

- (a) issue of not more than 1,513,980,000 Rights Shares in aggregate by way of the Domestic Share Rights Issue, the Non-H Foreign Share Rights Issue and the H Share Rights Issue on the terms and conditions set out in the Circular, including but not limited to (i) class and par value of the Shares to be issued (*Note 1(a)*); (ii) the ratio and number of the Shares to be issued (*Note 1(b)*); (iii) the Subscription Price (*Note 1(c)*); (iv) the Target Subscribers (*Note 1(d)*); (v) the proposed use for the proceeds from the Rights Issue (*Note 1(e)*), and the Placing Arrangement and the subsequent entering into of the Placing Agreement (*Note 1(f)*), be and are hereby approved, confirmed and ratified;
- (b) Zhong Beichen, an executive Director, be and is hereby authorised to implement and take all steps and to do all acts and things which in his/their opinion may be necessary or desirable to give effect and/or to complete or in connection with the Rights Issue pursuant to and including but not limited to such matters set out in *Note 1(g)* hereto; and
- (c) this special resolution 1 in relation to the Rights Issue shall be valid for 12 months from the date of the approval by the Shareholders.”

NOTICE OF EGM

Resolution in relation to the amendments to the Articles

2. **“THAT:**

- (a) Subject to the passing of special resolution no. 1 at the EGM and upon completion of the Rights Issue, the proposed amendments to the Articles to be made in order to reflect the corresponding increase in the registered capital and change in shareholding structure of the Company following completion of the Rights Issue (details of which were set out in section headed “Proposed amendments to the Articles” in the Letter from the Board in the Circular) be and are hereby approved and any one Director be and is hereby authorised to make such other modifications to the proposed amendments to the Articles as may be necessary to reflect the registered capital and the change in shareholding structure of the Company following completion of the Rights Issue or required by the relevant regulatory authorities in the PRC; and
- (b) Zhong Beichen, an executive Director, be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect and/or to complete or in connection with the proposed amendments to the Articles and transactions contemplated thereunder, including, without limitation, to approve any changes and amendments thereto, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

ORDINARY RESOLUTION

Resolution in relation to the Letter of Undertaking from Capital Group

3. **“THAT:**

- (a) the Letter of Undertaking, the terms and conditions thereof and transactions contemplated thereunder, including the connected transaction(s) be and are hereby approved, confirmed and ratified; and
- (b) Zhong Beichen, an executive Director, be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect and/or to complete or in connection with the Letter of Undertaking and transactions contemplated thereunder, including, without limitation, to approve any changes and amendments thereto, to enter into any definitive agreement(s), including the underwriting agreement, to give effect to among others, the Letter of Undertaking and the terms and conditions thereunder, to obtain all necessary approvals from, and make all relevant registrations and filings with, the

NOTICE OF EGM

relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

By Order of the Board
Beijing Capital Land Ltd.
Lee Sze Wai
Company Secretary

Hong Kong, 17 May 2019

Notes:

(1) Further details

- (a) For further details, please refer to the Circular. Class and par value of the Shares to be issued will be the Domestic Shares (as defined in the Circular), the Non-H Foreign Shares (as defined in the Circular) and the H Shares (as defined in the Circular) of RMB1 each.
- (b) For further details, please refer to the Circular. Ratio and number of the Shares to be issued will be not more than 5 Shares for every 10 existing Shares in issue as at the record date for the Rights Issue (the “**Record Date**”) to be determined by the board of directors of the Company (the “**Board**”) (or its authorised delegates).
- (c) For further details, please refer to the Circular. The Subscription Price is to be determined based on a discount of no more than 30% (the “**Discount Cap**”) of the higher of:
 - (i) the closing price of the H Shares of the Company as quoted on the Stock Exchange immediately before the execution of the underwriting agreement relating to the Rights Issue; and
 - (ii) the higher of the average closing price of the H Shares of the Company for the 5 and 10 trading days immediately prior to the earlier of:
 - A. the date of announcement of the Rights Issue;
 - B. the date of the underwriting agreement relating to the Rights Issue; and
 - C. the date on which the Subscription Price of the Rights Issue is fixed,

the Subscription Price shall not be lower than the lowest possible price permissible under Rule 7.27B of the Listing Rules, at which price the theoretical dilution effect of the Rights Issue shall not in any circumstances be 25% or more.

