THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

BUCG

Beijing Capital Jiaye Property Services Co., Limited
北京京城佳業物業股份有限公司

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

(Stock Code: 2210)

(1) ADOPTION OF SHARE APPRECIATION RIGHTS INCENTIVE SCHEME;
(2) CHANGE OF SHAREHOLDER REPRESENTATIVE SUPERVISOR;
(3) DISCLOSEABLE TRANSACTIONS, MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS: PROPOSED REVISION OF THE ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS; AND RENEWAL AND ENTERING INTO OF THE CONTINUING CONNECTED TRANSACTIONS; AND
(4) NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023

The capitalized terms used in this cover page have the same meanings as those defined in the section headed "Definitions" of this circular.

The Letter from the Board is set out on pages 9 to 77 of this circular.

The Company will convene the EGM at 1:30 p.m. on Tuesday, December 19, 2023 at Conference Room 2, 3/F, Chengjian Plaza, 18 North Taipingzhuang Road, Haidian District, Beijing, the PRC. A notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use in the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.bcjps.com).

Shareholders who intend to appoint a proxy to attend the EGM are required to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same not later than 24 hours before the time designated for the EGM (being before 1:30 p.m. on Monday, December 18, 2023) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

November 30, 2023

CONTENTS

Page

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

"2021 Agreements for Continuing Connected Transactions"	(1) 2021 Property Management Services Framework Agreement; (2) 2021 BUCG Commercial Operational Services and Value-Added Services Framework Agreement; (3) 2021 Senqi Greening Commercial Operational Services and Value-Added Services Framework Agreement; (4) 2021 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement; (5) 2021 BUCG Property Leasing Framework Agreement; (6) 2021 Property Ancillary Services Framework Agreement; and (7) 2021 Engineering and Laboring Services Framework Agreement, for details, please refer to the section headed "Connected Transactions" in the Prospectus
"2021 BUCG Commercial Operational Services and Value-Added Services Framework Agreement"	the commercial operational services and value-added services framework agreement entered into by and between the Company and BUCG on October 11, 2021, with a term from the Listing Date to December 31, 2023
"2021 BUCG Property Leasing Framework Agreement"	the property leasing framework agreement entered into by and between the Company and BUCG on October 11, 2021, with a term from the Listing Date to December 31, 2023
"2021 Engineering and Laboring Services Framework Agreement"	the engineering and laboring services framework agreement entered into by and between the Company and BUCG on October 11, 2021, with a term from the Listing Date to December 31, 2023
"2021 Property Ancillary Services Framework Agreement"	the property ancillary services framework agreement entered into by and between the Company and BUCG on October 11, 2021, with a term from the Listing Date to December 31, 2023
"2021 Property Management Services Framework Agreement"	the property management services framework agreement entered into by and between the Company and BUCG on October 11, 2021, with a term from the Listing Date to December 31, 2023

"2021 Senqi Greening Commercial Operational Services and Value-Added Services Framework Agreement"	the commercial operational services and value-added services framework agreement entered into by and between the Company and Senqi Greening on October 11, 2021, with a term from the Listing Date to December 31, 2023
"2021 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement"	the commercial operational services and value-added services framework agreement entered into by and between the Company and Tiannuo Property on October 11, 2021, with a term from the Listing Date to December 31, 2023
"2024 Agreements for Continuing Connected Transactions"	(1) 2024 Property Management Services Framework Agreement; (2) 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement; (3) 2024 Senqi Greening Commercial Operational Services and Value-Added Services Framework Agreement; (4) 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement; (5) 2024 BUCG Property Leasing Framework Agreement; (6) 2024 Property Ancillary Services Framework Agreement; and (7) 2024 Engineering and Laboring Services Framework Agreement
"2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement"	the commercial operational services and value-added services framework agreement entered into by and between the Company and BUCG on October 10, 2023, with a term from January 1, 2024 to December 31, 2026
"2024 BUCG Property Leasing Framework Agreement"	the property leasing framework agreement entered into by and between the Company and BUCG on October 10, 2023, with a term from January 1, 2024 to December 31, 2026
"2024 Engineering and Laboring Services Framework Agreement"	the engineering and laboring services framework agreement entered into by and between the Company and BUCG on October 10, 2023, with a term from January 1, 2024 to December 31, 2026
"2024 Property Ancillary Services Framework Agreement"	the property ancillary services framework agreement entered into by and between the Company and BUCG on October 10, 2023, with a term from January 1, 2024 to December 31, 2026

"2024 Property Management Services Framework Agreement"	the property management services framework agreement entered into by and between the Company and BUCG on October 10, 2023, with a term from January 1, 2024 to December 31, 2026
"2024 Senqi Greening Commercial Operational Services and Value-Added Services Framework Agreement"	the commercial operational services and value-added services framework agreement entered into by and between the Company and Senqi Greening on October 10, 2023, with a term from January 1, 2024 to December 31, 2026. For details, please refer to the announcement dated October 10, 2023 of the Company
"2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement"	the commercial operational services and value-added services framework agreement entered into by and between the Company and Tiannuo Property on October 10, 2023, with a term from January 1, 2024 to December 31, 2026
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Articles of Association"	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
"Beijing SASAC"	State-owned Assets Supervision and Administration Commission of Beijing Municipality
"Beiyu Property"	Beijing Uni.-Construction Beiyu Property Service Co., Ltd. (北京住總北宇物業服務有限責任公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
"Board" or "Board of Directors"	the board of directors of the Company
"BUCC"	Beijing Uni.-Construction Group Co., Ltd. (北京住總集團有限責任公司), a limited liability company incorporated in the PRC and a Shareholder of the Company
"BUCG"	Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司), a limited liability company incorporated in the PRC and a controlling Shareholder of the Company; directly and indirectly holds approximately 74.15% of the total issued share capital of the Company as at the Latest Practicable Date

"BUCID"	Beijing Urban Construction Investment & Development Co., Ltd. (北京城建投資發展股份有限公司), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600266) and a Shareholder of the Company
"Carpark Space Leasing and Sales Services Framework Agreement"	the carpark space leasing and sales services framework agreement entered into by and between the Company and BUCG on October 10, 2023, with a term of three years from the date when it is approved at the EGM
"China" or "PRC"	the People's Republic of China
"Company"	Beijing Capital Jiaye Property Services Co., Limited, a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"continuing connected transactions"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Domestic Shareholder(s)"	holder(s) of the Domestic Share(s)
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed and fully paid up in RMB
"EGM"	the first extraordinary general meeting of 2023 of the Company to be held at 1:30 p.m. on Tuesday, December 19, 2023 at Conference Room 2, 3/F, Chengjian Plaza, 18 North Taipingzhuang Road, Haidian District, Beijing, the PRC
"Group"	the Company and its subsidiaries
"H Shareholder(s)"	holder(s) of the H Share(s)

"H Share(s)"	the overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are listed and traded on the Hong Kong Stock Exchange
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Incentive Recipients"	individual(s) proposed to be granted the Share Appreciation Rights under the Scheme
"Independent Board Committee"	the Independent Board Committee established to advise the Independent Shareholders in respect of (i) the Proposed Revision of the 2023 Annual Caps; and (ii) the entering into of the Non-exempt Continuing Connected Transactions Agreements, which comprises all the independent non-executive Directors (being Mr. Cheng Peng, Mr. Kong Weiping and Mr. Kong Chi Mo)
"Independent Financial Adviser" or "Rainbow Capital"	Rainbow Capital (HK) Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Proposed Revision of the 2023 Annual Caps; and (ii) the entering into of the Non-exempt Continuing Connected Transactions Agreements
"Independent Shareholders"	Shareholders who are not prohibited from voting at the EGM for approving (i) the Proposed Revision of the 2023 Annual Caps; and (ii) the entering into of the Non-exempt Continuing Connected Transactions Agreements (being Shareholders other than BUCG and its associates)
"Independent Third Party(ies)"	any entity or person who, to the best of the Directors' knowledge, information and belief after making all reasonable enquiries, is not a connected person of the Company

"Latest Practicable Date"	November 29, 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Date"	the date on which H Shares of the Company are listed on the Main Board of the Hong Kong Stock Exchange (being November 10, 2021)
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Non-exempt Continuing Connected Transactions Agreements"	(1) 2024 Property Management Services Framework Agreement; (2) 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement; (3) 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement; (4) 2024 BUCG Property Leasing Framework Agreement; (5) 2024 Property Ancillary Services Framework Agreement; (6) 2024 Engineering and Laboring Services Framework Agreement; and (7) Carpark Space Leasing and Sales Services Framework Agreement, and the continuing connected transactions under these agreements, which shall be subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules
"Proposed Revision of the 2023 Annual Caps"	the proposed revision of the annual caps for the year ending December 31, 2023 in respect of (i) the transactions under the 2021 Property Management Services Framework Agreement; (ii) the transactions in respect of the Group leasing properties from BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement; and (iii) the transactions under the 2021 Engineering and Laboring Services Framework Agreement, which shall be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules
"Prospectus"	the prospectus published by the Company dated October 29, 2021 in connection with the initial public offering and listing

"Related Grant Proposal"	the related grant proposal under the Scheme to be adopted by the Company
"Remuneration and Evaluation Committee"	the remuneration and evaluation committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"Scheme" or "Share Appreciation Rights Incentive Scheme"	Share Appreciation Rights Incentive Scheme of Beijing Capital Jiaye Property Services Co., Limited to be proposed for adoption at the EGM, pursuant to which, the Share Appreciation Rights will be granted by the Company to the Incentive Recipients
"Senqi Greening"	Beijing Senqi Greening Engineering Co., Ltd. (北京森齊綠化工程有限責任公司), a limited liability company incorporated in the PRC and a subsidiary of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Share Appreciation Rights"	the share appreciation rights under the Scheme, entitling the Incentive Recipients to obtain the gains from the appreciation (which is the excess of the market price over the exercise price on the exercise date) of a specified amount of H Shares during the effective period of the Scheme, provided that conditions and arrangements for taking effect are met. Incentive Recipients do not actually hold shares, nor do they have the right as the Shareholders, such as voting rights or placing rights. Incentive Recipients shall not deal with the Share Appreciation Rights granted under the Related Grant Proposal without permissions, including but not limited to transfer, disposal, exchange, pledge, charge and repaying debts privately
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	domestic share(s) and H share(s)
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company

"Supervisory Committee"	the supervisory committee of the Company
"Tiannuo Property"	Beijing Tiannuo Property Management Co., Ltd. (北京天諾物業管理有限責任公司), a limited liability company incorporated in the PRC and a subsidiary of the Company
"%"	per cent

Beijing Capital Jiaye Property Services Co., Limited
北京京城佳業物業股份有限公司

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

(Stock Code: 2210)

Executive Directors:
Mr. Zhang Weize (*Chairman*)
Mr. Yang Jun
Mr. Luo Zhou
Mr. Yao Xin

Non-executive Directors:
Ms. Jiang Xin
Mr. Mao Lei

Independent Non-executive Directors:
Mr. Cheng Peng
Mr. Kong Weiping
Mr. Kong Chi Mo

Registered Office in the PRC:
Room 301, 3rd Floor
Building 34, Fahua South Lane
Dongcheng District
Beijing
the PRC

Principal Place of Business in the PRC:
8/F, Building A,
Chengjian Plaza
18 North Taipingzhuang Road
Haidian District
Beijing
the PRC

Principal Place of Business in Hong Kong:
5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

November 30, 2023

To the Shareholders,

Dear Sir or Madam,

**(1) ADOPTION OF SHARE APPRECIATION RIGHTS INCENTIVE SCHEME;
(2) CHANGE OF SHAREHOLDER REPRESENTATIVE SUPERVISOR;
(3) DISCLOSEABLE TRANSACTIONS, MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS: PROPOSED REVISION OF THE ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS; AND RENEWAL AND ENTERING INTO OF THE CONTINUING CONNECTED TRANSACTIONS; AND
(4) NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023**

I. INTRODUCTION

The purpose of this circular is to provide you with relevant information, so as to enable you to make informed decisions on resolutions at the EGM.

