

16 December 2024

To the Shareholders

Dear Sir or Madam,

**(1) CONDITIONAL PROPOSAL FOR THE PRIVATISATION OF
BEIJING CAPITAL GRAND LIMITED BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT)
AND
(2) PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF
BEIJING CAPITAL GRAND LIMITED**

INTRODUCTION

On 16 October 2024 (after trading hours), the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Stock Exchange.

In accordance with Rule 13 of the Takeovers Code, the Offeror is making the Perpetual CB Securities Offer to the Perpetual CB Securities Holder to acquire all the outstanding Perpetual CB Securities as at the Effective Date. The Perpetual CB Securities Offer will be conditional upon the Scheme becoming effective.

If the Scheme is approved and becomes effective and is implemented and the Perpetual CB Securities Offer is accepted by the Perpetual CB Securities Holder in full and becomes unconditional:

- (a) all the Scheme Shares held by the Scheme Shareholders will, on the Effective Date, be cancelled and extinguished in exchange for the payment of the Cancellation Price of HK\$0.85 per Scheme Share to each Scheme Shareholder by the Offeror;

- (b) contemporaneously with such cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be maintained at the amount prior to the cancellation and extinguishment of the Scheme Shares by applying the reserve created in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Offeror;
- (c) all the outstanding Perpetual CB Securities held by the Perpetual CB Securities Holder will be acquired fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Effective Date or subsequently becoming attached to them, including the right to receive in full all PCBS Fixed Interests (subject to the right of the Company to defer such payment in accordance with the terms of the Perpetual CB Securities) and/or PCBS Variable Interests, if any, the record date of which is on or after the Effective Date, pursuant to the terms and conditions of the Perpetual CB Securities Offer;
- (d) all the issued Shares and Perpetual CB Securities will be indirectly wholly-owned by Capital Group, the ultimate parent company of the Offeror; and
- (e) subject to the obtaining of the approval from the Stock Exchange for the withdrawal of listing of the Shares on the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules, the listing of the Shares will be withdrawn subject to and after the Scheme becomes effective.

No offer will be made by the Offeror for the outstanding Class A Convertible Preference Shares and Class B Convertible Preference Shares of the Company under Rule 14 of the Takeovers Code, as all of the issued Class A Convertible Preference Shares and the issued Class B Convertible Preference Shares are held by the Offeror as at the Announcement Date and the Latest Practicable Date.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and in particular the Scheme and the Perpetual CB Securities, and to give you notices of the Court Meeting and the EGM, together with the forms of proxy and the Form of Acceptance for the Perpetual CB Securities Offer in relation thereto. Your attention is also drawn to (i) the letter from the Independent Board Committee set out in Part V of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document; (iii) the Explanatory Memorandum set out in Part VII of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix IV of this Scheme Document.

TERMS OF THE PROPOSAL

The Scheme

Under the Proposal, upon the fulfilment or waiver (as applicable) of the Conditions and the Scheme becomes effective, all of the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK\$0.85 in cash for every Scheme Share cancelled to be paid by the Offeror.

The Cancellation Price and the offer price under the Perpetual CB Securities Offer will not be increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price or the offer price under the Perpetual CB Securities Offer.

Your attention is drawn to the section headed “2. Terms of the Proposal — The Scheme” in Part VII — Explanatory Memorandum of this Scheme Document.

If, after the Announcement Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror will reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital, in which case any reference in the Announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced (and the offer price of the Perpetual CB Securities Offer shall be reduced accordingly). As at the Latest Practicable Date, the Company has no declared but unpaid dividends and/or other distribution and/or other return of capital. In addition, the Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital before the Effective Date or the lapse, withdrawal or termination of the Scheme (whichever is earlier).

Settlement of the Cancellation Price to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

Comparison of Value

Your attention is drawn to the section headed “2. Terms of the Proposal — Comparison of Value” in Part VII — Explanatory Memorandum of this Scheme Document.

Highest and Lowest Prices

Your attention is drawn to the section headed “2. Terms of the Proposal — Highest and Lowest Prices” in Part VII — Explanatory Memorandum of this Scheme Document.

Perpetual CB Securities Offer

In accordance with Rule 13 of the Takeovers Code, the Offeror is making the Perpetual CB Securities Offer to the Perpetual CB Securities Holder to acquire all the outstanding Perpetual CB Securities as at the Effective Date. The Perpetual CB Securities Offer will be conditional upon the Scheme becoming effective.

Your attention is drawn to the section headed “2. Terms of the Proposal — The Perpetual CB Securities Offer” in Part VII — Explanatory Memorandum of this Scheme Document.

Settlement of the consideration to which the accepting Perpetual CB Securities Holder is entitled under the Perpetual CB Securities Offer will be implemented in full in accordance with the terms of the Perpetual CB Securities Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against the accepting Perpetual CB Securities Holder.