The eventual discount will be commercially determined by the Company in consultation with the underwriter(s), based on factor(s) including but not limited to percentage discount(s) in other comparable H share rights issue(s) at or around the date of the underwriting agreement relating to the Rights Issue; and any preliminary view(s) of regulatory bodies in the PRC in connection with the terms of the Rights Issue.

The final Subscription Price shall be determined by the Board (or its authorised delegates) on the basis above. The Subscription Price for the Domestic Rights Shares, the H Rights Shares and Non-H Foreign Shares (after adjustment in the exchange rates) shall be the same.

NOTICE OF EGM

- (d) For further details, please refer to the Circular. The target subscriber will be Qualifying Shareholders (as defined in the Circular) (but excluding the Excluded Shareholders (as defined in the Circular)) whose names appear on the register of members of the Company on the Record Date.
- (e) For further details, please refer to the Circular. The proposed use for the proceeds from the Rights Issue are for the partial repayment of existing onshore and offshore interest-bearing indebtedness of the Group, such as (i) the borrowings with an aggregate principal amount of approximately RMB500 million payable by the end of October 2019 with interest rate at 8.3% per annum; (ii) the borrowings with an aggregate principal amount of approximately RMB694 million payable by the end of February 2020 with interest rate at 6.8% per annum; (iii) the borrowings with an aggregate principal amount of approximately RMB2,500 million payable by the end of May 2020 with interest rate at 6.45% per annum; and (iv) the perpetual securities issued by the Group with an aggregate principal amount of US\$450 million maturing on 2 December 2019 with interest rate at 7.125% per annum. The Company will ultimately determine the allocation of the proceeds from the Rights Issue for the repayment of the onshore and offshore interest-bearing indebtedness of the Group whilst taking into consideration of the regulatory approval, the then market conditions and their respective interest rates, interest payment terms and maturity dates as well as other alternative financing channels.
- (f) For further details, please refer to the Circular. The Company and the Bookrunner will implement the Placing Arrangement for the benefit of the H Shareholders and the Excluded Shareholders in accordance with the Placing Agreement.
- (g) The Board shall be authorised, which shall, in turn, authorise Zhong Beichen, an executive Director and President, to, within the framework and principles of the resolutions regarding the Rights Issue passed at the general meeting and during the effective period of such resolutions, in his sole and absolute discretion, deal with all the matters in relation to the Rights Issue (comprising both the Domestic Share Rights Issue (as defined in the Circular), the Non-H Foreign Share Rights Issue (as defined in the Circular) and the H Share Rights Issue (as defined in the Circular)). The terms and scope of authorisation shall include, but not limited to:
 - (1) formulate, revise, supplement and implement the detailed proposal of the Rights Issue (including but not limited to the detailed terms of the timetable of the issue, the subscription price of the rights issue and discount (if any), the number of the Rights Shares to be issued, the proposed use for the proceeds from the Rights Issue, etc) in accordance with the laws, regulations and regulatory documents and in compliance with the opinion of the regulatory departments together with the actual situation of the Company;
 - (2) execute, implement and complete all the agreements, contracts and documents relating to the Rights Issue;
 - (3) complete all matters relating to the underwriting of the Rights Issue, including but not limited to the determination of the underwriting mechanism, the appointment of underwriter(s) and the entering of underwriting agreement(s);
 - (4) comply with all the information disclosure requirements relating to the Rights Issue in accordance with the Listing Rules and other applicable regulatory regulations;
 - (5) confirm the appointment of the intermediary agencies for the Rights Issue;
 - (6) deal with the relevant regulatory departments, organizations and stock exchanges within and outside the PRC in relation to the Rights Issue (including but not limited to SASAC, CSRC, Stock Exchange, etc) in respect of examination, registration, filing, approval and consent procedures;

NOTICE OF EGM

- (7) attend to the opening of bank accounts within and outside the PRC for the fund raising;
- (8) amend the relevant provision of the Articles, complete the registration of the increase share capital of the Company as enlarged by the Rights Issue, complete registration and other filings at the administrative authority for industry and commerce in relation to the results of the Rights Issue;
- (9) upon completion of the Rights Issue, to complete the registration of non-overseas listed shares with the China Securities Depository and Clearing Co. Ltd and other related matters;
- (10) subject to the relevant laws and regulations and as permitted under the Articles, to complete other matters which deemed necessary, appropriate or proper for the Rights Issue;
- (11) make appropriate adjustment(s) pursuant to the resolutions regarding the Rights Issue to be approved in the general meeting, in consideration of the recent development or amendment to the relevant regulations and policies of the securities regulatory departments, or changes to the market conditions.