II. PROPOSED ADOPTION OF SHARE APPRECIATION RIGHTS INCENTIVE SCHEME

Reference is made to the announcement of the Company dated July 26, 2023 in relation to the proposed adoption of Share Appreciation Rights Incentive Scheme and Related Grant Proposal.

1. Background

The Board has considered and approved the proposed adoption of the Share Appreciation Rights Incentive Scheme and the Related Grant Proposal. In relation to the Related Grant Proposal on the Share Appreciation Rights under the Scheme, each of Mr. Yang Jun, Mr. Luo Zhou and Mr. Yao Xin has abstained from voting in respect of relevant resolution on approving the grant of the Share Appreciation Rights to himself.

As the Scheme and the Related Grant Proposal would not involve the grant of new shares to be issued by the Company or any of its subsidiaries or any share options in connection therewith and therefore, they do not fall within the ambit of, and are not subject to the requirements under Chapter 17 of the Listing Rules.

The Scheme can only be implemented upon the approvals from the Beijing SASAC and Shareholders at the EGM. The Related Grant Proposal can only be implemented upon the approval from the Beijing SASAC, the taking effect of the Scheme and the satisfaction of the relevant conditions of the grant. The conditions precedent mentioned above are not waivable. As of the Latest Practicable Date, the Scheme and the Related Grant Proposal have been approved by the Beijing SASAC.

2. Main Contents of the Scheme

A summary of the major terms of the Scheme is set out below. The terms of the Scheme will be further amended if required by the Beijing SASAC and other regulatory authorities.

Incentive Instruments:	The Share Appreciation Rights are used as the incentive instruments for the Scheme. Each Share Appreciation Right granted under the Scheme entitles the Incentive Recipients to obtain the gains from the appreciation (which is the excess of the market price over the exercise price on the exercise date) of one H Share during the effective period of the Scheme, provided that conditions and arrangements for taking effect are met. The gains will be paid by the Company in cash.

Effective Conditions of the Scheme:	The Scheme is conditional on the fulfillment of the following conditions: (1) approval by the Beijing SASAC; and (2) approval by the Shareholders at the EGM.
Effective Date and Effective Period of the Scheme:	The effective date of the Scheme shall be the date on which the approval by the Shareholders at the EGM is obtained. Unless it is early terminated according to relevant rules, the Scheme shall be valid for a period of six (6) years commencing from the effective date.
Frequency of Grant:	The Related Grant Proposal under the Scheme is divided into the initial grant and the reserved grant. The date of the initial grant is, in principle, the same as the date on which the Scheme is considered and approved at the EGM. The reserved grant shall be conducted within 12 months after the Scheme is considered and approved at the EGM.
Incentive Recipients:	Executive Directors, senior management, management and technical core backbones of the Company, excluding independent non-executive Directors, non-executive Directors, Supervisors and persons who were restricted by other legal regulations and policies. The scope of the Incentive Recipients shall be proposed by the Remuneration and Evaluation Committee and conclusively determined by the Board in accordance with the relevant requirements under the Scheme.
Limit of the Share Appreciation Rights to be Granted:	(1) the number of shares involved under all of the Company's share incentive schemes (including the Scheme and other share incentive schemes (if any)) within the effective period shall not in aggregate exceed 10% of the total issued share capital of the Company; and (2) the number of Share Appreciation Rights (including exercised and unexercised rights) granted to any one Incentive Recipient within the effective period of the Scheme shall not exceed 1% of the total issued share capital of the Company.

Effective Period Arrangement for the Share Appreciation Rights:

All the Share Appreciation Rights granted to the Incentive Recipients under the Scheme shall not be effective within two years (24 months) from the date of grant, nor shall be exercised prior to becoming effective. Subject to the satisfaction of the exercise conditions, the Share Appreciation Rights shall be exercised in batches in the following manner:

(1) by the end of the second anniversary (24 months) from the date of grant, 34% of the Share Appreciation Rights granted to each Incentive Recipient under such grant shall become effective;

(2) by the end of the third anniversary (36 months) from the date of grant, another 33% of the Share Appreciation Rights granted to each Incentive Recipient under such grant shall become effective;

(3) by the end of the fourth anniversary (48 months) from the date of grant, the remaining 33% of the Share Appreciation Rights granted to each Incentive Recipient under such grant shall become effective. Only the Share Appreciation Rights which have become effective can be exercised.

The portion which has not become effective shall not be exercised.

Grant Conditions for the Share Appreciation Rights:

(I) None of the following circumstances has occurred to the Company:

(1) failure to engage an accounting firm to conduct the audit in accordance with the prescribed procedures and requirements;

(2) significant objections to the results or annual financial report of the Company raised by the state-owned assets supervision and administration authority, the Supervisory Committee or the audit department;

(3) penalties imposed by securities regulatory authorities and other competent departments as a result of material non-compliance with regulations;

(4) issuance of an audit report containing an adverse opinion or a disclaimer of opinion by a certified public accountant in the financial report or internal control evaluation for the latest accounting year;

(5) failure to distribute profits in accordance with laws and regulations, Articles of Association or public undertakings during the latest three years;

(6) prohibition from implementation of equity-based incentives by laws and regulations; and

(7) any other circumstances as determined by competent securities regulatory bodies.

(II) Combined operating trend and operating cycle of the industry, based on average results of the Company disclosed in the past three years, average results of peers in the same industry (or the 50th percentile of benchmarking enterprises), the Board of the Company has reasonably set the performance-based conditions. Particularly, taking 2022 as the base year for grant, the Company shall simultaneously fulfill all of the following performance-based conditions:

(1) the return on net assets attributable to owners of the parent after deduction of non-recurring profits and losses of the Company for 2022 shall not be lower than 13.5%, and shall not be lower than the 50th percentile of the benchmarking enterprises;

(2) the growth rate of the Company's operating revenue for 2022 shall not be lower than 23%, and shall not be lower than the 50th percentile of the benchmarking enterprises;

(3) the net profit growth rate attributable to owners of the parent after deduction of non-recurring profits and losses of the Company for 2022 shall not be lower than 24%, and shall not be lower than the 50th percentile of the benchmarking enterprises;

(4) the revenue from property value-added services of the Company for 2022 shall not be less than RMB500 million; and

(5) the comprehensive corporate collection rate of the Company for 2022 shall not be less than 92%.

(III) None of the following circumstances has occurred to the Incentive Recipients:

(1) the financial accountability audit indicating ineffective performance of functions, gross negligence or malfeasance in office;

(2) the Party construction appraisal result of the Incentive Recipients being rated as "unqualified";

(3) violating the relevant national laws and regulations and the Articles of Association;

(4) during his/her term of office, violating relevant laws and regulations and receiving punishment(s) for misconducts such as demanding and accepting bribes, engaging in embezzlement and theft, leaking trade and technical secrets of the Company, or conducting related party transactions that damage the Company's interests, reputation and have a significantly negative impact on the Company's image;

(5) non-performance or improper performance of duties causing significant asset losses and other severe and adverse consequences to the Company;

(6) having been identified as an inappropriate candidate by competent securities regulatory bodies in the past year;

(7) having been imposed with administrative penalties or prohibited from market entry by competent securities regulatory bodies in the past year due to material violation of laws and regulations;

(8) having been prohibited from acting as a director or senior management member of a company by relevant laws and regulations;

(9) having been prohibited from participating in any equity-based incentives of listed companies by laws and regulations; and

(10) other circumstances as determined by competent securities regulatory bodies.

Exercise Conditions for the Share Appreciation Rights: The Share Appreciation Rights granted to the Incentive Recipients can be exercised after all of the following conditions are satisfied:

(I) There is no occurrence of any of the circumstances described in item (I) of the above "Grant Conditions for the Share Appreciation Rights" to the Company;

(II) The Company fulfills all of the following performance-based conditions:

(1) the return on net assets attributable to owners of the parent after deduction of non-recurring profits and losses of the Company from 2024 to 2026 shall be no less than 15%, 16% and 17%, respectively, and no less than the 75th percentile of the benchmarking enterprises;

(2) each year-on-year growth rate of the Company's operating revenue for each year from 2024 to 2026 shall be no less than 25%, and no less than the 75th percentile of the benchmarking enterprises;

(3) each year-on-year growth rate of net profit attributable to owners of the parent after deduction of non-recurring profits and losses of the Company from 2024 to 2026 shall be no less than 26%, and no less than the 75th percentile of the benchmarking enterprises;

(4) the revenue from the property value-added services of the Company from 2024 to 2026 shall not be less than RMB700 million, RMB850 million and RMB1,020 million, respectively; and

(5) the comprehensive corporate collection rate of the Company from 2024 to 2026 shall not be lower than 93%, 94% and 94%, respectively.

(III) There is no occurrence of any of the circumstances described in item (III) of the above "Grant Conditions for the Share Appreciation Rights" to the Incentive Recipients;

(IV) Appraisal requirements to the Incentive Recipients:

(1) if the performance appraisal score of the Incentive Recipient in the previous year is 80 points or above, his/her exercisable percentage shall be 100%;

(2) if the performance appraisal score of the Incentive Recipient in the previous year is between 70 points and 79 points, his/her exercisable percentage shall be 80%;

(3) if the performance appraisal score of the Incentive Recipient in the previous year is 70 points or less or the Party construction appraisal is unqualified, his/her exercisable percentage shall be 0%, meaning the number of exercisable Share Appreciation Rights by an Incentive Recipient within that exercise period is zero and his/her Share Appreciation Rights will be cancelled by the Company.

The number of exercisable Share Appreciation Rights by an Incentive Recipient within an exercise period is the result of multiplying the corresponding exercisable percentage by the total number of exercisable Share Appreciation Rights of the same period.

Exercise Price: The exercise price of Share Appreciation Rights shall be determined with reference to the fair market price and shall not be lower than the highest of the following four prices:

(1) the closing price of the H Shares as stated in the Stock Exchange's daily quotation sheet as at the date of grant of the Share Appreciation Rights;

(2) the average closing price of the H Shares as stated in the Stock Exchange's daily quotations sheets for five consecutive trading days prior to the date of grant of the Share Appreciation Rights;

(3) the nominal value of the H Shares of the Company; and

(4) 70% of net assets per share of the Company at the end of 2021.

In the event of dividend distribution, conversion of capital reserves into share capital, distribution of bonus shares, stock subdivision, rights issue or share consolidation of the Company prior to an exercise, the exercise price will be adjusted in accordance with relevant provisions of the Scheme.

Grant Procedures: The Remuneration and Evaluation Committee is responsible for the formulation of the grant proposal under the Scheme. The Board will consider and approve each grant proposal and determine the grant date. The Incentive Recipients will enter into the Share Appreciation Rights Agreement with the Company.

