
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, 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 and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer 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) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION
IN RELATION TO
THE 2020 ASSET MANAGEMENT AGREEMENT
AND
(2) NOTICE OF EGM**

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

Nuada Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee containing its recommendation in respect of the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps is set out on page 16 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps is set out on pages 17 to 37 of this circular.

A notice convening the EGM to be held at 9:00 a.m. on Tuesday, 21 July 2020 at F17, Red Goldage, No. 2, Guang Ning Bo Street, Beijing, PRC, together with the form of proxy are also enclosed herein.

If you intend to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible, and in any event no less than 24 hours before the time appointed for the meeting or any adjourned meetings thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meetings thereof should you so desire and in such event, the relevant form of proxy shall be deemed to be revoked.

3 July 2020

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DEFINITIONS

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

“2017 Asset Management Agreement”	the asset management agreement dated 10 February 2017 and the supplemental agreement dated 20 February 2017 entered into among the Company, Capital Securities and the Custodian Bank
“2020 Asset Management Agreement”	the asset management agreement dated 22 May 2020 entered into among the Company, Capital Securities and the Custodian Bank in relation to, among others, the provision of asset management and investment services by Capital Securities to the Company
“Board”	the board of Directors
“Calculation Fee(s)”	expenses to be incurred upon termination of the 2020 Asset Management Agreement by Capital Securities and the Custodian Bank, which mainly include (i) transaction fee(s) to be accrued during the calculation process charged by institutions including the PRC exchanges and the National Interbank Funding Center (全國銀行間同業拆借中心) in the PRC and (ii) deregistration fee(s) to be charged by independent financial institutions where the investment accounts are maintained
“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 the Beijing Municipal Government, the controlling shareholder of the Company and a connected person of the Company
“Capital Securities”	Capital Securities Co., Ltd.* (首創證券有限責任公司), a company established in the PRC with limited liability and a subsidiary of Capital Group
“Company”	Beijing Capital Land Ltd. (首創置業股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability whose H shares are listed and traded on the Main Board of the Stock Exchange (Stock code: 2868)
“Custodian Bank”	Bank of Communications Corporation Limited (Beijing Branch)* (交通銀行股份有限公司北京市分行)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and approving the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps

DEFINITIONS

“Entrusted Assets”	the amount to be deposited in the Company’s custodian account in the Custodian Bank pursuant to the 2020 Asset Management Agreement, which shall not be more than RMB1,600,000,000
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors, namely Mr. Li Wang, Mr. Wong Yik Chung, John and Mr. Liu Xin established to advise the Independent Shareholders on the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps
“Independent Financial Adviser”	Nuada Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps
“Independent Shareholder(s)”	the Shareholder(s), other than (i) Capital Group and its associates and (ii) those who have a material interest in the 2020 Asset Management Agreement and the transactions contemplated thereunder
“Initial Date”	the date on which the initial Entrusted Assets being deposited into the Custodian Bank by the Company pursuant to the 2020 Asset Management Agreement
“Latest Practicable Date”	30 June 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Fee(s)”	the management fee payable by the Company to Capital Securities pursuant to the 2020 Asset Management Agreement
“Performance Fee(s)”	the performance fee(s) (if any) payable by the Company to Capital Securities pursuant to the 2020 Asset Management Agreement
“PRC”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Proposed Annual Caps”	the proposed annual caps for the maximum daily balance of the Entrusted Assets, the Management Fee(s) and the Performance Fee(s) payable by the Company to Capital Securities pursuant to the 2020 Asset Management Agreement as set out in the section headed “Proposed Annual Caps and Basis” in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the share(s) of the Company in the nominal value of RMB1.00 each, including the domestic share(s), non-H foreign share(s) and the H share(s)
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the provision of asset management and investment services in respect of the Entrusted Assets to the Company pursuant to the 2020 Asset Management Agreement
“%”	per cent.

In this circular, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments.

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

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

Legal 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

Xicheng District

Beijing

PRC

Place of business in Hong Kong:

Suites 4602-05

One Exchange Square

Central

Hong Kong

3 July 2020

To the Shareholders,

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION
IN RELATION TO
THE 2020 ASSET MANAGEMENT AGREEMENT
AND
(2) NOTICE OF EGM**

INTRODUCTION

Reference is made to the announcement dated 22 May 2020 of the Company in relation to the 2020 Asset Management Agreement.

LETTER FROM THE BOARD

References are also made to (i) the announcements dated 10 February 2017 and 20 February 2017 and (ii) the circular dated 4 May 2017 of the Company in relation to the 2017 Asset Management Agreement entered into among the Company, Capital Securities and the Custodian Bank, pursuant to which Capital Securities shall provide asset management and investment services to the Company. The 2017 Asset Management Agreement was expired on 15 February 2020.

As at the Latest Practicable Date, Capital Securities is a subsidiary of Capital Group, the controlling shareholder of the Company, and therefore is a connected person of the Company pursuant to the Listing Rules. Accordingly the Transaction constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to the requirements under the Listing Rules, the Company will seek the Independent Shareholders' approval in relation to the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps. The Independent Board Committee has been formed to consider and advise the Independent Shareholders on the same.

The purpose of this circular is to provide you with, among others, (i) further details of the 2020 Asset Management Agreement and the transactions contemplated thereunder; (ii) the letter from the Independent Board Committee; (iii) the letter from the Independent Financial Adviser; (iv) other information as required under the Listing Rules; and (v) a notice of the EGM.

THE 2020 ASSET MANAGEMENT AGREEMENT

The principal terms of the 2020 Asset Management Agreement are as follow:

Date: 22 May 2020

Parties:

- (a) the Company;
- (b) Capital Securities (as manager); and
- (c) the Custodian Bank (as custodian).

Service Period: Three years commencing from the Initial Date, and is renewable upon the consent of all contractual parties.

The Entrusted Assets: The amount of the Entrusted Assets shall not be more than RMB1,600,000,000.

Asset Management and Investment Services: Capital Securities shall provide asset management and investment services in respect of the Entrusted Assets in accordance with the agreed investment scope and investment ratio. The investment scope comprises cash type products and fixed income type products such as bank deposits, money market funds, bonds, notes and asset-backed securities etc. Unless otherwise agreed by the Company, the investment ratio of fixed income products shall not be less than 80% of the total asset value of the Entrusted Assets and in any event shall not be lower than 80% for consecutive six months.

LETTER FROM THE BOARD

Restrictions on investment activities:

The investment of the Entrusted Assets, apart from the investment scope and investment ratio as stated above, is subject to, among others, the following restrictions:

- (a) credit rating of each short-term bond to be purchased shall be A-1 or above;
- (b) credit rating of each corporate bond and/or medium-term note to be purchased shall be AA or above; and
- (c) the investment activities carried out by Capital Securities shall comply with all applicable securities laws and regulations.

The credit ratings shall be awarded by credit rating agencies which are approved by the People's Bank of China (中國人民銀行) to provide credit rating services in accordance with the Specification for Credit Rating in the Credit Market and Inter-Bank Market (《信貸市場和銀行間債券市場信用評級規範》) issued by the People's Bank of China

Asset Custody Services:

The Company will deposit the Entrusted Assets in a designated custodian account in the Custodian Bank, and the Custodian Bank shall provide asset custody services to the Company and Capital Securities in respect of the Entrusted Assets and arrange payment in accordance with the agreed terms and conditions.

Charges:

Subject to the Proposed Annual Caps, the Company will pay the following charges:

To Capital Securities

- (a) Management Fee: 0.2% per annum of the net asset value of the Entrusted Assets on the day prior to the payment of the Management Fee, which is accrued daily and is payable on a quarterly basis; and
- (b) Performance Fee: if the annual aggregate amount of the investment return(s) exceeds the annual benchmark return of 3.8% of the net asset value of the Entrusted Assets, then 30% of the excess portion will be payable by the Company (i) on the date of application of withdrawal of the Entrusted Assets by the Company; (ii) on the half-yearly date of distribution of investment return(s); or (iii) upon the termination of the 2020 Asset Management Agreement. If the investment return is below or equal to the benchmark return of 3.8% in a year or period, the Company is not required to pay any Performance Fee for that year or period.

LETTER FROM THE BOARD

To the Custodian Bank

The Custodian Bank will charge a custodian fee, which is accrued daily and is payable on a quarterly basis, in respect of the Entrusted Assets calculated based on 0.03% per annum of the net asset value of the Entrusted Assets on the day prior to the payment of the custodian fee.