(2) Voting arrangements

As disclosed in the Circular, no Shareholder is required to abstain from voting on the resolutions no. 1 and 2 above at the EGM and Capital Group and its associates (including, among others, China Resource Products Limited and Yieldwell International Enterprise Limited) will (and any person who is involved or interested in the Letter of Undertaking are required to) abstain from voting on the resolution no. 3 above at the EGM. The Rights Issue is also subject to the approval by the holders of H Shares by way of special resolution at the separate class meeting of the H Shareholders to be held on Monday, 10 June 2019 at 9:30 a.m. (or immediately after the conclusion of the EGM) and holders of Domestic Shares and Non-H Foreign Shares by way of special resolution at the separate class meeting of the Domestic Shareholders and Non-H Foreign Shareholders to be held on Monday, 10 June 2019 at 10:00 a.m. and (or immediately after the conclusion of the H Share Class Meeting).

If you are a registered member of the Company, you are entitled to attend the EGM and cast your vote in person. If you are a registered Shareholder and do not plan to attend the EGM, you may appoint a proxy to exercise your rights at the EGM. You may also appoint separate proxies to represent respectively the number of the shares held by you as specified in each of your proxy forms and instruct your proxy(ies) to cast your vote(s) at the EGM.

If you are not a registered member of the Company (e.g. your shares are held through a nominee or broker), you may instruct them to appoint you as their proxy or corporate representative to attend and vote at the EGM.

(3) Registration procedures for the EGM

Shareholders who intend to attend the EGM have to return the reply slip together with any necessary registration documents to the Company in person or by post or fax on or before Sunday, 2 June 2019.

(4) Proxy

- i. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote at the meeting on his or her behalf. A proxy need not be a Shareholder.
- ii. In order to be valid, the proxy form and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority, shall be deposited by holders of Domestic Shares or Non-H Foreign Shares at the place of business of the Company in the PRC not less than 24 hours before the time for holding

NOTICE OF EGM

of the EGM, or by the holder of H Shares at the place of business of the Company in Hong Kong or to the H Share registrar of the Company by such time. The H Share registrar of the Company is Computershare Hong Kong Investor Services Limited at shops 17M, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by such time.

iii. Shareholders or their proxies shall produce their identification documents when attending the EGM.

(5) Miscellaneous

i. The duration of the EGM is expected not to exceed half a day. Shareholders who attend the EGM shall arrange for their own transportation and accommodation at their own expenses.

ii. All voting at the EGM will be conducted by poll.

iii. Place of business of the Company in the PRC:

F17, Red Goldage
No. 2, Guang Ning Bo Street
Beijing, PRC

Telephone: 86-10-6652 3134
Email: ir@bjcapitaland.com.cn

iv. Place of business of the Company in Hong Kong:

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

Telephone: 852-2869 9098
Facsimile: 852-2869 9708

The Board as of the date of this notice comprises Mr. Li Songping (Chairman) who is a non-executive Director, Mr. Zhong Beichen (President), Mr. Li Xiaobin, Mr. Hu Weimin and Mr. Fan Shubin who are executive Directors, Mr. Su Jian who is a non-executive Director, and Mr. Li Wang, Mr. Wong Yik Chung, John and Mr. Liu Xin who are independent non-executive Directors.

NOTICE OF THE H SHARE CLASS MEETING



首創置業股份有限公司

BEIJING CAPITAL LAND LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2868)

NOTICE OF THE H SHARE CLASS MEETING

NOTICE IS HEREBY GIVEN that an H shareholders class meeting (the “**H Share Class Meeting**”) of Beijing Capital Land Ltd. (the “**Company**”) will be held on Monday, 10 June 2019 at 9:30 a.m. (or immediately after the conclusion of the extraordinary general meeting (the “**EGM**”) at F15, Red Goldage, No.2, Guang Ning Bo Street, Beijing, People's Republic of China (the “**PRC**”) to consider and, if thought fit, pass the following resolutions. Capitalised terms defined in the circular dated 17 May 2019 issued by the Company (the “**Circular**”) shall have the same meanings when used herein unless otherwise specified:

SPECIAL RESOLUTION

Resolution in relation to the Rights Issue of Domestic Shares, Non-H Foreign Shares and H Shares by the Company

“**THAT:**

- (a) the issue of not more than 1,513,980,000 Rights Shares in aggregate by way of the Domestic Share Rights Issue, the Non-H Foreign Share Rights Issue and the H Share Rights Issue on the terms and conditions set out in the Circular, including but not limited to (i) class and par value of the Shares to be issued (*Note 1(a)*); (ii) the ratio and number of the Shares to be issued (*Note 1(b)*); (iii) the Subscription Price (*Note 1(c)*); (iv) the Target Subscribers (*Note 1(d)*); (v) the proposed use for the proceeds from the Rights Issue (*Note 1(e)*), and the Placing Arrangement and the subsequent entering into of the Placing Agreement (*Note 1(f)*), be and are hereby approved, confirmed and ratified;
- (b) Zhong Beichen, an executive Director, be and is hereby authorised to implement and take all steps and to do all acts and things which in his/their opinion may be necessary or desirable to give effect and/or to complete or in connection with the Rights Issue pursuant to and including but not limited to such matters set out in *Note 1(g)* hereto; and

NOTICE OF THE H SHARE CLASS MEETING

- (c) this special resolution 1 in relation to the Rights Issue shall be valid for 12 months from the date of the approval by the Shareholders”

By Order of the Board
Beijing Capital Land Ltd.
Lee Sze Wai
Company Secretary

Hong Kong, 17 May 2019

Notes:

(1) Further details

- (a) For further details, please refer to the Circular. Class and par value of the Shares to be issued will be the Domestic Shares (as defined in the Circular), the Non-H Foreign Shares (as defined in the Circular) and the H Shares (as defined in the Circular) of RMB1 each.
- (b) For further details, please refer to the Circular. Ratio and number of the Shares to be issued will be not more than 5 Shares for every 10 existing Shares in issue as at the record date for the Rights Issue (the “**Record Date**”) to be determined by the board of directors of the Company (the “**Board**”) (or its authorised delegates).
- (c) For further details, please refer to the Circular. The Subscription Price is to be determined based on a discount of no more than 30% (the “**Discount Cap**”) of the higher of:
- (i) the closing price of the H Shares of the Company as quoted on the Stock Exchange immediately before the execution of the underwriting agreement relating to the Rights Issue; and
 - (ii) the higher of the average closing price of the H Shares of the Company for the 5 and 10 trading days immediately prior to the earlier of:
 - A. the date of announcement of the Rights Issue;
 - B. the date of the underwriting agreement relating to the Rights Issue; and
 - C. the date on which the Subscription Price of the Rights Issue is fixed,

the Subscription Price shall not be lower than the lowest possible price permissible under Rule 7.27B of the Listing Rules, at which price the theoretical dilution effect of the Rights Issue shall not in any circumstances be 25% or more.

The eventual discount will be commercially determined by the Company in consultation with the underwriter(s), based on factor(s) including but not limited to percentage discount(s) in other comparable H share rights issue(s) at or around the date of the underwriting agreement relating to the Rights Issue; and any preliminary view(s) of regulatory bodies in the PRC in connection with the terms of the Rights Issue.

The final Subscription Price shall be determined by the Board (or its authorised delegates) on the basis above. The Subscription Price for the Domestic Rights Shares, the H Rights Shares and Non-H Foreign Shares (after adjustment in the exchange rates) shall be the same.