Exercise Procedures: During the effective period, upon the satisfaction of the exercise conditions, the Incentive Recipients may propose to exercise on an effective exercise date (or during an exercise window period), and the Company shall consolidate the exercise of the Incentive Recipients in accordance with the Scheme.

3. Proposed Grant of Share Appreciation Rights under the Scheme

After the adoption of the Share Appreciation Rights Incentive Scheme is approved by the Beijing SASAC and the relevant resolution is approved by the Shareholders at the EGM, the Company proposes to grant 4,220,000 Share Appreciation Rights to the Incentive Recipients, among which, the initial grant is 3,420,000 Share Appreciation Rights and the reserved grant is 800,000 Share Appreciation Rights, with the number of underlying H Shares accounting for approximately 2.88% of the total issued share capital of the Company. Upon the adoption of the Scheme, the Board will define a specific grant date pursuant to relevant provisions of the Scheme, and officially grant Share Appreciation Rights to the Incentive Recipients and the Company will perform its obligation to disclose relevant information (if necessary) in due course in accordance with applicable Listing Rules.

Subject to the foregoing provisions, the allocation particulars of the Share Appreciation Rights to be granted under the Scheme among the Incentive Recipients are as set out in the table below:

Incentive Recipients and Positions	Number of Incentive Recipients	Number of the Share Appreciation Rights to be granted (0'000 shares)	Approximate percentage to the total number of the Share Appreciation Rights to be granted	Approximate percentage to the total issued share capital
Yang Jun Executive Director, General Manager, and Deputy Secretary to the Party Committee	1	20	4.74%	0.14%
Luo Zhou Executive Director, Deputy General Manager	1	17	4.03%	0.12%
Yao Xin Executive Director, Deputy General Manager	1	17	4.03%	0.12%
Other Senior Management	7	98	23.22%	0.67%
Core Backbone Employees	17	190	45.02%	1.3%
Total of the Initial Grant	**27**	**342**	**81.04%**	**2.33%**
Total of the Reserved Grant	**6**	**80**	**18.96%**	**0.55%**
Total	**33**	**422**	**100.00%**	**2.88%**

Notes:

(1) Incentive Recipient shall not be a substantial Shareholder or de facto controller holding over 5% of the shares of the Company, or parents, spouses or children thereof;

(2) The number of underlying shares of Share Appreciation Rights to be granted under the Scheme to any Incentive Recipient mentioned above is no more than 1% of the total share capital of the Company;

(3) The maximum gains from the Share Appreciation Rights to be received by any Director or member of senior management under the Scheme shall not exceed 40% of his/her total remuneration (including expected gains from Share Appreciation Rights) as at the grant of the Share Appreciation Rights; and

(4) The number of Incentive Recipients mentioned above shall be subject to the review of the Remuneration and Evaluation Committee and the approval of the Board from time to time according to the terms of the Scheme.

4. Reasons for the Adoption of the Scheme

The Board is of the opinion that the Scheme can further refine the corporate governance structure and long-term incentive mechanism of the Company, and better motivate the management team and core backbone employees. It will also effectively promote the achievement of the medium and long-term strategic goal of the Company, establish a long-term incentive mechanism closely linked to the operating performance and long-term strategies of the Company, and optimize the overall remuneration structure of the Company. The Board and the Remuneration and Evaluation Committee consider that the proposed terms and conditions of the Scheme are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

5. General Information

According to the Scheme, each Share Appreciation Right is notionally linked to one H Share, which entitles the Incentive Recipients to obtain the gains from the appreciation (which is the excess of the market price over the exercise price on the exercise date) of a specified amount of H Shares, and the Share Appreciation Rights will be settled in cash. However, the Company will not actually issue any H Shares to any Incentive Recipient. Therefore, it will not affect the total number of issued H Shares of the Company, neither will it have diluted influence on the Company’s shares. The Scheme and the Related Grant Proposal would not involve the grant of new shares to be issued by the Company or any of its subsidiaries or any share options in connection therewith and therefore, it does not fall within the ambit of, and is not subject to the requirements under Chapter 17 of the Listing Rules.

Incentive Recipients do not actually hold shares, nor do they have the right as the Shareholders, such as voting rights or placing rights. Incentive Recipients shall not deal with the Share Appreciation Rights granted under the Related Grant Proposal without permissions, including but not limited to transfer, disposal, exchange, pledge, charge and repaying debts privately.

6. Authorization to the Board to Deal With Matters Relating to the Scheme

In order to complete the matters related to the Share Appreciation Rights Incentive Scheme, the Board proposes that the Shareholders authorize the Board to deal with the following matters of the Scheme:

1. To determine the grant date and exercise price of the grant in accordance with the Related Grant Proposal;

2. To grant Share Appreciation Rights to the Incentive Recipients who meet the conditions of grant, and handle all matters such as the effectiveness and exercise of the Share Appreciation Rights according to the effective period arrangement, grant conditions and exercise conditions;

3. To consider the proposal for the initial grant and the reserved grant which is in line with the Scheme, including but not limited to determining the scope of grant, number of grant, the effective period arrangement, date of grant, conditions of grant, conditions of exercise, etc.;

4. To adjust the number and exercise price of the Share Appreciation Rights in accordance with the provisions of the Scheme in the event of dividend distribution, distribution of bonus shares, conversion of capital reserves into share capital, rights issue, merger, share exchange, abnormal changes of scheme participants and other circumstances of the Company; and

5. Other necessary matters required for the implementation of the Scheme, except for the rights to be exercised by the general meeting as expressly stipulated by relevant laws, regulations and regulatory documents.

The full text of the Scheme is set out in Appendix I to this circular.

The above resolution has been considered and approved by the Board on July 26, 2023 and is hereby proposed at the EGM for consideration and approval by way of an ordinary resolution.

III. PROPOSED CHANGE OF SHAREHOLDER REPRESENTATIVE SUPERVISOR

Reference is made to the announcement of the Company dated October 10, 2023 in relation to the proposed change of shareholder representative Supervisor.

On October 10, 2023, Mr. Yang Nan (楊楠) resigned as a shareholder representative Supervisor due to other work arrangements, with effect from the date of the approval of the appointment of a new shareholder representative Supervisor by Shareholders at the EGM.

On the same day, the Supervisory Committee considered and approved the resolution on the nomination of Mr. Hu Mingkai (扈明凱) as a Shareholder representative Supervisor of the Company. His term of office shall take effect from the date on which the relevant change of Supervisor is approved by the Shareholders at the EGM and expire upon the expiration of the first session of the Supervisory Committee of the Company. The Company will enter into a service contract with Mr. Hu Mingkai upon his appointment being approved at the EGM. Mr. Hu Mingkai will not receive any remuneration from the Company for his service as a Shareholder representative Supervisor of the Company.

Mr. Yang Nan has confirmed that he has no disagreement with the Board and the Supervisory Committee and there are no other matters that need to be brought to the attention of the Shareholders in connection with his resignation. The Company would like to take this opportunity to express its deep appreciation to Mr. Yang Nan for his contribution during his tenure as a Supervisor and to welcome the nomination of Mr. Hu Mingkai.

The biographical details of Mr. Hu Mingkai are set out as follows:

Mr. Hu Mingkai (扈明凱), aged 55, has served as the deputy general manager of Beijing Dongfang Kangtai Real Estate Development Management Co., Ltd.* (北京東方康泰房地產開發經營有限責任公司) and the chairman of Beijing Dongfang Ronghe Property Management Co., Ltd.* (北京東方容和物業管理有限責任公司) since July 2023. He successively served as the deputy general manager and the general manager of Beijing Daqianmen Investment Management Co., Ltd.* (北京大前門投資經營有限公司) from October 2021 to June 2023; served as the deputy general manager of Beijing Dongfang Ronghe Property Management Co., Ltd. from October 2020 to October 2021; served as the deputy general manager of Beijing DaDuShi Street Trade Development Co., Ltd.* (北京大都市街貿易發展有限公司) from July 2020 to October 2020; and served as the deputy general manager of Beijing Daqianmen Investment Management Co., Ltd. from December 2018 to July 2020. He served as the deputy general manager of Beijing Dongfang Culture and Business Operation Management Group Co., Ltd.* (北京東方文化商業運營管理集團有限公司) from August 2018 to December 2018; served as the deputy general manager of Beijing Dongfang Culture and Business Operation Management Group Co., Ltd. and concurrently the chairman of Beijing Dongfang Ronghe Property Management Co., Ltd. from December 2017 to August 2018. He served as the general manager of Beijing Guangchong Real Estate Development Co., Ltd.* (北京廣崇房地產綜合開發有限責任公司) and concurrently the deputy general manager of Beijing Shiyuan Urban Construction Comprehensive Development Company* (北京市世源城市建設綜合開發公司)

from March 2017 to December 2017; worked in Beijing Shiyuan Urban Construction Comprehensive Development Company from August 2007 to March 2017 where he successively served as the deputy manager of the operation department, the manager and the deputy general manager of the property management department, and concurrently served as the manager of Beijing Sunshine Heating Station* (北京市陽光供熱站). He served as the deputy manager of the asset management department of Beijing Dongfang Kangtai Real Estate Development Management Co., Ltd. from December 2006 to August 2007; served as the deputy general manager of Beijing Dongfang Ronghe Property Management Co., Ltd. from December 2005 to December 2006; and served as the deputy general manager of Beijing Dongfang Chengye Property Management Co., Ltd.* (北京東方成業物業管理有限責任公司) from January 2004 to December 2005. He served as the deputy manager of the property department of Beijing Shiyuan Chengye Property Management Co., Ltd.* (北京世源成業物業管理有限公司) from August 2002 to December 2003; served as a customer service personnel and the deputy manager of the administration department of Beijing Haifeng Tianyuan Property Management Co., Ltd.* (北京海豐天源物業管理有限公司) from August 1999 to July 2002; served as the manager of the sales department of Beijing Wenjietong Mechanical and Electrical Supply Station* (北京文傑通機電供應站) from March 1996 to July 1999; and worked in the sales department of Beijing Machine Tool Accessories Factory* (北京機床附件廠) from December 1985 to March 1996.

Mr. Hu Mingkai graduated from the adult education school of the Party School of the Beijing Municipal Committee of CPC* (中共北京市委黨校成人教育學院) with a bachelor's degree in computer information management in July 2007.

As of the Latest Practicable Date, save as disclosed above, Mr. Hu Mingkai confirmed that (i) he did not hold any directorship or supervisorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; (ii) he had no relationship with any Directors, Supervisors, senior management, substantial Shareholders or controlling Shareholders of the Company; (iii) he did not hold any positions within the Company or any of its subsidiaries; and (iv) he had no interest or deemed interest in any share, underlying share or debenture of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Save as disclosed above, there is no other information relating to the appointment of Mr. Hu Mingkai that is required to be disclosed pursuant to Rules 13.51(2) (h) to (v) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

The above resolution has been considered and approved by the Supervisory Committee on October 10, 2023 and is hereby proposed at the EGM for consideration and approval by way of an ordinary resolution.

IV. PROPOSED REVISION OF THE ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS; AND RENEWAL AND ENTERING INTO OF THE CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated October 10, 2023 in relation to the Discloseable Transactions, Major Transactions and Continuing Connected Transactions: Proposed Revision of the Annual Caps for Continuing Connected Transactions; and Renewal and Entering into of the Continuing Connected Transactions.

(I) BACKGROUND

Reference is made to the Prospectus relating to, among other things, the 2021 Agreements for Continuing Connected Transactions.