Termination:

The 2020 Asset Management Agreement shall be terminated under the following circumstances:

- (a) the 2020 Asset Management Agreement not having been renewed by all the contractual parties upon its expiry;
- (b) by the consent of all contractual parties or unilateral termination by the Company;
- (c) the cancellation of the relevant qualifications of Capital Securities for carrying out asset management activities or Capital Securities having been dissolved, revoked or declared bankrupt by law and no new manager taking over within six months;
- (d) the cancellation of the relevant qualifications of the Custodian Bank for providing fund custody services or the Custodian Bank having been dissolved, revoked or declared bankrupt by law and no new custodian taking over within six months;
- (e) the filing of the asset management plan not having been completed with or having been rejected by the Asset Management Association of China (中國證券投資基金業協會); and
- (f) any other circumstances as required by applicable laws and regulations or prescribed by the China Securities Regulatory Commission (中國證券監督委員會).

LETTER FROM THE BOARD

Upon termination of the 2020 Asset Management Agreement, the Entrusted Assets in all investment accounts shall be calculated by a team comprising members from Capital Securities (as manager) and the Custodian Bank. After deduction of the Calculation Fee, relevant tax payable and all liabilities in relation to the investment activities of the Entrusted Assets (i.e. fees to be accrued during the term of the 2020 Asset Management Agreement, such as the Management Fee, the Performance Fee (if any), custodian fee and transaction fee), the remaining assets in all investment accounts shall be distributed to the Company. If the asset portfolio still has any non-cash assets, upon authorisation by the Company, such non-cash assets shall be realised as cash at market value or the custody of which shall be transferred to other financial institutions as specified by the Company for asset management purpose.

No cap of the Calculation Fee has been stated in the 2020 Asset Management Agreement. The Company, however, after making reasonable enquiry with Capital Securities, is given to understand that the expected Calculation Fee shall not exceed approximately RMB100,000.

Basis of determining the Performance Fee and the Management Fee

The Performance Fee and the Management Fee were determined after arm's length negotiation among the parties with regard to the following factors:

- (a) the terms currently offered by Capital Securities to independent third parties for asset management and investment services of similar nature and amount; and
- (b) the terms proposed by six independent financial institutions in the PRC (the “**Comparable Financial Institutions**”) to the Company for asset management and investment services of similar nature and amount.

These independent financial institutions were selected based on the following criteria:

- (a) they must be financial institutions licenced by the China Securities Regulatory Commission (中國證券監督委員會) with C rating or above (i.e. they are classified as not having excessive potential risk);
- (b) they have asset management services in their scope of business; and
- (c) they offer asset management plans which allow the Company to withdraw the entrusted assets in a flexible manner.

Having considered (i) the credibility of financial institutions with C rating or above and (ii) the importance of flexible withdrawal of the entrusted assets to the Company as a real estate developer because it needs to maintain positive cash flow to meet the funding requirements of its property development projects from time to time, the Board is of the view that such selection criteria is appropriate.

LETTER FROM THE BOARD

When considering the fairness and reasonableness of the Performance Fee and the Management Fee, the Company has taken into account the following:

- (a) the Board is given to understand that the arrangement of charging the Management Fee by Capital Securities is due to the increase of its cost of providing asset management and investment services resulting from change of market environment in 2020 compared with 2017 and therefore Capital Securities applies such arrangement generally to all its current customers for asset management and investment services in similar nature and amount;
- (b) all the terms related to the Management Fee and the Performance Fee (including the annual benchmark return and rate of excess portion on the annual aggregate amount of investment return(s) exceeding the annual benchmark return) under the 2020 Asset Management Agreement are the same as those currently offered by Capital Securities to independent third parties;
- (c) all other Comparable Financial Institutions could charge the Company a management fee and the Management Fee (i.e. 0.2% per annum) is lower than those proposed by the Comparable Financial Institutions to the Company for services in similar nature and amount;
- (d) the annual benchmark return under the 2020 Asset Management Agreement (i.e. 3.8% per annum) is higher than those proposed by the Comparable Financial Institutions to the Company, which would lead to a lower performance fee charged by Capital Securities compared with such financial institutions given that they achieve the same investment return; and
- (e) the rate of excess portion on the annual aggregate amount of investment return(s) exceeding the annual benchmark return under the 2020 Asset Management Agreement (i.e. 30%) is the same or lower than those proposed by the Comparable Financial Institutions to the Company, which would lead to the same or a lower performance fee charged by Capital Securities compared with such financial institutions given that they achieve the same investment return.

In the premises, the Company believes that the Performance Fee (including the annual benchmark return and the rate of excess portion on the annual aggregate amount of investment return(s) exceeding the annual benchmark return), the arrangement of charging the Management Fee (including the rate of the Management Fee) are fair and reasonable and on normal commercial terms as they are no less favourable than (i) terms offered by Capital Securities to independent third parties and (ii) terms offered by independent financial institutions in the PRC to the Company for services in similar nature and amount, and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

HISTORICAL AMOUNTS AND ANNUAL CAPS

Set out below are (i) the historical transaction amounts and (ii) historical annual caps under the 2017 Asset Management Agreement:

	Historical transaction amounts and annual caps			
	From 20 February 2017 to 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019	From 1 January 2020 to 15 February 2020
Maximum daily balance of the entrusted assets	RMB1,940,000,000 (Cap: RMB2,000,000,000)	RMB1,584,398,527 (Cap: RMB2,000,000,000)	RMB1,832,503,725 (Cap: RMB2,000,000,000)	RMB67,125,919 (Cap: RMB2,000,000,000)
Performance fee	RMB4,065,378 (Cap: RMB32,105,000)	RMB5,079,000 (Cap: RMB37,200,000)	RMB3,776,000 (Cap: RMB37,200,000)	RMB0 (Cap: RMB4,689,000)

The low utilisation rates of approximately 3.4% and 0% in respect of the historical annual caps of the maximum daily balance of the entrusted assets and the performance fee, respectively, from 1 January 2020 to 15 February 2020 was due to withdrawal of most of the entrusted assets by the Company in December 2019 in view of the forthcoming expiry of the 2017 Asset Management Agreement.

PROPOSED ANNUAL CAPS AND BASIS

The maximum daily balance managed by Capital Securities pursuant to the 2020 Asset Management Agreement (including any accrued investment returns), being the annual caps for the Entrusted Assets, and the annual caps for the Management Fee and Performance Fee payable by the Company to Capital Securities are as follows:

	From 22 May 2020 to 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
Maximum daily balance of the Entrusted Assets	RMB1,600,000,000	RMB1,600,000,000	RMB1,600,000,000
Maximum Management Fee ⁽¹⁾	RMB3,200,000	RMB3,200,000	RMB3,200,000
Maximum Performance Fee ⁽²⁾	RMB15,360,000	RMB15,360,000	RMB15,360,000

Notes:

- (1) The formula of calculating the maximum Management Fee is $\text{RMB1,600,000,000} \times 0.2\%$
- (2) Assuming the investment return of the Entrusted Assets can reach 7% for the periods as stated in the above table, the formula of calculating the maximum Performance Fee is $\text{RMB1,600,000,000} \times (7\% - 3.8\%) \times 30\%$

LETTER FROM THE BOARD

In determining the Proposed Annual Caps, the Company has taken into account the following factors:

- (a) the historical amounts of the entrusted assets, rate of investment return and performance fee charged by Capital Securities, including the utilisation rates of each of the maximum daily balance of the entrusted assets and the performance fee and the deviation from the expected investment return rate (being no more than 10% annually under the 2017 Asset Management Agreement) during the term of the 2017 Asset Management Agreement;
- (b) the expected investment return of the Entrusted Assets, which is no more than 7% annually, is determined based on the actual annual investment return rate of approximately 5.95%, 5.27% and 5.12% during the term of the 2017 Asset Management Agreement plus a buffer for over-performance by Capital Securities under the 2020 Asset Management Agreement;
- (c) the projected investment return of the Entrusted Assets under the 2020 Asset Management Agreement is expected to be higher than the amount of return that could otherwise be obtained by other means of dealing with the Entrusted Assets (such as maintaining deposits with banks in the PRC with an interest rate in the range of 1.15% to 1.725%) and therefore is considered by the Company as an appropriate way to deal with its idle cash;
- (d) the amount of Management Fee and Performance Fee (including the benchmark of investment return of the Entrusted Assets) to Capital Securities compared with such fees that could otherwise be charged by other independent financial institutions in the PRC for asset management and investment services of similar nature and amount;
- (e) the rates used for calculation of management fee and performance fee for similar asset management and investment services offered by Capital Securities to independent third parties; and
- (f) the benefit to the Group and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE 2020 ASSET MANAGEMENT AGREEMENT