Total Consideration and Financial Resources

The Offeror has appointed CICC as its financial adviser in connection with the Proposal.

Your attention is drawn to the section headed “2. Terms of the Proposal — Total Consideration and Financial Resources” in Part VII — Explanatory Memorandum of this Scheme Document.

CONDITIONS OF THE PROPOSAL

The Proposal is conditional upon the fulfilment or waiver (as applicable) of the Conditions set out in the section headed “3. Conditions of the Proposal” in Part VII — Explanatory Memorandum of this Scheme Document.

When all of the Conditions are fulfilled or waived (as applicable), the Scheme will become effective and binding on the Offeror, the Company and all Scheme Shareholders regardless of how (or whether) they voted at the Court Meeting or EGM.

Warning: Shareholders, the Perpetual CB Securities Holder and/or potential investors should be aware that the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived, as applicable, and the Perpetual CB Securities Offer is conditional upon the Scheme becoming effective, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders, the Perpetual CB Securities Holder and/or potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

SHAREHOLDING STRUCTURE OF THE COMPANY

Your attention is drawn to the section headed “5. Shareholding Structure of the Company” in Part VII — Explanatory Memorandum of this Scheme Document.

UNICHOW IRREVOCABLE UNDERTAKING

Your attention is drawn to the section headed “4. Entering into of Unichow Irrevocable Undertaking” in Part VII — Explanatory Memorandum of this Scheme Document.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee which comprises all the non-executive Directors who have no direct or indirect interest in the Proposal other than as a Shareholder, namely Mr. Zhai Senlin, Mr. Yeung Chi Tat, Dr. Huang Wei and Mr. Xu Weiguo, has been established by the Board to make a recommendation, after taking into account the advice and recommendation from the Independent Financial Adviser (i) to the Disinterested Shareholders as to whether the Proposal and the Scheme are, or are not, fair and reasonable and as to voting at the Court Meeting and the EGM of the Company and (ii) to the Perpetual CB Securities Holder as to whether the Perpetual CB Securities Offer is, or is not, fair and reasonable and whether to accept the Perpetual CB Securities Offer. As each of Mr. Wang Hao and Ms. Qin Yi (each being a non-executive Director) holds certain positions in Capital Group and/or BCCDG (the parent companies of the Offeror), Mr. Wang Hao and Ms. Qin Yi do not form part of the Independent Board Committee.

The Board, with the approval of the Independent Board Committee, has appointed Rainbow Capital (HK) Limited as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Perpetual CB Securities Offer pursuant to Rule 2.1 of the Takeovers Code.

The Independent Financial Adviser has advised the Independent Board Committee that it considers that the terms of the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned, and the terms of the Perpetual CB Securities Offer are fair and reasonable so far as the Perpetual CB Securities Holder is concerned, and accordingly, it advises the Independent Board Committee to recommend the Disinterested Shareholders to vote in

favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme, and the Perpetual CB Securities Holder to accept the Perpetual CB Securities Offer.

The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

The Independent Board Committee, having been so advised, considers that the terms of the Proposal and the Scheme are fair and reasonable so far as the Disinterested Shareholders are concerned, and the terms of the Perpetual CB Securities Offer are fair and reasonable so far as the Perpetual CB Securities Holder is concerned. Accordingly, the Independent Board Committee recommends the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme, and the Perpetual CB Securities Holder to accept the Perpetual CB Securities Offer.

The full text of the letter from the Independent Board Committee in relation to its recommendations with respect to the Proposal, the Scheme and the Perpetual CB Securities Offer is set out in Part V of this Scheme Document.

REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the section headed “7. Reasons for and Benefits of the Proposal” in Part VII — Explanatory Memorandum of this Scheme Document.

THE OFFEROR’S INTENTIONS IN RELATION TO THE GROUP

Your attention is drawn to the section headed “8. The Offeror’s Intentions in relation to the Group” in Part VII — Explanatory Memorandum of this Scheme Document.

The Board is pleased to note the intention of the Offeror in relation to the Group as set out in the section headed “8. The Offeror’s Intentions in relation to the Group” in Part VII — Explanatory Memorandum of this Scheme Document.

INFORMATION ON THE COMPANY

Your attention is drawn to the section headed “9. Information on the Company” in Part VII — Explanatory Memorandum of this Scheme Document.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “10. Information on the Offeror” in Part VII — Explanatory Memorandum of this Scheme Document.

ACTIONS TO BE TAKEN

Your attention is drawn to the section headed “Actions to be Taken” set out in Part II of this Scheme Document.