Taking into account the actual demand for the relevant transactions between the Group and BUCG and its associates, on October 10, 2023, the Board considered and approved the proposed revision of the existing annual caps for certain transactions under the 2021 Agreements for Continuing Connected Transactions for the year ending December 31, 2023, including (i) the transactions under the 2021 Property Management Services Framework Agreement; (ii) the transactions in relation to the Group leasing properties from BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement; and (iii) the transactions under the 2021 Engineering and Laboring Services Framework Agreement.

In addition, as the 2021 Agreements for Continuing Connected Transactions will expire on December 31, 2023 and it is expected that the Group will continue to carry out the transactions contemplated under the 2021 Agreements for Continuing Connected Transactions after their expiry, the Company entered into the 2024 Agreements for Continuing Connected Transactions on October 10, 2023 to renew the agreements and the relevant annual caps thereunder. On the same date, the Company entered into the Carpark Space Leasing and Sales Services Framework Agreement with BUCG, pursuant to which the Group agreed to provide carpark space leasing and sales services to BUCG and its associates.

(II) PROPOSED REVISION OF THE ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

The Company expects that for the year ending December 31, 2023, the full-year transaction amounts of (i) the transactions under the 2021 Property Management Services Framework Agreement; (ii) the transactions in relation to the Group leasing properties from BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement; and (iii) the transactions under the 2021 Engineering and Laboring Services Framework Agreement will exceed the original annual caps. Therefore, the Company proposes to revise the annual caps for the above continuing connected transactions for the year ending December 31, 2023. As at the Latest Practicable Date, the transaction amounts of the continuing connected transactions under each of the above framework agreements have not exceeded the original annual caps for the year ending December 31, 2023. The Company will follow up and monitor the transaction amounts of the continuing connected transactions under each of the above framework agreements to ensure that the transaction amounts will not exceed the original annual cap for the year ending December 31, 2023 before the relevant resolutions are approved by the Shareholders at the EGM.

A. 2021 Property Management Services Framework Agreement

1. Main terms

Parties: (i) the Company (for itself and on behalf of its subsidiaries); and

(ii) BUCG (for itself and on behalf of its associates)

Date: October 11, 2021

Period: from the Listing Date to December 31, 2023

Matter: The Group has agreed to provide to BUCG and its associates property management services, including security, cleaning, greening, gardening and repair and maintenance services in respect of (i) property units developed by BUCG and its associates which have been completed and are either unsold or sold but not yet delivered to the buyers; and (ii) residential communities, office buildings and other properties owned, used or operated by BUCG and its associates.

Pricing basis: The service fees to be charged under the 2021 Property Management Services Framework Agreement will be determined after arm's length negotiations taking into account the following factors:

(i) nature, area and location of the relevant properties under the specific agreements;

(ii) scope of property management services to be provided by the Group under the specific agreements;

(iii) the expected operating costs (including labor costs, material costs and administrative costs) in relation to the provision of property management services by the Group under the specific agreements;

(iv) fees charged by the Group to at least three Independent Third Parties for the same or similar services (which will be determined by reference to the above item (i)(ii)(iii) on a comprehensive basis as to whether such services are the same or similar); and

(v) quotations from at least three other Independent Third Party service providers for the fees charged for the same or similar services for similar type of properties (such as residential communities, office buildings) in the market.

Meanwhile, the service fees charged by the Group to BUCG and its associates shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable). Such standard fees are the government guidance prices (comprising benchmark prices and respective range of variations) which are determined from time to time by the relevant authorities in the PRC in accordance with the Measures on the Charges of Property Management Enterprise (《物業服務收費管理辦法》) and relevant local regulations in the PRC, with reference to (i) the specific property types (which may include higher-level apartment buildings with elevators and lower-level apartment buildings without elevators); (ii) scope of services; and (iii) the grading criteria for property management service charges.

If a property management services project should be acquired through tender based on internal requirements of BUCG and its associates, the price and terms of the tenders for property management services projects obtained by the Group from BUCG and its associates by way of tender will be made in accordance with the tender procedure of the Company. The tender procedure includes (i) receiving invitation to tender; (ii) preliminary assessment of tender documents; (iii) preparation of property management proposal; (iv) cost estimation and pricing; (v) preparation of tender report, internal evaluation and approval of tender report; and (vi) tender submission, etc. The internal evaluation and approval of the tender will be conducted by the financial management department, safety operation department, quality management department and legal compliance department of the Company. All personnel of the Group involved in the evaluation and approval process will be independent of BUCG and its associates.

The Group has set a similar pricing basis to each project with BUCG and its associates and the Independent Third Parties. The property management fee paid by BUCG and its associates was charged on the basis of a unit price per sq.m per month or a package price per project. Specifically, for projects which were charged at a package price per project, the service fees paid by BUCG and its associates to the Group were charged at costs plus a profit margin. The profit margin and fixed monthly unit price per sq.m. vary depending on a number of factors, such as the nature, size, positioning and geographic locations of the properties, local pricing regulations, management fees charged in nearby and comparable communities, budgeted expenses, property owner, resident and/or tenant profiles and the scope of services.

Payment method: Payment for the services shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific property management services and/or specialized service agreements to be entered into separately after arm's length negotiation between the Group and BUCG and its associates. The Group would normally issue a monthly or quarterly payment notice to BUCG and its associates for the services provided under the 2021 Property Management Services Framework Agreement, and BUCG and its associates shall, in principle, pay the Group by bank transfer within 60 days after receiving the payment notice. The payment method terms stipulated in the specific property management services and/or specialized services agreements shall be determined with reference to the payment method terms stipulated in not less than three agreements for the provision of similar services by the Group to the Independent Third Parties to ensure compliance with market practice.

2. *Existing annual caps and historical transaction amounts*

The existing annual caps for the transactions under the 2021 Property Management Services Framework Agreement for the three years ending December 31, 2023 and the historical transaction amounts for the two years ended December 31, 2022 and the six months ended June 30, 2023 are set out below:

	Year ended/ending December 31,					Six months ended June 30,
	2021		**2022**		**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Annual cap	Historical amount	Annual cap	Historical amount	Annual cap	Historical amount
Total service fees paid by BUCG and its associates	98,428	92,639	126,098	124,707	146,695	62,943

As at the Latest Practicable Date, the transaction amount of the continuing connected transactions under the 2021 Property Management Services Framework Agreement has not exceeded the original annual cap for the year ending December 31, 2023.

3. *Proposed revision of annual cap and basis for determination and reasons for and benefits of relevant transactions*

Based on the historical transaction amount and business development, the Company expects that the full-year transaction amount under the 2021 Property Management Services Framework Agreement for the year ending December 31, 2023 will likely exceed the original annual cap. Therefore, the Company proposes to revise the annual cap under the 2021 Property Management Services Framework Agreement for the year ending December 31, 2023 from RMB146,695 thousand to RMB177,147 thousand.

The above proposed revision of the annual cap is determined with reference to the historical transaction amount for the provision of property management services by the Group to BUCG and its associates and the significant increase in the provision of property management service projects by the Group to BUCG and its associates in 2023. Firstly, the annual cap utilization rates for the transactions under the 2021 Property Management Services Framework Agreement for the two years ended December 31, 2022 and the six months ended June 30, 2023 are relatively high, reaching 94.1%, 98.9% and 42.9%, respectively. As a result, the demands for the transactions under the 2021 Property Management Services Framework Agreement have been growing steadily, and the original annual caps have been utilized to the most efficient extent. Secondly, in the second half of 2023, there are four new projects for which the Group provides property management services to BUCG and its associates, with the increase in the property management area of approximately 452,000 square meters. Therefore, the transaction amount for the provision of property management services by the Group to BUCG and its associates will increase accordingly. In addition, in the second half of 2023, the two projects of the Group providing property management services to BUCG and its associates will be renewed upon expiration after negotiation by both parties, and the charging mode will be changed from the original commission basis to the lump sum basis. In the PRC, property management fees may be charged on a lump sum basis or a commission basis. Under the lump sum basis, all fees collected are recognized as revenue and expenses are borne by the Group; under the commission basis, the Group recognize as revenue a pre-determined percentage or amount of property management service fees, and the rest are used to pay for the expenses stipulated in the property management service contract. From the Group's perspective, through the management experience in the early stage of the project, and through measures such as cost control and refined management, the revision of the charging mode to the lump sum basis is conducive to improving the profitability of the Group. For the two projects under the revised charging mode to lump sum basis in the second half of 2023, the Group expects that the property management fee income that can be recognized in 2023 may increase by at least RMB26,000 thousand.

In view of the above factors, the Board is of the view that the proposed revision of the Group's annual cap mentioned above are based on the stable historical transaction amount and the increased actual business demand, and that the property management services provided by the Group to BUCG and its associates under the 2021 Property Management Services Framework Agreement fall into the Group's main business, which is conducive to the enhancement of the Group's property management services revenue, and is in the interests of the Company and its Shareholders as a whole.

B. 2021 BUCG Property Leasing Framework Agreement

1. Main terms

Parties: (i) the Company (for itself and on behalf of its subsidiaries); and

(ii) BUCG (for itself and on behalf of its associates)

Date: October 11, 2021

Period: from the Listing Date to December 31, 2023

Matter: (i) The Group has agreed to lease properties (including houses, office buildings and carpark spaces) from BUCG and its associates; and

(ii) BUCG and its associates have agreed to lease properties (including houses, container houses for workers' residence at construction sites, office buildings and carpark spaces) from the Group.

Pricing basis: The respective rent payable by the Group and BUCG and its associates to each other shall be determined after arm's length negotiations taking into account the following factors:

(i) location, quality, area and region of the leased properties under the specific agreements;

(ii) respective rent charged by the Group or BUCG and its associates (as the case may be) to at least three Independent Third Parties for comparable properties (which are categorized into different types such as houses, office buildings and carpark spaces, and reference will be made to item (i) above to determine if they are comparable); and

(iii) rent charged by at least three other Independent Third Parties for comparable properties in the market.

Payment method:	Payment for the rentals shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific leasing contracts to be entered into separately after arm's length negotiation between the Group and BUCG and its associates. The Group and BUCG and its associates would normally issue a monthly or quarterly payment notice to each other for the services provided under the 2021 BUCG Property Leasing Framework Agreement, and the Group and BUCG and its associates (as the case may be) shall pay the other party by bank transfer within 60 days after receiving the payment notice. The payment method terms stipulated in the specific lease contracts shall be determined with reference to the payment method terms stipulated in not less than three agreements for the lease of comparable properties by the Group or BUCG and its associates (as the case may be) to Independent Third Parties to ensure compliance with market practice.

2. Existing annual caps and historical transaction amounts

The existing annual caps for the transactions in relation to the Group leasing properties from BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement for the three years ending December 31, 2023 and the historical transaction amounts for the two years ended December 31, 2022 and the six months ended June 30, 2023 are set out below:

	Year ended/ending December 31,					**Six months ended June 30,**
	2021		**2022**		**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Annual cap	Historical amount	Annual cap	Historical amount	Annual cap	Historical amount
The Group leasing from BUCG and its associates	11,044	5,413	13,844	4,094	12,868	7,244
–Right-of-use assets	7,100	5,413	2,600	287	500	–
–Rental expenses	3,944	0	11,244	3,807	12,368	7,244

As at the Latest Practicable Date, the transaction amounts of the transactions in relation to the Group leasing properties from BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement have not exceeded the original annual caps for the year ending December 31, 2023.