NOTICE OF THE H SHARE CLASS MEETING

- (d) For further details, please refer to the Circular. The target subscriber will be Qualifying Shareholders (as defined in the Circular) (but excluding the Excluded Shareholders (as defined in the Circular)) whose names appear on the register of members of the Company on the Record Date.
- (e) For further details, please refer to the Circular. The proposed use for the proceeds from the Rights Issue are for the partial repayment of existing onshore and offshore interest-bearing indebtedness of the Group, such as (i) the borrowings with an aggregate principal amount of approximately RMB500 million payable by the end of October 2019 with interest rate at 8.3% per annum; (ii) the borrowings with an aggregate principal amount of approximately RMB694 million payable by the end of February 2020 with interest rate at 6.8% per annum; (iii) the borrowings with an aggregate principal amount of approximately RMB2,500 million payable by the end of May 2020 with interest rate at 6.45% per annum; and (iv) the perpetual securities issued by the Group with an aggregate principal amount of US\$450 million maturing on 2 December 2019 with interest rate at 7.125% per annum. The Company will ultimately determine the allocation of the proceeds from the Rights Issue for the repayment of the onshore and offshore interest-bearing indebtedness of the Group whilst taking into consideration of the regulatory approval, the then market conditions and their respective interest rates, interest payment terms and maturity dates as well as other alternative financing channels.
- (f) For further details, please refer to the Circular. The Company and the Bookrunner will implement the Placing Arrangement for the benefit of the H Shareholders and the Excluded Shareholders in accordance with the Placing Agreement.
- (g) The Board shall be authorised, which shall, in turn, authorise Zhong Beichen, an executive Director and President, to, within the framework and principles of the resolutions regarding the Rights Issue passed at the general meeting and during the effective period of such resolutions, in his sole and absolute discretion, deal with all the matters in relation to the Rights Issue (comprising both the Domestic Share Rights Issue (as defined in the Circular), the Non-H Foreign Share Rights Issue (as defined in the Circular) and the H Share Rights Issue (as defined in the Circular)). The terms and scope of authorisation shall include, but not limited to:
 - (1) formulate, revise, supplement and implement the detailed proposal of the Rights Issue (including but not limited to the detailed terms of the timetable of the issue, the subscription price of the rights issue and discount (if any), the number of the Rights Shares to be issued, the proposed use for the proceeds from the Rights Issue, etc) in accordance with the laws, regulations and regulatory documents and in compliance with the opinion of the regulatory departments together with the actual situation of the Company;
 - (2) execute, implement and complete all the agreements, contracts and documents relating to the Rights Issue;
 - (3) complete all matters relating to the underwriting of the Rights Issue, including but not limited to the determination of the underwriting mechanism, the appointment of underwriter(s) and the entering of underwriting agreement(s);
 - (4) comply with all the information disclosure requirements relating to the Rights Issue in accordance with the Listing Rules and other applicable regulatory regulations;
 - (5) confirm the appointment of the intermediary agencies for the Rights Issue;
 - (6) deal with the relevant regulatory departments, organizations and stock exchanges within and outside the PRC in relation to the Rights Issue (including but not limited to SASAC, CSRC, Stock Exchange, etc) in respect of examination, registration, filing, approval and consent procedures;

NOTICE OF THE H SHARE CLASS MEETING

- (7) attend to the opening of bank accounts within and outside the PRC for the fund raising;
- (8) amend the relevant provision of the Articles, to complete the registration of the increase share capital of the Company as enlarged by the Rights Issue, complete registration and other filings at the administrative authority for industry and commerce in relation to the results of the Rights Issue;
- (9) upon completion of the Rights Issue, complete the registration of non-overseas listed shares with the China Securities Depository and Clearing Co. Ltd and other related matters;
- (10) subject to the relevant laws and regulations and as permitted under the Articles, to complete other matters which deemed necessary, appropriate or proper for the Rights Issue;
- (11) make appropriate adjustment(s) pursuant to the resolutions regarding the Rights Issue to be approved in the general meeting, in consideration of the recent development or amendment to the relevant regulations and policies of the securities regulatory departments, or changes to the market conditions.

(2) Voting arrangements

As disclosed in the Circular, no H Shareholder is required to abstain from voting on the above resolutions at the H Share Class Meeting. The Rights Issue is also subject to the approval by the Shareholders by way of special resolution at the separate EGM to be held on Monday, 10 June 2019 at 9:00 a.m. and holders of Domestic Shares and Non-H Foreign Shares by way of special resolution at the separate class meeting of the Domestic Shareholders and Non-H Foreign Shareholders to be held on Monday, 10 June 2019 at 10:00 a.m. and (or immediately after the conclusion of the H Share Class Meeting).

If you are a registered member of the Company, you are entitled to attend the H Share Class Meeting and cast your vote in person. If you are a registered H Shareholder and do not plan to attend the H Share Class Meeting, you may appoint a proxy to exercise your rights at the H Share Class Meeting. You may also appoint separate proxies to represent respectively the number of the shares held by you as specified in each of your proxy forms and instruct your proxy(ies) to cast your vote(s) at the H Share Class Meeting.