THE COURT MEETING AND THE EGM

In accordance with the directions of the Grand Court, the Court Meeting will be held at 10:00 a.m. on Friday, 10 January 2025 at 7th Floor, West Zone Jing’an Centre, No. 8 North 3rd Ring East Road, Chaoyang District, Beijing, China. The EGM will be held at 10:45 a.m. (or, if later, as soon thereafter as the Court Meeting shall have concluded or been adjourned) on Friday, 10 January 2025 at 7th Floor, West Zone Jing’an Centre, No. 8 North 3rd Ring East Road, Chaoyang District, Beijing, China.

For the purpose of exercising your right to vote at the Court Meeting and/or the EGM, you are requested to read carefully the section headed “13. Court Meeting and EGM” in Part VII — Explanatory Memorandum of this Scheme Document, Part II — Actions to be Taken of this Scheme Document, the notice of Court Meeting in Appendix V of this Scheme Document and the notice of EGM in Appendix VI of this Scheme Document.

WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company has applied to the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules for the withdrawal of the listing of the Shares on the Stock Exchange with effect immediately from 4:00 p.m. on Monday, 27 January 2025, subject to the Scheme becoming effective.

The Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

If the Scheme is not approved or the Proposal otherwise lapses, an announcement will be made by the Offeror and the Company, and:

- (a) no Scheme Shares will be cancelled or extinguished, the shareholding structure of the Company will not change as a result of the Proposal, and the Company will continue to have sufficient public float as required by the Listing Rules;
- (b) the Perpetual CB Securities Offer will not become unconditional;
- (c) the listing of the Shares on the Stock Exchange will not be withdrawn; and

- (d) there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with the Offeror in the course of the Proposal, nor any person who is subsequently acting in concert with any of them, may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer, in each case except with the consent of the Executive.

REGISTRATION AND PAYMENT

Your attention is drawn to the section headed “16. Registration and Payment” in Part VII — Explanatory Memorandum of this Scheme Document.

OVERSEAS SHAREHOLDERS

Your attention is drawn to the section headed “17. Overseas Shareholders” in Part VII — Explanatory Memorandum of this Scheme Document.

TAXATION ADVICE

Your attention is drawn to the section headed “18. Taxation Advice” in Part VII — Explanatory Memorandum of this Scheme Document.

COSTS OF THE SCHEME

Your attention is drawn to the section headed “19. Costs of the Scheme” in Part VII — Explanatory Memorandum of this Scheme Document.

GENERAL

As at the Latest Practicable Date, the Offeror holds 701,353,846 Shares and BCG Chinastar holds 19,800,000 Shares. As the Shares held by the Offeror and BCG Chinastar will not form part of the Scheme Shares, each of the Offeror and BCG Chinastar will not vote on the Scheme at the Court Meeting.

All Scheme Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote at the Court Meeting for the purpose of determining whether the requirements under Condition (a) under the section headed “3. Conditions of the Proposal” in the Explanatory Memorandum are satisfied. However, only Disinterested Shareholders will be counted for the purpose of determining whether the requirements under Condition (b) under the section headed “3. Conditions of the Proposal” in the Explanatory Memorandum are satisfied.

All Shareholders will be entitled to attend the EGM of the Company and vote on the special resolution to: (i) approve and give effect to any reduction of the share capital of the Company as a result of the cancellation and extinguishment of the Scheme Shares; and (ii) contemporaneously therewith maintain the issued share capital of the Company at the amount prior to the cancellation of the Scheme Shares by applying the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid at par, for issuance to the Offeror. The Directors (including members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in Part V of this Scheme Document) believe that the Proposal, the Scheme and the Perpetual CB Securities Offer are fair and reasonable and in the interests of the Shareholders as a whole.

RECOMMENDATIONS

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Proposal, the Scheme and the Perpetual CB Securities Offer as set out in the letter from the Independent Board Committee to the Disinterested Shareholders in Part V of this Scheme Document.

Your attention is also drawn to the recommendations of the Independent Financial Adviser in respect of the Proposal, the Scheme and the Perpetual CB Securities Offer as set out in Part VI of this Scheme Document. We would advise you to read this letter carefully before you take any action in respect of the Proposal.

FURTHER INFORMATION

You are urged to read carefully:

- (a) the letter from the Independent Board Committee to the Disinterested Shareholders set out in Part V of this Scheme Document;
- (b) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document;
- (c) the Explanatory Memorandum set out in Part VII of this Scheme Document;
- (d) the appendices of this Scheme Document, including the Scheme set out in Appendix IV of this Scheme Document;
- (e) the notice of Court Meeting set out in Appendix V of this Scheme Document;
- (f) the notice of EGM set out in Appendix VI of this Scheme Document;
- (g) the form of the Perpetual CB Securities Offer Letter set out in Appendix VII of this Scheme Document;

- (h) the **PINK** form of proxy in respect of the Court Meeting as enclosed with this Scheme Document; and
- (i) the **WHITE** form of proxy in respect of the EGM as enclosed with this Scheme Document.

On behalf of the Board
Beijing Capital Grand Limited



Xie Hongyi
Executive Director