3. *Proposed revision of annual caps and basis for determination and reasons for and benefits of relevant transactions*

Based on the historical transaction amount and business development, the Company expects that for the year ending December 31, 2023, the full-year transaction amount of the transactions in relation to the Group leasing properties from BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement will likely exceed the original annual caps. Therefore, the Company proposes to revise the annual caps for the transactions for the year ending December 31, 2023 from RMB12,868 thousand (among which approximately RMB500 thousand will be recognized as right-of-use assets from the certain property leases, and approximately RMB12,368 thousand will be rental expenses) to RMB51,013 thousand (among which approximately RMB38,645 thousand will be recognized as right-of-use assets from the certain property leases, and approximately RMB12,368 thousand will be rental expenses). For the avoidance of doubt, the existing annual caps for the transactions in relation to BUCG and its associates leasing properties from the Group under the 2021 BUCG Property Leasing Framework Agreement will remain unchanged.

The above proposed revision of annual caps is determined with reference to the historical transaction amounts for the Group leasing properties from BUCG and its associates, taking into account the new leasing demand of the Group to be generated in the second half of 2023. The utilization rates of the annual caps for the transactions in relation to the Group leasing properties from BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement for the two years ended December 31, 2022 and the six months ended June 30, 2023 are 49.0%, 29.6% and 56.3%, respectively. The comparatively low utilization rate in 2021 and 2022 was mainly because BUCG and its associates were unable to lease the relevant properties to the Group due to their own commercial reasons. In addition, in the second half of 2023, the Group intended to lease additional three properties from BUCG and its associates, and therefore the right-of-use assets are expected to increase by RMB38,145 thousand by the end of 2023. Among them, two properties are boiler rooms in two communities located in Beijing, which will be used by the Group to operate boiler rooms and provide heat supply services to the residents. The lease term is four years, and the annual rent payable is RMB2,460 thousand and RMB1,500 thousand, respectively (of which RMB11,710 thousand and RMB7,140 thousand will be recognized as right-of-use assets for property leasing, respectively); the other property is an underground garage carpark space and civil defense machinery carpark space of an office building located in Beijing. The Group will carry out office building carpark space management services. The lease term is 17 years, and the one-off rent payable is RMB16,394.5 thousand (of which RMB16,394.5 thousand will be recognized as right-of-use assets for property leasing). Although the lease term in some of the specific contracts under the 2021 BUCG Property Leasing Framework Agreement is longer than three years, taking into account the entering into of the 2024 BUCG Property Leasing Framework

Agreement between the Group and BUCG and its associates on October 10, 2023 to renew the agreement and annual caps and the expected further renewal of the 2024 BUCG Property Leasing Framework Agreement upon its expiry, the Company, after consultation with the Independent Financial Adviser (for details of its opinion, please refer to the letter from the Independent Financial Adviser as set out in this circular), is of the view that the lease term in certain specific contracts under the 2021 BUCG Property Leasing Framework Agreement exceeding three years is consistent with common market practice, fair and reasonable and in the interests of the Company and its Shareholders as a whole. The utilization rate of the annual cap for the six months ended June 30, 2023 for the transactions in relation to the Group leasing properties from BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement has been 56.3%, and the original annual cap for 2023 in relation to the right-of-use assets was very low (only RMB500 thousand), as the Group was unable to anticipate that there will be more additional leasing demand for more than one year lease term in 2023.

In view of the above factors, the Board is of the view that the proposed revision of the Group's annual cap mentioned above are based on the new and previously unanticipated demand for long-term leasing during the year, which is conducive to the expansion of the Group's business in heating services and business operation services and enhancement of revenue, and is therefore in the interests of the Company and its Shareholders as a whole.

C. 2021 Engineering and Laboring Services Framework Agreement

1. Main terms

Parties: (i) the Company (for itself and on behalf of its subsidiaries); and

(ii) BUCG (for itself and on behalf of its associates)

Date: October 11, 2021

Period: from the Listing Date to December 31, 2023

Matter: BUCG and its associates have agreed to provide to the Group engineering and laboring services including (i) engineering design, construction and laboring services (such as installation and replacement of large-scale equipment or heavy machinery); and (ii) the provision of equipment or machinery for the Group's use and operation (such as heat energy generation plants), etc.

Pricing basis: The service fees payable by the Group under the 2021 Engineering and Laboring Services Framework Agreement will be determined after arm's length negotiations taking into account the following factors:

(i) the nature, region, scope and required quality of the services provided by BUCG and its associates to the Group under the specific agreements;

(ii) the expected operational costs (including labor costs, material costs and administrative costs) for the provision of engineering and laboring services by BUCG and its associates to the Group under the specific agreements; and

(iii) the fees charged or quoted by at least three Independent Third Parties under normal trading conditions in the area where the services are provided under the specific agreements for similar or comparable services (which will be determined by reference to the above item (i)(ii) on a comprehensive basis as to whether such services are similar or comparable services).

Payment methods: Payment for the services shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific business contracts to be entered into separately after arm's length negotiation between BUCG and its associates and the Group.

BUCG and its associates would normally issue monthly or quarterly payment notices to the Group in respect of, among other things, the employment services to be provided under the 2021 Engineering and Laboring Services Framework Agreement, and payment shall be made by the Group to BUCG and its associates by way of bank transfers within 60 days from the date of receipt of the payment notices.

BUCG and its associates would normally require the Group to make payments by bank transfer in three installments according to the progress of the works in respect of, among other things, the engineering reconstruction services to be provided under the 2021 Engineering and Laboring Services Framework Agreement, with 30% of the total consideration to be paid within 10 to 15 days after signing of the specific agreement, 65% of the total consideration to be paid upon completion and acceptance of the works, and the remaining 5% to be paid upon the expiry of the quality assurance period.

The payment methods terms stipulated in the specific business contracts shall be determined with reference to the payment methods terms stipulated in not less than three agreements for the provision of similar services by BUCG and its associates to Independent Third Parties to ensure compliance with market practice.

2. *Existing annual caps and historical transaction amounts*

The existing annual caps for the transactions under the 2021 Engineering and Laboring Services Framework Agreement for the three years ending December 31, 2023 and the historical transaction amounts for the two years ended December 31, 2022 and the six months ended June 30, 2023 are set out below:

	Year ended/ending December 31,					Six months ended June 30,
	2021		**2022**		**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Annual cap	Historical amount	Annual cap	Historical amount	Annual cap	Historical amount
Total service fees paid by the Group	48,278	45,236	53,106	52,957	56,416	13,712

As at the Latest Practicable Date, the transaction amount of the continuing connected transactions under the 2021 Engineering and Laboring Services Framework Agreement has not exceeded the original annual cap for the year ending December 31, 2023.

3. *Proposed revision of annual caps and basis for determination and reasons for and benefits of relevant transactions*

Based on the historical transaction amount and business development, the Company expects that the full-year transaction amount under the 2021 Engineering and Laboring Services Framework Agreement for the year ending December 31, 2023 will likely exceed the original annual cap. Therefore, the Company proposes to revise the annual cap under the 2021 Engineering and Laboring Services Framework Agreement for the year ending December 31, 2023 from RMB56,416 thousand to RMB62,286 thousand.

The above proposed revision of the annual cap is determined with reference to the historical transaction amount for the provision of engineering and laboring services by BUCG and its associates to the Group, taking into account the new engineering and laboring demand of the Group expected to be generated by the end of 2023. Firstly, the utilization rates of the annual caps for the transactions under the 2021 Engineering and Laboring Services Framework Agreement for the two years ended December 31, 2022 were relatively high, being 93.7% and 99.7%, respectively. The relatively low utilization rate in the first six months of 2023, which was 24.3%, was mainly due to the fact that the Group's demand for engineering and laboring services mainly occurred in the second half of 2023, and the contract amount of the signed engineering and laboring contracts was mainly paid in the second half of 2023. Therefore, the demand for the transactions under the 2021 Engineering and Laboring Services Framework Agreement has been growing steadily, and the original annual caps have been utilized to the most efficient extent. In 2023, the Group successively carried out daily maintenance and minor repairs for 29 of the property management projects managed by the Group. Such engineering and laboring services will be paid to BUCG and its associates on a monthly or quarterly basis. It is estimated that approximately RMB28,460 thousand will be incurred in 2023. In addition, in the second half of 2023, the Group will carry out a series of construction modifications for three property management service projects undertaken by the Group (the construction cost is RMB33,820 thousand, and the Group shall pay the construction cost of RMB25,000 thousand at the end of 2023 according to the construction progress). Therefore, it is expected that there will be an increase in the provision of engineering and laboring services by BUCG and its associates to the Group.

In view of the above factors, the Board is of the view that the proposed revision of the Group's annual cap mentioned above are based on the new and previously unanticipated demand for construction modifications and maintenance during the year, which is conducive to the Group's enhancement of property services management level and subsequent expansion of diversified property services, and is therefore in the interests of the Company and its Shareholders as a whole.

(III) RENEWAL AND ENTERING INTO OF THE CONTINUING CONNECTED TRANSACTIONS

As the 2021 Agreements for Continuing Connected Transactions will expire on December 31, 2023 and it is expected that the Group will continue to carry out the transactions contemplated under the 2021 Agreements for Continuing Connected Transactions after their expiry, the Company entered into the 2024 Agreements for Continuing Connected Transactions on October 10, 2023 to renew the agreements and the relevant annual caps thereunder. On the same date, the Company entered into the Carpark Space Leasing and Sales Services Framework Agreement with BUCG, pursuant to which the Group agreed to provide carpark space leasing and sales services to BUCG and its associates.

A. 2024 Property Management Services Framework Agreement

1. Main terms

Parties: (i) the Company (for itself and on behalf of its subsidiaries); and

(ii) BUCG (for itself and on behalf of its associates)

Date: October 10, 2023

Period: from January 1, 2024 to December 31, 2026

Matter: The Group has agreed to provide to BUCG and its associates property management services, including security, cleaning, greening, gardening and repair and maintenance services in respect of (i) property units developed by BUCG and its associates which have been completed and are either unsold or sold but not yet delivered to the buyers; and (ii) residential communities, office buildings and other properties owned, used or operated by BUCG and its associates.

Pricing basis: The service fees to be charged under the 2024 Property Management Services Framework Agreement will be determined after arm's length negotiations taking into account the following factors:

(i) the nature, area and location of the relevant properties under the specific agreements;

(ii) the scope of property management services to be provided by the Group under the specific agreements;

(iii) the expected operating costs (including labor costs, material costs and administrative costs) for the provision of property management services by the Group under the specific agreements;

(iv) the fees charged by the Group to at least three Independent Third Parties for the same or similar services (which will be determined by reference to the above item (i)(ii)(iii) on a comprehensive basis as to whether such services are the same or similar); and

(v) quotations from at least three other Independent Third Party service providers for the fees charged for the same or similar services for similar type of properties (such as residential communities, office buildings) in the market.

Meanwhile, the service fees charged by the Group to BUCG and its associates shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable). Such standard fees are the government guidance prices (comprising benchmark prices and respective range of variations) which are determined from time to time by the relevant authorities in the PRC in accordance with the Measures on the Charges of Property Management Enterprise (《物業服務收費管理辦法》) and relevant local regulations in the PRC, with reference to (i) the specific property types (which may include higher-level apartment buildings with elevators and lower-level apartment buildings without elevators); (ii) scope of services; and (iii) the grading criteria for property management service charges.