In light of the expiry of the 2017 Asset Management Agreement, the Company entered into the 2020 Asset Management Agreement with Capital Securities and the Custodian Bank. The Company has maintained its aim to manage the Company's idle cash effectively without affecting the Company's operating cash flow. Having considered, among others, (i) the previous satisfactory relationship with Capital Securities and investment returns obtained under the 2017 Asset Management Agreement; (ii) that Capital Securities is familiar with the investment objectives, policies, restrictions and operations of the Group; (iii) the professional qualification, expertise and experience of Capital Securities in providing the relevant services; (iv) the Entrusted Assets shall be invested in investment products with relatively low risks, such as cash type products and/or fixed income products; (v) the Management Fee(s) and the Performance Fee(s) (if any) are on normal commercial terms and are fair and reasonable; and (vi) the Performance Fee(s) shall provide incentive to Capital Securities to reap higher returns for the Company, the Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) are of the view that the 2020 Asset Management Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Save for Mr. Li Songping and Mr. Su Jian who have abstained from voting on the relevant Board resolution(s) for reasons of their directorship or senior management roles in Capital Group, to the best knowledge of the Company having made all reasonable enquiries, none of the other Directors is required to abstain from voting on the relevant Board resolution(s).

Internal control measures

The Company has adopted internal control measures to ensure that the continuing connected transactions contemplated under the 2020 Asset Management Agreement are in accordance with the investment policies and the terms and conditions contained therein, and that the terms and conditions of the 2020 Asset Management Agreement are on normal or better commercial terms and terms no less favourable than those terms offered to the Group by independent third parties for similar services, the details of which are as follows:

- (a) the management of the Company will closely monitor the provision of asset management and investment services under the 2020 Asset Management Agreement to ensure compliance with the investment policies and terms and conditions therein, including but not limited to reviewing the daily report of the net asset value of the Entrusted Assets (which includes the full list of investment products in the portfolio with corresponding quantities, costs and the then market value of the investment products) prepared by Capital Securities, which enables the management of the Company to closely monitor the performance of investment of the Entrusted Assets and ensure compliance with the investment policies under the 2020 Asset Management Agreement;
- (b) the management of the Company will report the performance of investment of the Entrusted Assets and whether Capital Securities has complied with the investment policies and the terms and conditions under the 2020 Asset Management Agreement to the Board regularly;
- (c) the independent non-executive Directors will conduct annual review of the 2020 Asset Management Agreement to ensure the terms and conditions contained therein and the transactions contemplated thereunder are entered into by the Company in the ordinary and usual course of business, on normal commercial terms or better and are fair and reasonable and in the interests of the Company and Shareholders as a whole;
- (d) the Company will engage external auditors to conduct annual review of the 2020 Asset Management Agreement in accordance with the Listing Rules; and
- (e) the Board will oversee the Company's internal control measures in relation to the 2020 Asset Management Agreement on an ongoing basis.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Capital Securities is a subsidiary of Capital Group, the controlling shareholder of the Company, and therefore is a connected person of the Company pursuant to the Listing Rules. Accordingly the Transaction constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Entrusting the Entrusted Assets to Capital Securities for asset management and investment purposes pursuant to the 2020 Asset Management Agreement constitutes a financial assistance provided by the Company to Capital Securities, and falls within the ambit of Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) are more than 5% but are all less than 25%, the Transaction, apart from being subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, also constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION ON THE PARTIES

The Company

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 of residential properties development, outlets, urban core integrated complex and primary land development, complemented by innovative business areas such as high-tech industrial property developments, cultural and creative industrial property developments and rental housing.

Capital Securities

Capital Securities is a company established in the PRC with limited liability and a subsidiary of Capital Group, and is primarily engaged in the businesses of securities broking, investment banking and investment management. Since the establishment of its asset management business in 2011, the asset management business of Capital Securities rapidly developed and the portfolio under its management for 2017, 2018 and 2019 was approximately RMB15,124 million, RMB22,737 million and RMB47,841 million, respectively. Further, Capital Securities has obtained the license for securities and futures dealing, investment and management issued by the China Securities Regulatory Commission (中國證券監督委員會) in the PRC, enhancing the scope of business and products offered to its customers.

The Custodian Bank

The Custodian Bank is a company incorporated in the PRC with limited liability. It is principally engaged in the provision of banking and related financial services, with principal businesses in the areas of corporate banking, retail banking and treasury operations. Its treasury operations include, among others, interbank money market transactions, foreign exchange trading and government and bond trading and investment. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Custodian Bank and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

LETTER FROM THE BOARD

EGM

A notice convening the EGM to be held at 9:00 a.m. on Tuesday, 21 July 2020 at F17, Red Goldage, No. 2, Guang Ning Bo Street, Beijing, PRC, is set out on pages EGM-1 to EGM-2 of this circular. The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps. The voting at the EGM will be conducted by way of poll. The 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps will be proposed by way of ordinary resolution at the EGM to be approved by the Independent Shareholders.

As at the Latest Practicable Date, Capital Group is interested in 2,473,808,550 shares representing approximately 56.70% of the total issued share capital of the Company), China Resource Products Limited is interested in 357,998,300 shares (representing approximately 8.21% of the total issued share capital of the Company, including 82,762,100 shares indirectly held through Yieldwell International Enterprise Limited) and Yieldwell International Enterprise Limited is interested in 82,762,100 shares (representing approximately 1.90% of the total issued share capital of the Company). Capital Group (the controlling shareholder of the Company), together with China Resource Products Limited and Yieldwell International Enterprise Limited (both being associates of Capital Group by virtue of Capital Group's 31.53% indirect interests in them respectively), and any Shareholder who has a material interest in the 2020 Asset Management Agreement and the transactions contemplated thereunder will abstain from voting on the relevant resolutions to be proposed at the EGM for approving the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps. Save for Capital Group, China Resource Products Limited and Yieldwell International Enterprise Limited, to the best knowledge of the Company having made all reasonable enquiries, none of the other Shareholders are required to abstain from voting on the resolutions proposed at the EGM.

The proxy form for use at the EGM is also enclosed herein. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible, but in any event no later than 24 hours before the respective time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meetings thereof should you so desire and in such event, the relevant form(s) of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 16 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 17 to 37 of this circular, consider that the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps 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 resolution to be proposed at the EGM to approve the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

The Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) consider that the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

FURTHER INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

3 July 2020

To the Independent Shareholders,

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION
IN RELATION TO
THE 2020 ASSET MANAGEMENT AGREEMENT
AND
(2) NOTICE OF EGM**

We refer to the circular dated 3 July 2020 issued by the Company, of which this letter forms part thereof (the “**Circular**”). Unless otherwise specified, capitalised terms defined in the Circular shall have the same meanings when used herein.

The Independent Board Committee has been formed to advise you in relation to the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps, details of which are set out in the section headed “Letter from the Board” contained in the Circular. Nuada Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The text of the letter of advice from the Independent Financial Adviser containing its recommendations and the principal factors it has taken into account in arriving at its recommendations are set out on pages 17 to 37 of the Circular.

Having considered the terms and conditions of the 2020 Asset Management Agreement, as well as the advice and recommendations of the Independent Financial Adviser set out in its letter of advice, we consider that the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. On the basis above, we recommend the Independent Shareholders to vote in favour of the resolution approving the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps at the EGM.

Yours faithfully,
For and on behalf of
**the Independent Board Committee of
Beijing Capital Land Ltd.**
Li Wang Wong Yik Chung, John Liu Xin
Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Nuada Limited to the Independent Board Committee and the Independent Shareholders dated 3 July 2020 in relation to the Transaction which has been prepared for the purpose of inclusion in this circular.