If you are not a registered member of the Company (e.g. your shares are held through a nominee or broker), you may instruct them to appoint you as their proxy or corporate representative to attend and vote at the H Share Class Meeting.

(3) Registration procedures for the H Share Class Meeting

Shareholders who intend to attend the H Share Class Meeting have to return the reply slip together with any necessary registration documents to the Company in person or by post or fax on or before Sunday, 2 June 2019.

(4) Proxy

- i. Any Shareholder entitled to attend and vote at the H Share Class Meeting is entitled to appoint one or more proxies to attend and vote at the meeting on his or her behalf. A proxy need not be a Shareholder.
- ii. In order to be valid, the proxy form and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority, shall be deposited by holder of H Shares at the place of business of the Company in Hong Kong or to the H Share registrar of the Company not less than 24 hours before

NOTICE OF THE H SHARE CLASS MEETING

the time for holding of the H Share Class Meeting. The H Share registrar of the Company is Computershare Hong Kong Investor Services Limited at shops 17M, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

- iii. Shareholders or their proxies shall produce their identification documents when attending the H Share Class Meeting.

(5) Miscellaneous

- i. The duration of the H Share Class Meeting is expected not to exceed half a day. Shareholders who attend the H Share Class Meeting shall arrange for their own transportation and accommodation at their own expenses.
- ii. All voting at the H Share Class Meeting will be conducted by poll.
- iii. Place of business of the Company in the PRC:

F17, Red Goldage
No. 2, Guang Ning Bo Street
Beijing, PRC

Telephone: 86-10-6652 3134
Email: ir@bjcapitaland.com.cn

- iv. Place of business of the Company in Hong Kong:

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

Telephone: 852-2869 9098
Facsimile: 852-2869 9708

The Board as of the date of this notice comprises Mr. Li Songping (Chairman) who is a non-executive Director, Mr. Zhong Beichen (President), Mr. Li Xiaobin, Mr. Hu Weimin and Mr. Fan Shubin who are executive Directors, Mr. Su Jian who is a non-executive Director, and Mr. Li Wang, Mr. Wong Yik Chung, John and Mr. Liu Xin who are independent non-executive Directors.



首創置業股份有限公司
BEIJING CAPITAL LAND LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2868)

NOTICE OF THE DOMESTIC SHARE CLASS MEETING

NOTICE IS HEREBY GIVEN that a domestic and non-H foreign shareholders class meeting (the “**Domestic Share Class Meeting**”) of Beijing Capital Land Ltd. (the “**Company**”) will be held on Monday, 10 June 2019 at 10:00 a.m. (or immediately after the conclusion of the H share class meeting (the “**H Share Class Meeting**”)) at F15, Red Goldage, No.2, Guang Ning Bo Street, Beijing, People’s Republic of China (the “**PRC**”) to consider and, if thought fit, pass the following resolutions. Capitalised terms defined in the circular dated 17 May 2019 issued by the Company (the “**Circular**”) shall have the same meanings when used herein unless otherwise specified:

SPECIAL RESOLUTION

Resolution in relation to the Rights Issue of Domestic Shares, Non-H Foreign Shares and H Shares by the Company

“**THAT:**

- (a) issue of not more than 1,513,980,000 Rights Shares in aggregate by way of the Domestic Share Rights Issue, the Non-H Foreign Share Rights Issue and the H Share Rights Issue on the terms and conditions set out in the Circular, including but not limited to (i) class and par value of the Shares to be issued (*Note 1(a)*); (ii) the ratio and number of the Shares to be issued (*Note 1(b)*); (iii) the Subscription Price (*Note 1(c)*); (iv) the Target Subscribers (*Note 1(d)*); (v) the proposed use for the proceeds from the Rights Issue (*Note (1)(e)*), and the Placing Arrangement and the subsequent entering into of the Placing Agreement (*Note 1(f)*), be and are hereby approved, confirmed and ratified;
- (b) Zhong Beichen, an executive Director, be and is hereby authorised to implement and take all steps and to do all acts and things which in his/their opinion may be necessary or desirable to give effect and/or to complete or in connection with the Rights Issue pursuant to and including but not limited to such matters set out in *Note (1)(g)* hereto; and