If a property management services project should be acquired through tender based on internal requirements of BUCG and its associates, the price and terms of the tenders for property management services projects obtained by the Group from BUCG and its associates by way of tender will be made in accordance with the tender procedure of the Company. The tender procedure includes (i) receiving invitation to tender; (ii) preliminary assessment of tender documents; (iii) preparation of property management proposal; (iv) cost estimation and pricing; (v) preparation of tender report, internal evaluation and approval of tender report; and (vi) tender submission, etc. The internal evaluation and approval of the tender will be conducted by the financial management department, safety operation department, quality management department and legal compliance department of the Company. All personnel of the Group involved in the evaluation and approval process will be independent of BUCG and its associates.

The Group has set a similar pricing basis to each project with BUCG and its associates and the Independent Third Parties. The property management fee paid by BUCG and its associates was charged on the basis of a unit price per sq.m per month or a package price per project. Specifically, for projects which were charged at a package price per project, the service fees paid by BUCG and its associates to the Group were charged at costs plus a profit margin. The profit margin and fixed monthly unit price per sq.m. vary depending on a number of factors, such as the nature, size, positioning and geographic locations of the properties, local pricing regulations, management fees charged in nearby and comparable communities, budgeted expenses, property owner, resident and/or tenant profiles and the scope of services.

Payment method:	Payment for the services shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific property management services and/or specialized service agreements to be entered into separately after arm's length negotiation between the Group and BUCG and its associates. The Group would normally issue monthly or quarterly payment notices to BUCG and its associates for the services provided under the 2024 Property Management Services Framework Agreement, and payment shall be made by BUCG and its associates, in principle, to the Group by way of bank transfers within 60 days from the date of receipt of the payment notices. The terms of the payment method set out in the specific property management services and/or specialized service agreements shall be determined with reference to the terms of payment method stipulated in no less than three agreements for similar services provided by the Group to the Independent Third Parties to ensure compliance with market practice.

In view of the above factors, the Board is of the view that the above pricing basis and payment method have been arrived at after arm's length negotiations and are entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, which are also fair and reasonable and in the interests of the Company and its Shareholders as a whole.

2. Existing annual caps and historical transaction amounts under the 2021 Property Management Services Framework Agreement

The existing annual caps for the transactions under the 2021 Property Management Services Framework Agreement for the three years ending December 31, 2023 and the historical transaction amounts for the two years ended December 31, 2022 and the six months ended June 30, 2023 are set out below:

	Year ended/ending December 31,					Six months ended June 30,
	2021		2022		2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Annual cap	Historical amount	Annual cap	Historical amount	Annual cap[Note 1]	Historical amount
Total service fees paid by BUCG and its associates	98,428	92,639	126,098	124,707	146,695	62,943

Note 1: The Company proposes to revise the annual cap for the year ending December 31, 2023 for the transactions under the 2021 Property Management Services Framework Agreement. For details, please refer to the section headed "(II) PROPOSED REVISION OF THE ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS" in this circular.

The utilization rates of the annual caps for the transactions under the 2021 Property Management Services Framework Agreement for the two years ended December 31, 2022 and the six months ended June 30, 2023 are 94.1%, 98.9% and 42.9%, respectively.

3. Annual caps and basis for determination under the 2024 Property Management Services Framework Agreement

The Directors estimate that the maximum annual service fees payable by BUCG and its associates under the 2024 Property Management Services Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees payable by BUCG and its associates	203,719	234,277	269,418

In arriving at the above annual caps, the Directors have taken into account the following factors:

(i) the historical transaction amounts for the two years ended December 31, 2022 and the six months ended June 30, 2023 and, in particular, the annual cap utilization rates for the two years ended December 31, 2022 reaching 94.1% and 98.9%, respectively and historical transaction amounts for the year ended December 31, 2022 increased by 34.6% as compared with the same period in the previous year;

(ii) the number, gross floor area under management and terms (including service fees) of existing projects/service contracts as of June 30, 2023; as of December 31, 2022 and June 30, 2023, gross floor area of properties of BUCG and its associates managed by the Group increased by approximately 7.4% and 8.2% respectively as compared with the same period in the previous year;

(iii) the Group's high bid-winning rate for property management service contracts in respect of property projects developed by BUCG and its associates which is 100% for the two years ended December 31, 2022 and the six months ended June 30, 2023, and the Group's high retention rate for property management service contracts in respect of property projects developed by BUCG and its associates which is over 97.92% for the two years ended December 31, 2022 and the six months ended June 30, 2023;

(iv) the estimated gross floor area in respect of the residential and commercial properties developed by BUCG and its associates, including the fact that the Group has entered into contracts to manage 10 undelivered projects located in Beijing, Tianjin and Shandong respectively with an aggregate contracted gross floor area of 1.99 million square meters, and that the Group anticipates it may be further engaged to provide property management services to additional projects, which are expected to be delivered from 2024 to 2026, and the expected increase in the demand for services of the Group with reference to the expected increase in gross floor area of properties developed by and in the number of property units used by BUCG and its associates as a result of its business growth and expansion. In particular, BUCG's real estate investment for the year ended December 31, 2022 amounted to RMB35.9 billion (representing 97% of its total annual investment). Benefiting from various favourable policies issued by the PRC government to support the real estate industry (For example, the three departments including the Ministry of Housing and Urban-Rural Development of China are jointly promoting the implementation of the new policy of "recognizing the home but not the loan" for first-home mortgage loan, and local governments in many places have introduced policies such as raising the cap of housing provident fund loans, lowering housing loan interest rates, providing deed tax subsidies, and relaxing purchase restrictions.), BUCG and its associates are expected to gradually deliver more residential and commercial properties in the next three years, thereby increasing their demand for the Group's property management services; and

(v) the expected increase in the service fees to be charged by the Group considering the increase in the operational costs as incurred by the Group (particularly labor costs expected to reach annual growth of 3% – 5%).

In view of the above factors, the Board is of the view that the determination of the above annual caps is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

B. 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement

1. Main terms

Parties: (i) the Company (for itself and on behalf of its subsidiaries); and

(ii) BUCG (for itself and on behalf of its associates)

Date: October 10, 2023

Period: from January 1, 2024 to December 31, 2026

Matter: The Group has agreed to provide commercial operational services and value-added services to BUCG and its associates, which include, (i) operational and management services, such as positioning and design services, tenant solicitation services, car park operation and management services, and other management services; and (ii) value-added services, such as consultancy services, and minor construction, maintenance and greening services.

Pricing basis: The service fees to be charged under the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement will be determined after arm's length negotiations taking into account the following factors:

(i) the nature, area and location of the relevant properties under the specific agreements;

(ii) the scope of the commercial operational services and value-added services to be provided by the Group under the specific agreements;

(iii) the expected operational costs (including labor costs, material costs and administrative costs) for the provision of commercial operational services and value-added services by the Group under the specific agreements;

(iv) the fees to be charged by the Group to at least three Independent Third Parties for the same or similar commercial operational services and value-added services (which will be determined by reference to the above item (i)(ii)(iii) on a comprehensive basis as to whether such services are the same or similar), if the Group does not provide the same or similar type and scope of commercial operational services and value-added services to its Independent Third Party customers, the expected costs of the Group in providing such services (including, among others, labor costs, material costs and administrative costs) plus a profit margin of not less than 10% (the profit margin of 10% being determined based on the historical profit margin for the same commercial operational services and value-added services provided by the Group to its connected person and the Independent Third Parties in the last three years), shall be determined after arm's length negotiations; and

(v) the quotations of fees charged by at least three other Independent Third Party service providers for similar commercial operational services and value-added services in the market.

If a property management services project should be acquired through tender based on internal requirements of BUCG and its associates, the price and terms of the tenders for commercial operational and value-added services projects obtained by the Group from BUCG and its associates by way of tender will be made in accordance with the tender procedure of the Company. The tender procedure includes (i) receiving invitation to tender; (ii) preliminary assessment of tender documents; (iii) preparation of property management proposal; (iv) cost estimation and pricing; (v) preparation of tender report, internal evaluation and approval of tender report; and (vi) tender submission, etc. The internal evaluation and approval of the tender will be conducted by the marketing department, financial management department, safety operation department, quality management department, legal compliance department and other departments of the Company. All personnel of the Group involved in the evaluation and approval process will be independent of BUCG and its associates.

Payment method: Payment for the services shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific business contracts to be entered into separately after arm's length negotiation between the Group and BUCG and its associates. The Group would normally issue monthly or quarterly payment notices to BUCG and its associates in respect of operational management services and tenant solicitation services provided under the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement, and payment shall be made by BUCG and its associates, in principle, to the Group by way of bank transfers within 60 days from the date of receipt of the payment notices. For small-scale construction, maintenance and greening projects provided under the framework agreement, the Group would normally require BUCG and its associates to pay by way of bank transfer in three installments according to the construction progress, with 30% of the total consideration to be paid within 10 to 15 days after signing of the specific agreement, 65% of the total consideration to be paid upon completion and acceptance of the works, and the remaining 5% to be paid upon the expiry of the quality assurance period. The terms of the payment method set out in the specific business contracts shall be determined with reference to the terms of payment method stipulated in no less than three agreements for similar services provided by the Group to the Independent Third Parties to ensure compliance with market practice.

In view of the above factors, the Board is of the view that the above pricing basis and payment method have been arrived at after arm's length negotiations and are entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, which are also fair and reasonable and in the interests of the Company and its Shareholders as a whole.

2. Existing annual caps and historical transaction amounts under the 2021 BUCG Commercial Operational Services and Value-Added Services Framework Agreement

The existing annual caps for the transactions under the 2021 BUCG Commercial Operational Services and Value-Added Services Framework Agreement for the three years ending December 31, 2023 and the historical transaction amounts for the two years ended December 31, 2022 and the six months ended June 30, 2023 are set out below:

	Year ended/ending December 31,					Six months ended June 30,
	2021		2022		2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Annual cap	Historical amount	Annual cap	Historical amount	Annual cap	Historical amount
Total service fees paid by BUCG and its associates	115,025	111,054	165,528	147,745	177,080	75,252

The utilization rates of the annual caps for the transactions under the 2021 BUCG Commercial Operational Services and Value-Added Services Framework Agreement for the two years ended December 31, 2022 and the six months ended June 30, 2023 are 96.5%, 89.3% and 42.5%, respectively.

3. Annual caps and basis for determination under the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement

The Directors estimate that the maximum annual service fees payable by BUCG and its associates under the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out below:

	Year ending December 31,		
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Total service fees payable by BUCG and its associates	194,788	214,267	235,693

In arriving at the above annual caps, the Directors have taken into account the following factors:

(i) the historical transaction amounts for the two years ended December 31, 2022 and the six months ended June 30, 2023 and, in particular, the annual cap utilization rates for the two years ended December 31, 2022 reaching 96.5% and 89.3%, respectively and historical transaction amounts for the year ended December 31, 2022 increased by 33.0% as compared with the same period in the previous year;

(ii) the number, gross floor area under management and terms (including service fees) of existing projects/service contracts as of June 30, 2023;

(iii) the expected increase in the demand of BUCG and its associates for the Group's services with reference to the estimated increase in the number of commercial and other properties owned, used or operated by BUCG and its associates which might require commercial operation and management services and tenant sourcing services to be provided by the Group. In particular, BUCG's real estate investment for the year ended December 31, 2022 amounted to RMB35.9 billion (representing 97% of its total annual investment). Benefiting from various favourable policies issued by the PRC government to support the real estate industry (For example, the three departments including the Ministry of Housing and Urban-Rural Development of China are jointly promoting the implementation of the new policy of "recognizing the home but not the loan" for first-home mortgage loan, and local governments in many places have introduced policies such as raising the cap of housing provident fund loans, lowering housing loan interest rates, providing deed tax subsidies, and relaxing purchase restrictions.), BUCG and its associates are expected to gradually deliver more residential and commercial properties in the next three years, thereby increasing their demand for the Group's property management services; and

(iv) the expected increase in the service fees to be charged by the Group considering the increase in the operational costs as incurred by the Group (particularly labor costs expected to reach annual growth of 3% – 5%).