Nuada Limited

Unit 1606, 16/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
協成行上環中心16樓1606室

3 July 2020

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

Dear Sirs,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Transaction, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 3 July 2020 issued by the Company to the Shareholders (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 (i) the announcements dated 10 February 2017 and 20 February 2017 respectively and (ii) the circular dated 4 May 2017 of the Company in relation to the 2017 Asset Management Agreement, pursuant to which Capital Securities shall provide asset management and investment services to the Company. The 2017 Asset Management Agreement was expired on 15 February 2020.

On 22 May 2020, the Company, Capital Securities and the Custodian Bank entered into the 2020 Asset Management Agreement, pursuant to which Capital Securities shall, subject to Independent Shareholders’ approval at the EGM and among others, provide asset management and investment services in respect of the Entrusted Assets of not more than RMB1,600,000,000 of the Company for a term of three years commencing from the Initial Date.

As at the date of the Announcement and the Latest Practicable Date, Capital Securities is a subsidiary of Capital Group, the controlling shareholder of the Company, and therefore is a connected person of the Company pursuant to the Listing Rules. Accordingly the Transaction constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratios (as defined in the Listing Rules) are more than 5% but are all less than 25%, the Transaction, apart from being subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, also constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders on the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps. In this regard, we, Nuada Limited, have been appointed by the Independent Board Committee as the Independent Financial Adviser to give our independent opinion to the Independent Board Committee and the Independent Shareholders on the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Transaction, there were no other engagements between the Group and Nuada Limited. Apart from normal professional fees for our services to the Company in connection this appointment as the Independent Financial Adviser, no other arrangement exists whereby we will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we are independent from, and are not associated with the Company or their respective substantial shareholder(s) or connected person(s) as defined under the Listing Rules, and accordingly are considered eligible to give independent advice on the Transaction. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in this circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information and representations provided by the Directors and the Management, for which they are solely responsible, are true and accurate in all material respects at the time when they were provided and continue to be so as at the Latest Practicable Date and the Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in this circular and have confirmed in this circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our review and analysis were based upon, among other things, (i) the information provided by the Company including the 2020 Asset Management Agreement, correspondence between the Company and financial institutions, historical figures regarding the 2017 Asset Management Agreement, and confirmation letters from the auditors of the Company regarding the continuing connected transactions of the Company for the three years ended 31 December 2017, 2018 and 2019; (ii) the Announcement; (iii) this circular; and (iv) the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019 respectively.

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 sought and received confirmation from the Management that no material facts have been omitted from the information supplied and opinions express to us and we are not aware of any information provided by the Management that should not be relied on. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and Management. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in respect of the Transaction, we have taken into consideration the following principal factors and reasons:

I. Background information

1. *Background of the Group*

As stated in the Board Letter, 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), and is a leading large integrated real estate developer in the PRC, focusing primarily on developing the four main business streams of residential properties, integrated outlets, urban core integrated complexes and primary land development, complemented by innovative business areas such as high-tech industry properties, cultural and creative industry and rental housing.

2. *Financial information on the Group*

Set out below are the summaries of (i) the consolidated income statement of the Group for the two financial years ended 31 December 2018 (“**FY2018**”) and 31 December 2019 (“**FY2019**”); (ii) the consolidated balance sheet of the Group as at 31 December 2018 and 31 December 2019; and (iii) the consolidated cash flow statement of the Group for FY2018 and FY2019 as extracted from the annual report of the Company for FY2019 (the “**Annual Report**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 1: Summary of the consolidated income statement

	For the year ended	
	31 December	
	2018	2019
	<i>RMB' million</i>	<i>RMB' million</i>
Revenue	23,257	20,786
Net profit attributable to owners of the Company	1,923	2,123

Table 2: Summary of the consolidated balance sheet

	As at 31 December	
	2018	2019
	<i>RMB' million</i>	<i>RMB' million</i>
Cash at bank and on hand	22,527	27,035
Less: restricted bank deposits	(721)	(1,165)
restricted other cash balances	(57)	(79)
Cash and cash equivalent	21,748	25,791
Current assets	137,512	155,378
Net current assets	73,734	86,115
Net assets	38,201	42,041

Table 3: Summary of the consolidated cash flow statement

	For the year ended	
	31 December	
	2018	2019
	<i>RMB' million</i>	<i>RMB' million</i>
Net cash flows generated from/(used in) operating activities	(6,095)	246
Net cash flow (used in)/generated from investing activities	(11,722)	(3,382)
Net cash flows generated from/(used in) financing activities	21,544	7,064
Effect of foreign exchange rate changes on cash	(29)	115
Net increase in cash and cash equivalent	<u>3,698</u>	<u>4,043</u>
Cash and cash equivalent at end of year	<u><u>21,748</u></u>	<u><u>25,791</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For FY2019, the Group's revenue totalled approximately RMB20.8 billion, representing a decrease of approximately 10.7% as compared with that of approximately RMB23.3 billion for FY2018. According to the Annual Report, such decrease was mainly due to decrease in revenue derived from sales of property development during FY2019. Nevertheless, as stated in the Annual Report and according to the Management, the Group achieved higher gross profit margin in property development and sale business. As such, net profit attributable to owners of the Company totalled approximately RMB2.1 billion for FY2019, representing an increase of approximately 10.5% compared with that of approximately RMB1.9 billion for FY2018.

Regarding the financial position of the Group, we note that the Group had cash at bank and on hand of approximately RMB27.0 billion as at 31 December 2019, as compared with that of approximately RMB22.5 billion as at 31 December 2018. Similarly, the current assets and net current assets of the Group increased from approximately RMB137.5 billion and RMB73.7 billion respectively as at 31 December 2018, to approximately RMB155.4 billion and RMB86.1 billion respectively as at 31 December 2019. According to the Annual Report, current assets of the Group mainly consisted of (i) inventories (mainly comprises properties under development and properties held for sale); (ii) other receivables (mainly comprises receivables due from related parties and from joint bidding and consideration receivables from disposal of equity and claims for debts); and (iii) cash at bank and on hand. Overall, the Group has net assets of approximately RMB42.0 billion as at 31 December 2019, as compared with that of approximately RMB38.2 billion as at 31 December 2018.

According to the consolidated cash flow statement of the Group, the Group had net increase in cash and cash equivalent of approximately RMB3.7 billion and RMB4.0 billion for FY2018 and FY2019 respectively.

3. Background of the counterparties

Capital Securities

As stated in the Board Letter and according to the Management, Capital Securities is a company established in the PRC with limited liability and a subsidiary of Capital Group, and is primarily engaged in the businesses of securities broking, investment banking and investment management. Since the establishment of its asset management business in 2011, the asset management business of Capital Securities rapidly developed and the portfolio under its management for 2017, 2018 and 2019 was approximately RMB15,124 million, RMB22,737 million and RMB47,841 million, respectively. Further, Capital Securities has obtained the license for securities and futures dealing, investment and management issued by the China Securities Regulatory Commission (中國證券監督委員會) ("CSRS") in the PRC, enhancing the scope of business and products offered to its customers. We have searched on the website of the CSRC and found that Capital Securities is indeed licensed by CSRS.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Custodian Bank

As stated in the Board Letter, the Custodian Bank is a company incorporated in the PRC with limited liability. It is principally engaged in the provision of banking and related financial services, with principal businesses in the areas of corporate banking, retail banking and treasury operations. Its treasury operations include, among others, interbank money market transactions, foreign exchange trading and government and bond trading and investment. As stated in the Board Letter and according to the Management, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Custodian Bank and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

II. Reasons for and benefits of the 2020 Asset Management Agreement

As discussed with the Management, we understand that the Company considered that the 2017 Asset Management Agreement helped manage its idle cash effectively and intended to continue to engage an asset management firm and a custodian bank for similar service. For price comparison, in addition to the terms offered by Capital Securities and the Custodian Bank, the Company also asked for and obtained quotations from six financial institutions in the PRC, which are third parties independent of the Company and its connected persons, related to asset management services (the “**Comparable Securities Firms**”) and six banks in the PRC, which are third parties independent of the Company and its connected persons, related to asset custody services (the “**Comparable Banks**”). Having compared the terms, the Company decided to enter into the 2020 Asset Management Agreement with Capital Securities and the Custodian Bank. In this regard, please refer to our analysis on the terms as detailed in the sub-section headed “7. Charges” under the section headed “III. Terms of the 2020 Asset Management Agreement” below and our review of the selection criteria of the Comparable Securities Firms and Comparable Banks as detailed in the section headed “IV. Internal control” below.