NOTICE OF THE DOMESTIC SHARE CLASS MEETING

- (c) this special resolution 1 in relation to the Rights Issue shall be valid for 12 months from the date of the approval by the Shareholders”

By Order of the Board
Beijing Capital Land Ltd.
Lee Sze Wai
Company Secretary

Hong Kong, 17 May 2019

Notes:

(1) Further details

- (a) For further details, please refer to the Circular. Class and par value of the Shares to be issued will be the Domestic Shares (as defined in the Circular), the Non-H Foreign Shares (as defined in the Circular) and the H Shares (as defined in the Circular) of RMB1 each.
- (b) For further details, please refer to the Circular. Ratio and number of the Shares to be issued will be not more than 5 Shares for every 10 existing Shares in issue as at the record date for the Rights Issue (the “**Record Date**”) to be determined by the board of directors of the Company (the “**Board**”) (or its authorised delegates).
- (c) For further details, please refer to the Circular. The Subscription Price is to be determined based on a discount of no more than 30% (the “**Discount Cap**”) of the higher of:
- (i) the closing price of the H Shares of the Company as quoted on the Stock Exchange immediately before the execution of the underwriting agreement relating to the Rights Issue; and
 - (ii) the higher of the average closing price of the H Shares of the Company for the 5 and 10 trading days immediately prior to the earlier of:
 - A. the date of announcement of the Rights Issue;
 - B. the date of the underwriting agreement relating to the Rights Issue; and
 - C. the date on which the Subscription Price of the Rights Issue is fixed,

the Subscription Price shall not be lower than the lowest possible price permissible under Rule 7.27B of the Listing Rules, at which price the theoretical dilution effect of the Rights Issue shall not in any circumstances be 25% or more.

The eventual discount will be commercially determined by the Company in consultation with the underwriter(s), based on factor(s) including but not limited to percentage discount(s) in other comparable H share rights issue(s) at or around the date of the underwriting agreement relating to the Rights Issue; and any preliminary view(s) of regulatory bodies in the PRC in connection with the terms of the Rights Issue.

The final Subscription Price shall be determined by the Board (or its authorised delegates) on the basis above. The Subscription Price for the Domestic Rights Shares, the H Rights Shares and Non-H Foreign Shares (after adjustment in the exchange rates) shall be the same.

NOTICE OF THE DOMESTIC SHARE CLASS MEETING

- (d) For further details, please refer to the Circular. The target subscriber will be Qualifying Shareholders (as defined in the Circular) (but excluding the Excluded Shareholders (as defined in the Circular)) whose names appear on the register of members of the Company on the Record Date.
- (e) For further details, please refer to the Circular. The proposed use for the proceeds from the Rights Issue are for the partial repayment of existing onshore and offshore interest-bearing indebtedness of the Group, such as (i) the borrowings with an aggregate principal amount of approximately RMB500 million payable by the end of October 2019 with interest rate at 8.3% per annum; (ii) the borrowings with an aggregate principal amount of approximately RMB694 million payable by the end of February 2020 with interest rate at 6.8% per annum; (iii) the borrowings with an aggregate principal amount of approximately RMB2,500 million payable by the end of May 2020 with interest rate at 6.45% per annum; and (iv) the perpetual securities issued by the Group with an aggregate principal amount of US\$450 million maturing on 2 December 2019 with interest rate at 7.125% per annum. The Company will ultimately determine the allocation of the proceeds from the Rights Issue for the repayment of the onshore and offshore interest-bearing indebtedness of the Group whilst taking into consideration of the regulatory approval, the then market conditions and their respective interest rates, interest payment terms and maturity dates as well as other alternative financing channels.
- (f) For further details, please refer to the Circular. The Company and the Bookrunner will implement the Placing Arrangement for the benefit of the H Shareholders and the Excluded Shareholders in accordance with the Placing Agreement.
- (g) The Board shall be authorised, which shall, in turn, authorise Zhong Beichen, an executive Director and President, to, within the framework and principles of the resolutions regarding the Rights Issue passed at the general meeting and during the effective period of such resolutions, in his sole and absolute discretion, deal with all the matters in relation to the Rights Issue (comprising both the Domestic Share Rights Issue (as defined in the Circular), the Non-H Foreign Share Rights Issue (as defined in the Circular) and the H Share Rights Issue (as defined in the Circular)). The terms and scope of authorisation shall include, but not limited to:
 - (1) formulate, revise, supplement and implement the detailed proposal of the Rights Issue (including but not limited to the detailed terms of the timetable of the issue, the subscription price of the rights issue and discount (if any), the number of the Rights Shares to be issued, the proposed use for the proceeds from the Rights Issue, etc) in accordance with the laws, regulations and regulatory documents and in compliance with the opinion of the regulatory departments together with the actual situation of the Company;
 - (2) execute, implement and complete all the agreements, contracts and documents relating to the Rights Issue;
 - (3) complete all matters relating to the underwriting of the Rights Issue, including but not limited to the determination of the underwriting mechanism, the appointment of underwriter(s) and the entering of underwriting agreement(s);
 - (4) comply with all the information disclosure requirements relating to the Rights Issue in accordance with the Listing Rules and other applicable regulatory regulations;
 - (5) confirm the appointment of the intermediary agencies for the Rights Issue;
 - (6) deal with the relevant regulatory departments, organizations and stock exchanges within and outside the PRC in relation to the Rights Issue (including but not limited to SASAC, CSRC, Stock Exchange, etc) in respect of examination, registration, filing, approval and consent procedures;