In view of the above factors, the Board is of the view that the determination of the above annual caps is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

C. 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement

1. Main terms

Parties: (i) the Company (for itself and on behalf of its subsidiaries (other than Tiannuo Property)); and

(ii) Tiannuo Property (for itself and on behalf of its subsidiaries)

Date: October 10, 2023

Period: from January 1, 2024 to December 31, 2026

Matter: Tiannuo Property and the Group (other than Tiannuo Property) have agreed to provide commercial operational services and value-added services to each other, which include, (i) operation and management services, such as positioning and design services, tenant solicitation services, carpark space operation and management services, and other management services; and (ii) value-added services, such as consultancy services, broadband services and small-scale construction, maintenance and greening services.

Currently, the services provided by Tiannuo Property to the Group (other than Tiannuo Property) are mainly broadband services (such as Internet installation and maintenance services) and the services provided by the Group (other than Tiannuo Property) to Tiannuo Property are mainly greening conservation services, garage management services. As the property projects under management of the Group are managed by different subsidiaries under the Group according to their geographical locations and staffing arrangements, and the commercial operation segments of these subsidiaries are different (for example, Tiannuo Property has the qualification to carry out Internet installation and maintenance services, and does not have the capability to provide conservation services and garage management services), the arrangement of mutual provision of services between the above two parties is beneficial for the subsidiaries under the Group to focus on their sub-segments of commercial operational services in their business operations, which can maximize the management and operational efficiency of the Group. It is expected that within the term of the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement, Tiannuo Property and the Group (other than Tiannuo Property) will continue to provide commercial operational services and value-added services within their respective scope of services according to their respective commercial operation segments.

Pricing basis: The service fees payable by the Group (other than Tiannuo Property) and Tiannuo Property to each other under the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement will be determined after arm’s length negotiation taking into account the following factors:

(i) nature, area and location of the property under specific agreements;

(ii) scope of commercial operational services and value-added services provided by the Group (other than Tiannuo Property) or Tiannuo Property (as the case may be) under specific agreements;

(iii) the expected operating costs (including labor costs, material costs and administrative costs) in relation to the provision of commercial operational services and value-added services provided by the Group (other than Tiannuo Property) or Tiannuo Property (as the case may be) under specific agreements;

(iv) fees charged by the Group (other than Tiannuo Property) or Tiannuo Property (as the case may be) to at least three Independent Third Parties for same or similar commercial operational services and value-added services (which will be determined by reference to the above item (i)(ii)(iii) on a comprehensive basis as to whether such services are the same or similar); and

(v) fees charged by at least three other Independent Third Parties service providers for similar commercial operational services and value-added services in the market.

Payment method: Payment for the services shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific business contracts to be entered into separately after arm's length negotiation between the Group (other than Tiannuo Property) and Tiannuo Property. The Group (other than Tiannuo Property) and Tiannuo Property would normally issue monthly or quarterly payment notices to the other party or request the other party to pay the value-added service fees on an item-by-item basis for the services provided under the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement, and the Group (other than Tiannuo Property) and Tiannuo Property (as the case may be) shall pay the other party by bank transfer within 60 days after receiving the payment notice. The Group (other than Tiannuo Property) and Tiannuo Property would normally require the other party to make payment in three installments according to the construction progress in respect of the small-scale construction, maintenance and greening services provided under the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement, 30% of the total consideration shall be paid within 10 to 15 days after signing of the specific agreement, 65% of the total consideration shall be paid after completion and acceptance, and the remaining 5% shall be paid after the end of the quality assurance period. For the broadband services provided by Tiannuo Property to the Group (other than Tiannuo Property), payment shall be made in one lump sum in the second half of each year in principle. The terms of the payment method set out in the specific business contracts shall be determined with reference to terms of the payment method for no less than three similar services provided by the Group (other than Tiannuo Property) or Tiannuo Property (as the case may be) to the Independent Third Parties to ensure compliance with market practice.

In view of the above factors, the Board is of the view that the above pricing basis and payment method have been arrived at after arm's length negotiations and are entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, which are also fair and reasonable and in the interests of the Company and its Shareholders as a whole.

2. ***Existing annual caps and historical transaction amounts under the 2021 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement***

The existing annual caps for the transactions under the 2021 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement for the three years ending December 31, 2023 and the historical transaction amounts for the two years ended December 31, 2022 and the six months ended June 30, 2023 are set out below:

	Year ended/ending December 31,					Six months ended June 30,
	2021		2022		2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Annual cap	Historical amount	Annual cap	Historical amount	Annual cap	Historical amount
Total service fees paid by the Group (other than Tiannuo Property)	125	113	137	113	150	–
Total service fees paid by Tiannuo Property	722	364	1,872	179	2,808	179

The utilization rates of the annual caps for the transactions under the 2021 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement in relation to the provision of commercial operational services and value-added services by Tiannuo Property to the Group (other than Tiannuo Property) for the two years ending December 31, 2022 are 90.4% and 82.5%, respectively. The nil transaction amount for the six months ended June 30, 2023 was because the commercial operational services and value-added services (mainly Internet installation and maintenance services) provided by Tiannuo Property to the Group (other than Tiannuo Property) will be settled in the second half of 2023. As of September 30, 2023, the actual transaction amount reached RMB120 thousand representing approximately 80% of the annual cap for the year ending December 31, 2023.

The utilization rates of the annual caps for the transactions under the 2021 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement in relation to the provision of commercial operational services and value-added services by the Group (other than Tiannuo Property) to Tiannuo Property for the two years ended December 31, 2022 and the six months ended June 30, 2023 are 50.4%, 9.6% and 6.4%, respectively. The decrease in the utilisation rate in 2022 and 2023 was mainly due to that the Group (other than Tiannuo Property) failed to obtain certain commercial operational service and value-added service projects from Tiannuo Property due to fierce market competition.

3. Annual caps and basis for determination under the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement

The Directors estimate that the maximum annual service fees payable under the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees payable by the Group (other than Tiannuo Property)	200	240	288
Total service fees payable by Tiannuo Property	542	651	781

In arriving at the annual caps set out above in respect of the commercial operational services and value-added services provided by Tiannuo Property to the Group (other than Tiannuo Property), the Directors have taken into account the following factors:

(i) the historical transaction amounts for the two years ended December 31, 2022 and, in particular, the annual cap utilization rates for the two years ended December 31, 2022 reached 90.4% and 82.5%, respectively;

(ii) the number and terms (including service fees) of existing contracts for the operation and management services and value-added services provided by Tiannuo Property to the properties under the management of the Group (other than Tiannuo Property) as of June 30, 2023 and such contracts relate to the provision of one-year Internet installation and maintenance services by Tiannuo Property to the Group (other than Tiannuo Property) and the service fees are paid in one lump sum; and

(iii) the expected increase in the demand of the Group (other than Tiannuo Property) for commercial operational services and value-added services to be provided by Tiannuo Property, taking into account the estimated increase in the projects under the management of the Group in the forthcoming years (in particular, the Group achieved newly-signed area of approximately 2.5 million square meters in the first half of 2023, representing a year-on-year increase of 15.9%).

In arriving at the annual caps set out above in respect of the commercial operational services and value-added services provided by the Group (other than Tiannuo Property) to Tiannuo Property, the Directors have taken into account the following factors:

(i) the historical transaction amounts for the two years ended December 31, 2022 and the six months ended June 30, 2023;

(ii) the number and terms (including service fees) of existing contracts for the operation and management services and value-added services (such as greening conservation services, garage management services) provided by the Group (other than Tiannuo Property) to Tiannuo Property in respect of properties under the management of Tiannuo Property as of June 30, 2023; and

(iii) the expected increase in the demand of Tiannuo Property for the commercial operational services and value-added services to be provided by the Group (other than Tiannuo Property), as well as the types and area of properties under the management of Tiannuo Property.

In view of the above factors, the Board is of the view that the determination of the above annual caps is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

D. 2024 BUCG Property Leasing Framework Agreement

1. Main terms

Parties: (i) the Company (for itself and on behalf of its subsidiaries); and

(ii) BUCG (for itself and on behalf of its associates)

Date: October 10, 2023

Period: from January 1, 2024 to December 31, 2026

Matter:

(i) The Group has agreed to lease properties (including houses, office buildings and carpark spaces) from BUCG and its associates; and

(ii) BUCG and its associates have agreed to lease properties (including houses, container houses for workers' residence at construction sites, office buildings and carpark spaces) from the Group.

The mutual leasing arrangement between the Group and BUCG and its associates is to satisfy the reasonable needs of both parties in the ordinary and usual course of business. The main purpose is to enable any party to effectively utilize the properties owned by the other party in different locations and types for operation through leasing, increase business flexibility, and reduce the costs of seeking suitable properties or relocation. In addition, the Group provides properties (mainly container houses for workers' residence at construction sites) leased to BUCG and its associates to generate rental income and further expand its business scale. The Company confirms that, if there is any material or substantial change to the terms under the 2024 BUCG Property Leasing Framework Agreement (including the types of leased properties and the relevant transaction arrangements, etc.), the Company will revisit and re-comply with the relevant requirements under Chapters 14 and/or 14A of the Listing Rules.

Pricing basis:

The respective rental payable by the Group and BUCG and its associates to each other shall be determined after arm's length negotiation and taking into account the following factors:

(i) location, quality, area and area of the leased property under specific agreements;

(ii) rentals respectively charged by the Group or BUCG and its associates (as the case may be) to at least three Independent Third Parties for comparable properties (which are categorized into different types such as houses, office buildings and carpark spaces, and reference will be made to item (i) above to determine if they are comparable); and

(iii) the rent charged by at least three other Independent Third Parties for comparable properties in the market.

Payment method: Payment for the rentals shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific leasing contracts to be entered into separately after arm's length negotiation between the Group and BUCG and its associates. The Group and BUCG and its associates would normally issue monthly or quarterly payment notices to each other in respect of the rental payables under the 2024 BUCG Property Leasing Framework Agreement, and payment shall be made by the Group or BUCG and its associates (as the case may be) by way of bank transfers within 60 days from the date of receipt of the payment notices. The terms of the payment method set out in the specific leasing contracts shall be determined with reference to the terms of payment method stipulated in no less than three agreements for similar services provided by the Group or BUCG and its associates (as the case may be) to the Independent Third Parties to ensure compliance with market practice.

In view of the above factors, the Board is of the view that the above pricing basis and payment method have been arrived at after arm's length negotiations and are entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, which are also fair and reasonable and in the interests of the Company and its Shareholders as a whole.