Taking into account (i) the satisfying financial performance, strong financial position and positive cash flow of the Group for the recent financial year as detailed the sub-section headed “2. Financial information on the Group” under the section headed “I. Background information” above, in particular that the Group has cash at bank and on hand of approximately RMB27,035 million as at 31 December 2019 as compared with the maximum daily balance of the Entrusted Assets of RMB1,600 million under the Proposed Annual Caps; and (ii) the investment return under the 2017 Asset Management Agreement as detailed in the sub-section headed “9. Proposed Annual Caps” under the section headed “III. Terms of the 2020 Asset Management Agreement” below, as compared with the amount of return that could otherwise be obtained by other means of dealing with the Entrusted Assets (such as maintaining deposits with banks in the PRC with an interest rate in the range of 1.15% to 1.725%), we are of the view and concur with the Management that the entering into of the 2020 Asset Management Agreement can help manage the Company’s idle cash effectively by reducing opportunity cost of holding an excessive amount of cash and cash equivalents and increasing returns without affecting the Company’s operating cash flow.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

III. Terms of the 2020 Asset Management Agreement

The terms of the 2020 Asset Management Agreement are set out in the Board Letter, from which we extract and reproduce the principal terms as follows:

1. *Parties*

- (a) the Company;
- (b) Capital Securities (as manager); and
- (c) the Custodian Bank (as custodian).

2. *Service Period*

Three years commencing from the Initial Date, and is renewable upon the consent of all contractual parties.

We note that the service period of three years commencing from the Initial Date complies with Rule 14A.52 which states that for continuing connect transaction, period for the agreement must not exceed three years except in special circumstances where the nature of the transaction requires a longer period.

3. *The Entrusted Assets*

The amount of the Entrusted Assets shall not be more than RMB1,600,000,000.

According to the Annual Report and as stated in the sub-section headed “2. Financial information on the Group” under the section headed “I. Background Information” above, the Group has cash at bank and on hand of approximately RMB27,035 million as at 31 December 2019 and a positive cash flow of RMB4.0 million for FY2019. Having considered the satisfying financial performance, strong financial position and positive cash flow of the Group for the recent financial year, in particular that the maximum amount of the Entrusted Assets represents approximately 5.92% of the existing cash reserve of the Group as at 31 December 2019, we are of the view that the investing in the Entrusted Assets will not have material adverse impact on the cash flow and financial position of the Group. Meanwhile, we have discussed with the Management and were advised that there is no requirement on the minimum amount of the Entrusted Assets and the Company has the right to unilaterally terminate the 2020 Asset Management Agreement, which provides flexibility to the Company in determining an appropriate amount of the Entrusted Assets based on its then financial situation and liquidity level from time to time. Therefore, we are of the view that the amount of the Entrusted Assets is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. *Asset Management and Investment Services*

Capital Securities shall provide asset management and investment services in respect of the Entrusted Assets in accordance with the agreed investment scope and investment ratio. The investment scope comprises cash type products and fixed income type products such as bank deposits, money market funds, bonds, notes and asset-backed securities etc. Unless otherwise agreed by the Company, the investment ratio of fixed income products shall not be less than 80% of the total asset value and in any event shall not be lower than 80% for consecutive six months.

We have discussed with the Management and understand that the Company has adopted short-term investment policy to better manage its cash on hand. We have reviewed such policy and summarized its principal terms as follows:

Principles of short-term investment policy

- (a) Legality: fund management should be of legality, in compliance with the relevant laws, regulations and internal policies, and strictly under the authorized area;
- (b) Prudency: fund management should be comprehensively planned and solidly managed, with no impact on fund requirements during normal business;
- (c) Security: investment products should meet the security requirement of the Company and exclude high-risk products; speculation is forbidden;
- (d) Liquidity: fund should be invested in products with high liquidity; products which have too long terms or are difficult to sell are forbidden, and fund should be increased or redeemed at any time; and
- (e) Profitability: fund should maintain low risk and high liquidity; aim for security, sustainability and return which is higher than opportunity cost and to maximise benefit.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Management requirements of short-term investment policy
- (a) Maximum amount: in deciding the maximum amount for investment, the Company's recent fund budget, bank reserve and other factors should be taken into account, with an aim of not affecting the Company's normal cash flow;
 - (b) Investment period: in deciding the investment period the Company's future cash requirement and expected return should be taken into account;
 - (c) Cooperated institutions: in deciding the institutions for cooperation, their qualification and creditability should be assessed, and select based on a preference to financial institutions with strategic cooperative relationship and good-reputation; and
 - (d) Investment products: investment products may include cash products (such as bank deposits and short-term government bonds), fixed income products (such as bonds and asset-backed securities) and other products acceptable to the Company.

We note that the investment scope of the 2020 Asset Management Agreement is in line with the requirements set out by the Company's short-term investment policy.

5. Restrictions on investment activities

The investment of the Entrusted Assets, apart from the investment scope and investment ratio as stated above, is subject to, among others, the following restrictions:

- (a) credit rating of each short-term bond to be purchased shall be A-1 or above;
- (b) credit rating of each corporate bond and/or medium-term note to be purchased shall be AA or above; and
- (c) the investment activities carried out by Capital Securities shall comply with all applicable securities laws and regulations.

According to the Management, the above credit rating shall be awarded by credit rating agencies which are approved by the People's Bank of China* (中國人民銀行) to provide credit rating services in accordance with the "Specification for Credit Rating in the Credit Market and Inter-Bank Market"* (《信貸市場和銀行間債券市場信用評級規範》) (the "**PBC Specification**") issued by the People's Bank of China. We have reviewed the PBC Specification and noted that short-term bonds rated A-1 (which is the first level out of six levels) in the scale have the highest ability to repay debt, while corporate bond and medium-term note classified as "AA" grade (which is the second level out of nine levels in the scale) generally (i) have very strong ability to pay off the debt; (ii) are unlikely to be affected by the adverse economic environment; and (iii) have very low default risk. Based on the above, we are of the view that the restrictions on the investment products and the investment policy of the Entrusted Assets is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Management, the Company will receive daily report of the net asset value of the Entrusted Assets (which include the full list of investment products in the portfolio) prepared by Capital Securities. As discussed with Management and according to the terms of the 2020 Asset Management Agreement, we understand that these daily reports will be reviewed by the Custodian Bank to ensure that the investment products in the portfolio fulfils the investment restrictions as detailed above and the amount of net asset value of the Entrusted Assets are accurate. These daily reports will enable the Management to monitor whether the investment policy is complied with and assess the performance and the then market value of the Entrusted Assets in case of redemption. Having also considered that the investment scope comprise cash type products and fixed income type products, which are generally liquid in nature, in the event that the Group is in an urgent requirement of cash, the Entrusted Assets can be rapidly redeemed at their then market value. We have also reviewed sample daily reports of net asset value of the entrusted assets during the terms of the 2017 Asset Management Agreement, under which the Custodian Bank also provided asset custody services, and notice that the reports indeed included a list of investment products in the portfolio and corresponding quantities, costs and then market values, which enabled the Management to monitor the performance of the Entrusted Assets and compliance with the investment policy.

In view of the investment scope under the 2020 Asset Management Agreement and the availability of daily reports on net asset value for assessing the performance and the then market value in case of redemption, we consider that investing in the Entrusted Assets provide flexibility for the Company to generate returns by investing its idle cash with a low financial risk level.

6. *Asset Custody Services*

The Company will deposit the Entrusted Assets in a designated custodian account in the Custodian Bank, and the Custodian Bank shall provide asset custody services to the Company and Capital Securities in respect of the Entrusted Assets and arrange payment in accordance with the agreed terms and conditions.

7. *Charges*

Subject to the Proposed Annual Caps, the Company will pay the following charges:

(i) *To the Custodian Bank:*

The Custodian Bank will charge a custodian fee, which is accrued daily and is payable on a quarterly basis, in respect of the Entrusted Assets calculated based on 0.03% per annum of the net asset value of the Entrusted Assets on the day prior to the payment of the custodian fee.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Management, the Custodian Bank, a third party independent from the Company and its connected persons, normally charges a fee based on the net asset value of entrusted assets for similar asset custody services. As discussed with Management, before entering into the 2020 Asset Management Agreement, the Company asked a total of seven financial institutions (i.e. the Custodian Bank and the six Comparable Banks), all of which are banks in the PRC for quotations for same asset custody services. We are advised that to the best of the Director's knowledge, information and belief, the Comparable Banks are third parties independent of the Company and its connected persons.