NOTICE OF THE DOMESTIC SHARE CLASS MEETING

- (7) attend to the opening of bank accounts within and outside the PRC for the fund raising;
- (8) amend the relevant provision of the Articles, complete the registration of the increase share capital of the Company as enlarged by the Rights Issue, complete registration and other filings at the administrative authority for industry and commerce in relation to the results of the Rights Issue;
- (9) upon completion of the Rights Issue, to complete the registration of non-overseas listed shares with the China Securities Depository and Clearing Co. Ltd and other related matters;
- (10) subject to the relevant laws and regulations and as permitted under the Articles, to complete other matters which deemed necessary, appropriate or proper for the Rights Issue;
- (11) make appropriate adjustment(s) pursuant to the resolutions regarding the Rights Issue to be approved in the general meeting, in consideration of the recent development or amendment to the relevant regulations and policies of the securities regulatory departments, or changes to the market conditions.

(2) Voting arrangements

As disclosed in the Circular, no Domestic Shareholder and no Non-H Foreign Shareholder is required to abstain from voting on the above resolutions at the Domestic Share Class Meeting. The Rights Issue is also subject to the approval by the Shareholders by way of special resolution at the separate EGM to be held on Monday, 10 June 2019 at 9:00 a.m. and holders of H Shares by way of special resolution at the separate class meeting of the H Shareholders to be held on Monday, 10 June 2019 at 9:30 a.m. and (or immediately after the conclusion of the EGM).

If you are a registered member of the Company, you are entitled to attend the Domestic Share Class Meeting and cast your vote in person. If you are a registered Domestic Shareholder and Non-H Foreign Shareholder and do not plan to attend the Domestic Share Class Meeting, you may appoint a proxy to exercise your rights at the Domestic Share Class Meeting. You may also appoint separate proxies to represent respectively the number of the shares held by you as specified in each of your proxy forms and instruct your proxy(ies) to cast your vote(s) at the Domestic Share Class Meeting.

(3) Registration procedures for the Domestic Share Class Meeting

Shareholders who intend to attend the Domestic Share Class Meeting have to return the reply slip together with any necessary registration documents to the Company in person or by post or fax on or before Sunday, 2 June 2019.

(4) Proxy

- i. Any Shareholder entitled to attend and vote at the Domestic Share Class Meeting is entitled to appoint one or more proxies to attend and vote at the meeting on his or her behalf. A proxy need not be a Shareholder.
- ii. In order to be valid, the proxy form and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority, shall be deposited by holders of domestic promoter shares or non-H foreign Shares at the place of business of the Company in the PRC not less than 24 hours before the time for holding of the Domestic Share Class Meeting.
- iii. Shareholders or their proxies shall produce their identification documents when attending the Domestic Share Class Meeting.

NOTICE OF THE DOMESTIC SHARE CLASS MEETING

(5) Miscellaneous

i. The duration of the Domestic Share Class Meeting is expected not to exceed half a day. Shareholders who attend the Domestic Share Class Meeting shall arrange for their own transportation and accommodation at their own expenses.

ii. All voting at the Domestic Share Class Meeting will be conducted by poll.

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