We have enquired into the terms of custodian fee offered by the Comparable Banks to the Company and have reviewed the correspondence between the Company and the Comparable Banks. Based on the correspondence, we noted that the quotations are indeed obtained prior to entering into of the 2020 Asset Management Agreement, and that the quotations for the custodian fee proposed to be charged by the Comparable Banks ranged from 0.04% to 0.05% per annum, all of which are higher than the custodian fee of 0.03% per annum to be charged by the Custodian Bank. Based on the above, we are of the view and concur with the Management that the custodian fee to be charged by the Custodian Bank is fair and reasonable.

(ii) To Capital Securities:

- (a) Management Fee: 0.2% per annum of the net asset value of the Entrusted Assets on the day prior to the payment of the Management Fee, which is accrued daily and is payable on a quarterly basis; and
- (b) Performance Fee: if the annual aggregate amount of the investment return(s) exceeds the annual benchmark return of 3.8% of the net asset value of the Entrusted Assets, then 30% of the excess portion will be payable by the Company (i) on the date of application of withdrawal of the Entrusted Assets by the Company; (ii) on the half-yearly date of distribution of investment return(s); or (iii) upon the termination of the 2020 Asset Management Agreement. If the investment return is below or equal to the benchmark return of 3.8% in a year or period, the Company is not required to pay any Performance Fee for that year or period.

As discussed with the Management, we understand that the structure of the fee payables to Capital Securities under the 2020 Asset Management Agreement (including both the Management Fee and the Performance fee) are similar to (i) those terms currently offered by Capital Securities to its other clients; and (ii) those terms proposed by financial institutions which are independent third parties to the Company (i.e. the Comparable Securities Firms) for similar asset management services. In this regards, we obtained from the Management (i) information related to asset management services currently provided by Capital Securities to its other clients; and (ii) relevant correspondence between the Company and different financial institutions, i.e. the Comparable Securities Firms, to review the terms offered by (i) Capital Securities to its other clients; and (ii) the Comparable Securities Firms to the Company. The table below summarises the relevant terms:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 4: Summary of the terms offered by Capital Securities to its other clients and by the Comparable Securities Firms to the Company

Terms offered by Capital Securities to	Management fee (% per annum)	Annual benchmark return (% per annum)	Rate of excess portion on the annual aggregate amount of investment return(s) exceeding the annual benchmark return (%)
Capital Group	0.2	3.8	30
Firm A	0.2	3.8	30
Firm B	0.2	3.8	30
Most favourable terms offered by Capital Securities to its other clients	<u>0.2</u>	<u>3.8</u>	<u>30</u>
Terms offered to the Company by the Comparable Securities Firms			
Firm C	0.3	3.6	30
Firm D	0.3	3.5	30
Firm E	0.4	3.4	50
Firm F	0.3	3.5	40
Firm G	0.3	3.4	50
Firm H	0.5	3.3	40
Most favourable terms offered to the Company by the Comparable Securities Firms	<u>0.3</u>	<u>3.6</u>	<u>30</u>
Terms under the 2020 Asset Management Agreement	<u><u>0.2</u></u>	<u><u>3.8</u></u>	<u><u>30</u></u>

As discussed with the Management, according to the information provided by Capital Securities, Capital Securities currently provides similar asset management services only to three clients other than the Company, namely Capital Group, Firm A and Firm B. The terms offered by Capital Securities to Capital Group, Firm A and Firm B listed in the table above are based on the relevant current asset management agreements between Capital Securities and the respective clients. To the best of the Director's knowledge, information and belief, Firm A and Firm B are third parties independent of the Company and its connected persons.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are also advised that, to the best of the Director's knowledge, information and belief, the six Comparable Securities Firms which are financial institutions in the PRC, namely Firm C to Firm H, are third parties independent of the Company and its connected persons. The terms proposed by the Comparable Securities Firms stated in the table above are quotations obtained by the Company according to all relevant correspondence provided by the Management and reviewed by us.

Based on the table above, we have the following observations:

- (a) although there is no fixed management fee under the 2017 Asset Management Agreement, all the terms related to Management Fee and the Performance Fee (including the annual benchmark return and rate of excess portion on the annual aggregate amount of investment return(s) exceeding the annual benchmark return) offered by Capital Securities to the Company under the 2020 Asset Management Agreement are the same as those currently offered by Capital Securities to its other clients (including independent third parties);
- (b) all the Comparable Securities Firms would also charge the Company management fee and the management fee offered by Capital Securities to the Company under the 2020 Asset Management Agreement (i.e. 0.2% per annum) is lower than those proposed by the Comparable Securities Firms to the Company (ranging from 0.3% to 0.5% per annum);
- (c) the annual benchmark return offered by Capital Securities to the Company under the 2020 Asset Management Agreement (i.e. 3.8% per annum) is higher than those proposed by the Comparable Securities Firms to the Company (ranging from 3.3% to 3.6% per annum), which would lead to a lower performance fee given the same investment return;
- (d) the rate of excess portion on the annual aggregate amount of investment return(s) exceeding the annual benchmark return offered by Capital Securities to the Company under the 2020 Asset Management Agreement (i.e. 30%) is the same or lower than those proposed by the Comparable Securities Firms to the Company (ranging from 30% to 50% per annum), which would lead to the same or a lower performance fee given the same investment return;

In other words, all the terms related to fees offered by Capital Securities to the Company under the 2020 Asset Management Agreement are (i) no less favourable to the Company than terms available from Capital Securities to independent third parties; and (ii) no less favourable to the Company than terms available from independent third parties.

Based on the above, we are of the view and concur with the view of the Management that the Management Fee and the Performance Fee (including the annual benchmark return and the rate of excess portion on the annual aggregate amount of investment return(s) exceeding the annual benchmark) is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) Our view on the fees

Having taking into account that:

- (a) the custodian fee of 0.03% per annum to be charged by the Custodian Bank is lower than quotations for the custodian fee proposed to be charged by the Comparable Banks ranging from 0.04% to 0.05% per annum;
- (b) the management fee offered by Capital Securities to the Company under the 2020 Asset Management Agreement (i.e. 0.2% per annum) is lower than those proposed by the Comparable Securities Firms to the Company (ranging from 0.3% to 0.5% per annum);
- (c) the annual benchmark return offered by Capital Securities to the Company under the 2020 Asset Management Agreement (i.e. 3.8% per annum) is higher than those proposed by the Comparable Securities Firms to the Company (ranging from 3.3% to 3.6% per annum);
- (d) the rate of excess portion on the annual aggregate amount of investment return(s) exceeding the annual benchmark return offered by Capital Securities to the Company under the 2020 Asset Management Agreement (i.e. 30%) is the same or lower than those proposed by the Comparable Securities Firms to the Company (ranging from 30% to 50% per annum);
- (e) the Management Fee and the Performance Fee (including the annual benchmark return and rate of excess portion on the annual aggregate amount of investment return(s) exceeding the annual benchmark return) offered by Capital Securities to the Company under the 2020 Asset Management Agreement are the same as those offered by Capital Securities to its other clients (including independent third parties); and
- (f) the Performance Fee can provide incentives to Capital Securities to better manage the Entrusted Assets,

we are of the view and concur with the view of the Management that the charges of the Custodian fee, the Management Fee and the Performance Fee (including the annual benchmark return and rate of excess portion on the annual aggregate amount of investment return(s) exceeding the annual benchmark return) are (i) fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) no less favourable to the Company than those available from independent third parties and those available from Capital Securities to independent third parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

8. Termination

The 2020 Asset Management Agreement shall be terminated under several circumstances as detailed in the section headed “The 2020 Asset Management Agreement” in the Letter from the Board, and in particular the Company has the rights of unilateral termination.

Upon termination of the 2020 Asset Management Agreement, the Entrusted Assets in all investment accounts shall be calculated by a team comprising members from Capital Securities (as manager) and the Custodian Bank. After deduction of the Calculation Fee, relevant tax payable and all liabilities in relation to the investment activities of the Entrusted Assets (i.e. fees to be accrued during the term of the 2020 Asset Management Agreement, such as the Management Fee, Performance Fee (if any), custodian fee and transaction fee), the remaining assets in all investment accounts shall be distributed to the Company. If the asset portfolio still has any non-cash assets, upon authorisation by the Company, such non-cash assets shall be realised as cash at market value or the custody of which shall be transferred to other financial institution(s) (as custodian) as specified by the Company for asset management purpose. No cap of the Calculation Fee has been stated in the 2020 Asset Management Agreement. The Company, however, after making reasonable enquiry with Capital Securities, is given to understand that the expected Calculation Fee shall not exceed approximately RMB100,000.

9. Proposed Annual Caps

The maximum daily balance managed by Capital Securities pursuant to the 2020 Asset Management Agreement (including any accrued investment returns), being the annual caps for the Entrusted Assets, and the annual caps for the Management Fee and Performance Fee payable by the Company to Capital Securities are as follows:

Table 4: Summary of the Proposed Annual Caps

	From 22 May 2020 to 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
Maximum daily balance of the Entrusted Assets	RMB1,600,000,000	RMB1,600,000,000	RMB1,600,000,000
Maximum Management Fee	RMB3,200,000	RMB3,200,000	RMB3,200,000
Maximum Performance Fee	RMB15,360,000	RMB15,360,000	RMB15,360,000

The maximum daily balance of the Entrusted Assets is RMB1,600,000,000 throughout the terms of the 2020 Asset Management Agreement. Please refer to the sub-section headed “3. The Entrusted Assets” under this section above for our analysis and view on the maximum amount of Entrusted Assets based on, among other factors, the cash at bank and on hand and cash flow of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand from the Company that the calculation of the maximum Management Fee and maximum Performance Fee in the Proposed Annual Caps for each year is based on the formula below (assuming the investment return of the Entrusted Assets reached 7% for the period):

$$\text{Maximum Management Fee} = \text{RMB1,600,000,000} \times 0.2\%$$

$$\text{Maximum Performance Fee} = \text{RMB1,600,000,000} \times (7\% - 3.8\%) \times 30\%$$

As disclosed in the Board Letter, in determining the Proposed Annual Caps, the Company has taken into account the following factors: (a) the historical amounts of the entrusted assets, rate of investment return and performance fee charged by Capital Securities, including the utilisation rates of each of the maximum daily balance of the entrusted assets and the performance fee and the deviation from the expected investment return rate (i.e. being no more than 10% annually under the 2017 Asset Management Agreement) during the term of the 2017 Asset Management Agreement; (b) the expected investment return of the Entrusted Assets, which is no more than 7% annually, is determined based on the actual annual investment return rate of approximately 5.95%, 5.27% and 5.12% during the term of the 2017 Asset Management Agreement plus a buffer for over-performance by Capital Securities under the 2020 Asset Management Agreement; (c) the projected investment return of the Entrusted Assets under the 2020 Asset Management Agreement is expected to be higher than the amount of return that could otherwise be obtained by other means of dealing with the Entrusted Assets (such as maintaining deposits with banks in the PRC with an interest rate in the range of 1.15% to 1.725%) and therefore is considered by the Company as an appropriate way to deal with its idle cash; (d) the amount of Management Fee and Performance Fee (including the benchmark of investment return of the Entrusted Assets) to Capital Securities compared with such fees that could otherwise be charged by other independent financial institutions in the PRC for asset management and investment services of similar nature and amount; (e) the rates used for calculation of management fee and performance fee for similar asset management and investment services offered by Capital Securities to independent third parties; and (f) the benefit to the Group and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To further assess the fairness and reasonableness of the Proposed Annual Caps, we have studied (i) the historical transaction amounts; and (ii) historical annual caps under the 2017 Asset Management Agreement as set out below:

	Historical transaction amounts and annual caps			
	From 20 February 2017 to 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019	From 1 January 2020 to 15 February 2020 (“Period Ended 2020”)
Maximum daily balance of the entrusted assets				
– Annual caps (RMB)	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
– Historical maximum daily balance (RMB)	1,940,000,000	1,584,398,527	1,832,503,725	67,125,919
– Utilisation rate (%)	97.0	79.2	91.6	3.4
Performance fee				
– Annual caps (RMB)	32,105,000	37,200,000	37,200,000	4,689,000
– Historical performance fee (RMB)	4,065,378	5,079,000	3,776,000	0
– Utilisation rate (%)	12.7	13.7	10.2	0

Based on the historical transaction amounts, we noted that apart from the Period Ended 2020, the maximum daily balance of the entrusted assets during the terms of 2017 Asset Management Agreement was close to the historical annual caps under the 2017 Asset Management Agreement, with utilisation rate of approximately 97.0%, 79.2% and 91.6% respectively. The rather low utilisation rate of approximately 3.4% for the Period Ended 2020 was due to withdrawal of the entrusted assets during December 2019 in view of the forthcoming expiry of the 2017 Asset Management Agreement.

Meanwhile, saved for the zero rate for the Period Ended 2020 for the same reason as above, the utilisation rate related to the historical annual caps for the performance fee ranged from approximately 10.2% to 13.7% during the terms of 2017 Asset Management Agreement. As discussed with the Management, we understand that the historical annual caps under the 2017 Asset Management Agreement were determined based on, among other factors, an expected annual investment return of 10% and the amount of entrusted assets. According to the information provided by the Management, during the terms of 2017 Asset Management Agreement, the actual annual investment return was approximately 5.95%, 5.27% and 5.12%

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respectively, while the weighted average of daily balance of the entrusted assets was approximately RMB630.3 million, RMB930.2 million and RMB1,127.8 million, representing approximately 32.5%, 58.7% and 61.5% of the historical annual caps, respectively. Given the formula for the performance fee (which is calculated based on, among others, the annual investment return in excess of 3.8% and the amount of entrusted assets), deviation from the expected investment return (which was 10% during the terms of 2017 Asset Management Agreement) and the maximum amount of entrusted assets would impact the amount of performance fee. Notwithstanding the above, we have discussed with the Management and noted that the expected annual investment return for the 2020 Asset Management Agreement has been adjusted downward to 7%, which we consider is closer to the historical annual investment return of not less than 5% with a buffer for over-performance.

Having considered (i) the strong financial position and positive cash flow of the Group as detailed in the sub-section headed “2. Financial information on the Group” under the section headed “I. Background information” above; and (ii) the fairness and reasonableness of the Management Fee and the Performance Fee as detailed in the sub-section headed “7. Charges” under this section above, we are of the view and concur with the view of the Management that the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

IV. Internal control

As stated in the Board Letter, the Company has adopted internal control measures to ensure that the continuing connected transactions contemplated under the 2020 Asset Management Agreement are in accordance with the investment policies and the terms and conditions contained therein, and that the terms and conditions of the 2020 Asset Management Agreement are on normal or better commercial terms and terms no less favourable than those terms offered to the Group by independent third parties for similar services, the details of which are as follows:

- (a) the management of the Company will closely monitor the provision of asset management and investment services under the 2020 Asset Management Agreement to ensure compliance with the investment policies and terms and conditions therein, including but not limited to reviewing the daily report of the net asset value of the Entrusted Assets (which includes the full list of investment products in the portfolio with corresponding quantities, costs and the then market value of the investment products) prepared by Capital Securities, which enables the management of the Company to closely monitor the performance of investment of the Entrusted Assets and ensure compliance with the investment policies under the 2020 Asset Management Agreement;
- (b) the management of the Company will report the performance of investment of the Entrusted Assets and whether Capital Securities has complied with the investment policies and the terms and conditions under the 2020 Asset Management Agreement to the Board regularly;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) the independent non-executive Directors will conduct annual review of the 2020 Asset Management Agreement to ensure the terms and conditions contained therein and the transactions contemplated thereunder are entered into by the Company in the ordinary and usual course of business, on normal commercial terms or better and are fair and reasonable and in the interests of the Company and Shareholders as a whole;
- (d) the Company will engage external auditors to conduct annual review of the 2020 Asset Management Agreement in accordance with the Listing Rules; and
- (e) the Board will oversee the Company's internal control measures in relation to the 2020 Asset Management Agreement on an ongoing basis.

As detailed in the sub-sections headed "7. Charges" under the section headed "III. Terms of the 2020 Asset Management Agreement" above, we noted that prior to entering into the 2020 Asset Management Agreement, as part of the internal control procedure, the Company also asked for quotations from the Comparable Securities Firms related to asset management services and from the Comparable Banks related to asset custody services for price comparison purpose.

We have enquired into the criteria in selection of the Comparable Securities Firms for quotations and understand from the Management that, the Comparable Securities Firms were selected based on the following criteria:

- (a) they must be financial institutions licensed by CSRS with C rating or above (i.e. they are classified as not having excessive potential risk);
- (b) they have asset management in their scope of business; and
- (c) they offered asset management plans which allow the Company to withdraw the entrusted assets in a flexible manner.

We understand that all of the Comparable Securities Firms and Capital Securities meet all the above criteria. Based on the above criteria, the Company approached six Comparable Securities Firms (out of a list of 129 similar securities firms) and obtained quotations from them. We performed independent search and noted that (i) those Comparable Securities Firms are licensed by CSRS with ratings from AA to CC according to the website of CSRS; (ii) their scope of business included asset management according to the National Enterprise Credit Information Publicity System* (全國企業信用評級資訊公示系統) operated by the State Administration for Industry and Commerce of the PRC* (國家工商行政管理總局); and (iii) according to the Company, the asset management plans offered by the Comparable Securities Firms allow the Company to withdraw the entrusted assets in a flexible manner.

Taking into account (i) the credibility of financial institutions with C rating or above; (ii) the importance of flexible withdrawal of the entrusted assets to the Company as a real estate developer as it needs to maintain positive cash flow to meet the funding requirements of its property development projects and land bidding from time to time; and (iii) our independent review as stated above, we consider that the above selection criteria would allow the Company to select Comparable Securities Firms similar to Capital Securities (which is rated BB by CSRS) and is appropriate.

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Meanwhile, we understand that the selection criteria of the Comparable Banks are that they (a) are licensed by China Banking and Insurance Regulatory Commission* (中國銀行保險監督管理委員會) (“CBIRC”) in the PRC; (b) have prior business relationship with the Company; and (c) can provide asset custody services. We understand that the Company approached not less than ten such banks but only six of them, i.e. the Comparable Banks, replied and provide quotations. We performed independent search and noted that indeed those Comparable Banks are licensed by CBRIC. Furthermore, based on the public information, we also note that the Comparable Banks are all listed on the Stock Exchange and/or the Shanghai Stock Exchange, i.e. the same as the Custodian Bank which is listed on the Stock Exchange and the Shanghai Stock Exchange. Based on the above, we considered that the above selection criteria would allow the Company to select Comparable Banks similar to the Custodian Bank and is appropriate.

In addition, as detailed in the paragraph headed “5. Restrictions on investment activities” under the section headed “III. Terms of the 2020 Asset Management Agreement” above, we have also reviewed sample daily reports of net asset value of the entrusted asset during the terms of the 2017 Asset Management Agreement, and notice that the reports include a list of investment products in the portfolio and corresponding quantities, costs and then market values, which enable the Management to monitor the performance of the Entrusted Assets and compliance with the investment policy.

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the continuing connected transactions (including but not limited to the transactions contemplated under the 2017 Asset Management Agreement) are subject to the following annual review requirements:

- (a) independent non-executive Directors must review the continuing connected transactions every year and confirm in the annual report whether the transactions have been entered into:
 - (1) in the ordinary and usual course of business of the Group;
 - (2) on normal commercial terms or better; and
 - (3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (b) the Company must engage its auditors to report on the continuing connected transactions every year. The auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
 - (1) have not been approved by the Board;
 - (2) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
 - (3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
 - (4) have exceeded the cap.

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As such, we have reviewed relevant information and noted that the independent non-executive Directors has provided confirmation regarding the continuing connected transactions of the Company under the terms of the 2017 Asset Management Agreement in the annual reports of the Company for the three years ended 31 December 2017, 2018 and 2019. We also reviewed the confirmation letters from the auditors of the Company regarding the continuing connected transactions of the Company for the three years ended 31 December 2017, 2018 and 2019 and are not aware of any anomalies. Based on the above, we noted that the continuing connected transactions of the Company under the terms of the 2017 Asset Management Agreement complied with requirement under Rules 14A.55 and 14A.56 of the Listing Rules. Accordingly, we consider that the Company has complied with Listing Rules to exercise internal control regarding continuing connected transactions of the Company.

Based on our review of the internal control measures above, as well as our analysis as detailed the sub-sections headed “7. Charges” and “9. Proposed Annual Caps” under the section headed “III. Terms of the 2020 Asset Management Agreement” above, we considers that there are adequate and enforceable internal control measures in place regarding the continuing connected transactions contemplated under the 2020 Asset Management Agreements.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the 2020 Asset Management Agreement is in the ordinary and usual course of business of the Group; and (ii) the 2020 Asset Management Agreement and its Annual Caps are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Nuada Limited
Kevin Wong
Vice President

Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 15 years of experience in corporate finance industry.

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 (i) 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 (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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, none of the Directors was a director or employee of a company which had or was deemed to have 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.
- (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 2019 (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	2,473,808,550 (Note 1)	Non-listed Shares	87.36% (long position)	-	87.36%	56.70% (long position)	-	56.70%
Beijing Rongtong Zhenghe Investment Management Co. Ltd.*	357,998,300 (Note 1 & 2)	Non-listed Shares	-	12.64% (long position)	12.64%	-	8.21% (long position)	8.21%
Guoda Limited	357,998,300 (Note 3)	Non-listed Shares	-	12.64% (long position)	12.64%	-	8.21% (long position)	8.21%
China Resource Products Limited	357,998,300 (Note 4)	Non-listed Shares	9.72% (long position)	2.92% (long position)	12.64%	6.31% (long position)	1.90% (long position)	8.21%
Yieldwell International Enterprise Limited	82,762,100	Non-listed Shares	2.92% (long position)	-	2.92%	1.90% (long position)	-	1.90%
Reco Pearl Private Limited	181,194,000	H Shares	11.83% (long position)	-	11.83%	4.15% (long position)	-	4.15%
Recosia China Pte Ltd	181,194,000 (Note 5)	H Shares	-	11.83% (long position)	11.83%	-	4.15% (long position)	4.15%
Recosia Pte Ltd.	181,194,000 (Note 6)	H Shares	-	11.83% (long position)	11.83%	-	4.15% (long position)	4.15%
GIC (Realty) Private Limited	181,194,000 (Note 7)	H Shares	-	11.83% (long position)	11.83%	-	4.15% (long position)	4.15%

Notes:

- 2,473,808,550 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.
- 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.
- 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. 181,194,000 Shares are deemed corporate interests pursuant to the SFO indirectly held through Reco Pearl Private Limited.
6. 181,194,000 Shares are deemed corporate interests pursuant to the SFO indirectly held through Reco Pearl Private Limited and Recosia China Pte Ltd.
7. 181,194,000 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 expert who has given opinions or advices for inclusion in this circular:

Name	Qualification
Nuada Limited	a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity

The letter, report and/or opinion from the above expert is given as of the date of this circular for incorporation in this circular. 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) 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 has 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 2019 (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 2019 (being the date to which the latest published audited financial statements of the Company were made up) and 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 interest 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 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 4 to 15 of this circular;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 16 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 17 to 37 of this circular;
- (d) the written consent referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix;
- (e) the 2017 Asset Management Agreement;
- (f) the 2020 Asset Management Agreement;
- (g) circular of the Company dated 4 May 2017 in relation to the 2017 Asset Management Agreement; and
- (h) this circular.

NOTICE OF EGM



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 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 Tuesday, 21 July 2020 at 9:00 a.m. at F17, 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 resolution. Capitalised terms defined in the circular dated 3 July 2020 issued by the Company (the “**Circular**”) shall have the same meanings when used herein unless otherwise specified:

ORDINARY RESOLUTION

“THAT

- (a) the 2020 Asset Management Agreement, the terms and conditions thereof and the transactions contemplated thereunder (including the Proposed Annual Caps) be and are hereby approved, confirmed and ratified; and
- (b) the executive Director and the president of the Company 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 2020 Asset Management Agreement and the 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.”

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

Hong Kong, 3 July 2020

NOTICE OF EGM

Notes:

1. Voting arrangements

As disclosed in the Circular, Capital Group, together with China Resource Products Limited and Yieldwell International Enterprise Limited, and any Shareholder who has a material interest in the 2020 Asset Management Agreement and the transactions contemplated thereunder, will abstain from voting on the resolutions to be proposed at the EGM for approving the 2020 Asset Management Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

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.

2. 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 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 1712-1716, 17th Floor, 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.

3. Miscellaneous

- i. The duration of the EGM is expected not to exceed half a day. The 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 3000
E-mail: 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.