2. Existing annual caps and historical transaction amounts under the 2021 BUCG Property Leasing Framework Agreement

The existing annual caps for the transactions under the 2021 BUCG Property Leasing Framework Agreement for the three years ending December 31, 2023 and the historical transaction amounts for the two years ended December 31, 2022 and the six months ended June 30, 2023 are set out below:

	Year ended/ending December 31,					Six months ended June 30,
	2021		**2022**		**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Annual cap	Historical amount	Annual cap	Historical amount	Annual cap[Note 1]	Historical amount
The Group leasing from BUCG and its associates	11,044	5,413	13,844	4,094	12,868	7,244
– Right-of-use assets	7,100	5,413	2,600	287	500	–
– Rental expenses	3,944	–	11,244	3,807	12,368	7,244
BUCG and its associates leasing from the Group	6,138	2,634	20,806	16,952	27,383	12,102

Note 1: The Company proposes to revise the annual cap for the year ending December 31, 2023 for the transactions in relation to the Group leasing properties from BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement. For details, please refer to the section headed "(II) PROPOSED REVISION OF THE ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS" in this circular.

The utilization rates of the annual caps for the transactions in relation to the Group leasing properties from BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement for the two years ended December 31, 2022 and the six months ended June 30, 2023 are 49.0%, 29.6% and 56.3%, respectively. The relatively low utilisation rate for 2021 and 2022 was mainly due to the fact that BUCG and its associates, for their own commercial reasons, failed to lease relevant properties to the Group.

The utilization rates of the annual caps for the transactions under the 2021 BUCG Property Leasing Framework Agreement in relation to BUCG and its associates leasing properties from the Group for the two years ended December 31, 2022 and the six months ended June 30, 2023 are 42.9%, 81.5% and 44.2%, respectively. The comparatively low utilisation rate in 2021 was mainly due to the fact that the Group gradually started to carry out leasing business of container houses for workers' residence at construction sites with BUCG and its associates in 2021, and the business volume was relatively low at the beginning.

3. *Annual caps and basis for determination under the 2024 BUCG Property Leasing Framework Agreement*

The Directors estimate that the maximum annual amounts under the 2024 BUCG Property Leasing Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
The Group leasing from BUCG and its associates[Note 1]	180,617	100,881	101,134
– Right-of-use assets	171,250	91,250	91,250
– Rental expenses	9,367	9,631	9,884
BUCG and its associates leasing from the Group	24,000	28,800	34,560

Note 1: In accordance with International Financial Reporting Standards ("IFRS") 16, the Group applies different accounting treatments for different amounts in the 2024 BUCG Property Leasing Framework Agreement. Rentals from short-term leases and low-value leases where the Group is the lessee shall be recognized as rental expenses over the lease term. Other leases where the Group is the lessee shall be recognized as right-of-use assets at the lease commencement date.

In arriving at the above annual caps in relation to the Group leasing properties from BUCG and its associates, the Directors have taken into account the historical rentals paid by the Group and the estimated future business needs of the Group. The Directors have also taken into account (i) the value of the right-of-use assets arising from certain leasing agreements already entered into, which are within the scope of IFRS 16, and the expected renewal of such agreements upon their expiry during the upcoming three years; (ii) the expected increment in rentals for the relevant properties under the 2024 BUCG Property Leasing Framework Agreement after taking into account the estimated increase in other fees and expenses, such as labour costs, as a result of business and market improvements and the general increase in rent in the market for commercial properties in major cities in the PRC, such as Beijing, where the Company primarily operates; and (iii) the Group's plan to lease a number of properties from BUCG and its associates in 2024 for the purpose of business operations, in particular, the Group plans to lease new properties from BUCG and its associates in the next few years, mainly including (a) a nursing home project in Beijing with total rents of approximately RMB80,000 thousand for a term of 20 years to develop the elderly care service business; (b) one or more leased properties in Beijing with an annual gross floor area of approximately 10,000 square meters and a daily rent of approximately RMB5.0 per square meter and plans to commence new business such as hotel, long-lease apartment and office building operation after redesign and renovation, according to the Group's business strategy of optimising its business model and providing diversified services by expanding its project portfolio. These specific lease arrangements may or may not be entered into subject to various circumstances. The Company expects each of the one-off specific lease arrangements under the 2024 BUCG Property Leasing Framework Agreement will not on an individual basis constitute a major transaction (or above) under Chapter 14 of the Listing Rules. If there is any deviation, the Company will revisit and re-comply with the relevant requirements under Chapters 14 and/or 14A of the Listing Rules (if applicable). Although the lease term in some of the specific contracts under the 2024 BUCG Property Leasing Framework Agreement is longer than three years, taking into account the expected renewal of the 2024 BUCG Property Leasing Framework Agreement upon its expiry, the Company, after consultation with the Independent Financial Adviser (for details of its opinion, please refer to the letter from the Independent Financial Adviser as set out in this circular), is of the view that the lease term in certain specific contracts under the 2024 BUCG Property Leasing Framework Agreement exceeding three years is consistent with common market practice, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In arriving at the above annual caps in relation to BUCG and its associates leasing properties from the Group, the Directors have taken into account (i) the historical rentals paid by BUCG and its associates (in particular, the utilization rate of the annual cap for the year ended December 31, 2022 reaching 81.5%) and the historical growth rate of the Group leasing properties from BUCG and its associates in 2022 and 2023 of approximately 543.6% and 42.8%, respectively; (ii) the estimated future business needs of BUCG and its associates including the business needs for leasing of container houses for workers' residence at construction sites from the Group during the upcoming three years based on the operation and management strategy of the construction sites of BUCG and its associates; and (iii) the expected rental increase in the market, in particular, after taking into account the increase in operating costs generated by the Group (including the expected increase in labour costs of 3%-5% per annum).

In view of the above factors, the Board is of the view that the determination of the above annual caps is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

E. 2024 Property Ancillary Services Framework Agreement

1. Main terms

Parties: (i) the Company (for itself and on behalf of its subsidiaries); and

(ii) BUCG (for itself and on behalf of its associates)

Date: October 10, 2023

Period: from January 1, 2024 to December 31, 2026

Matter: The Group has agreed to provide property ancillary services to BUCG and its associates, including (i) catering services; and (ii) heat energy supply services.

Pricing basis: The service fees to be charged by the Group under the 2024 Property Ancillary Services Framework Agreement will be determined after arm's length negotiations and taking into account the following factors:

(i) the scale of services provided by the Group to and the quality of the services requested by BUCG and its associates under the specific agreements;

(ii) the expected operating costs (including labor costs, material costs and administrative costs) in relation to the provision of property ancillary services provided by the Group under the specific agreement;

(iii) fees charged by the Group to at least three Independent Third Parties for comparable services (reference will be made to item (i)(ii) above to determine if they are comparable); and

(iv) quotes of fees charged by at least three other Independent Third Parties service providers for comparable services (reference will be made to item (i)(ii) above to determine if they are comparable); and

In particular, the service fees charged by the Group for the provision of heat energy supply services shall be determined with reference to the unit price of energy fixed by the relevant local government, which is generally published on its official website.

Payment method: Payment for the services shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific business contracts to be entered into separately after arm's length negotiation between the Group and BUCG and its associates. The Group would normally issue monthly or quarterly payment notices to BUCG and its associates in respect of the services provided under the 2024 Property Ancillary Services Framework Agreement, and payment shall be made by BUCG and its associates to the Group by way of bank transfers within 60 days from the date of receipt of the payment notices. The terms of the payment method set out in the specific business contracts shall be determined with reference to the terms of payment method stipulated in no less than three agreements for similar services provided by the Group to the Independent Third Parties to ensure compliance with market practice.

In view of the above factors, the Board is of the view that the above pricing basis and payment method have been arrived at after arm's length negotiations and are entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, which are also fair and reasonable and in the interests of the Company and its Shareholders as a whole.

2. *Existing annual caps and historical transaction amounts under the 2021 Property Ancillary Services Framework Agreement*

The existing annual caps for the transactions under the 2021 Property Ancillary Services Framework Agreement for the three years ending December 31, 2023 and the historical transaction amounts for the two years ended December 31, 2022 and the six months ended June 30, 2023 are set out below:

	Year ended/ending December 31,					Six months ended June 30,
	2021		2022		2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Annual cap	Historical amount	Annual cap	Historical amount	Annual cap	Historical amount
Total service fees paid by BUCG and its associates	27,600	20,517	42,667	31,354	58,748	7,130

The utilization rates of the annual caps for the transactions under the 2021 Property Ancillary Services Framework Agreement for the two years ended December 31, 2022 and the six months ended June 30, 2023 are 74.3%, 73.5% and 12.1%, respectively. The utilization rates of the annual caps for the first half of 2023 were lower because the catering services required under epidemic prevention and control policies in 2021 and 2022 were no longer required in 2023. However, the cancellation of epidemic prevention and control policies has also brought about a gradual increase in catering service demands at construction sites and other kind of catering services for BUCG and its associates. It is expected that the increase in catering service demands for 2024 to 2026 will exceed the decrease in catering service demands caused by the cancellation of epidemic prevention and control policies.

3. Annual caps and basis for determination under the 2024 Property Ancillary Services Framework Agreement

The Directors estimate that the maximum annual service fees payable by BUCG and its associates under the 2024 Property Ancillary Services Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees payable by BUCG and its associates	34,489	37,938	41,732

In arriving at the above annual caps, the Directors have taken into account the following factors:

(i) the historical transaction amounts for the two years ended December 31, 2022 and the six months ended June 30, 2023, especially the actual transaction amounts for the year ended December 31, 2022 increased by 52.8% year-on-year;

(ii) the existing contracts for heat energy supply services provided by the Group to BUCG and its associates as of June 30, 2023, and the expected increase in the demand of BUCG and its associates for heat energy supply services along with their business expansion (in particular, benefiting from various favourable policies issued by the PRC government to support the real estate industry (For example, the three departments including the Ministry of Housing and Urban-Rural Development of China are jointly promoting the implementation of the new policy of "recognizing the home but not the loan" for first-home mortgage loan, and local governments in many places have introduced policies such as raising the cap of housing provident fund loans, lowering housing loan interest rates, providing deed tax subsidies, and relaxing purchase restrictions.), BUCG and its associates are expected to gradually deliver more residential and commercial properties in the next three years) in the forthcoming years, taking into account, among other things, the estimated increase in the unit price of energy in the forthcoming years; and

(iii) the existing contracts for catering services provided by the Group to BUCG and its associates as of June 30, 2023, and the expected increase in the demand of BUCG and its associates for catering services on their construction sites in the forthcoming years as well as the expected increase in the relevant costs and market prices related to such services, which include the estimated increases in the labor costs (expected to reach annual growth of 3%-5%) and materials costs when the Group provides catering services.

In view of the above factors, the Board is of the view that the determination of the above annual caps is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

F. 2024 Engineering and Laboring Services Framework Agreement

1. Main terms

Parties: (i) the Company (for itself and on behalf of its subsidiaries); and

(ii) BUCG (for itself and on behalf of its associates)

Date: October 10, 2023

Period: from January 1, 2024 to December 31, 2026

Matter: BUCG and its associates have agreed to provide engineering and laboring services to the Group, which include (i) engineering design, construction and laboring services (such as installation and replacement of large-scale equipment or heavy machinery); and (ii) the provision of equipment or machinery for the Group's use and operation (such as heat energy generation plants), etc.

Pricing basis: The service fees payable by the Group under the 2024 Engineering and Laboring Services Framework Agreement will be determined after arm's length negotiations and taking into account the following factors:

(i) the nature, region, scope and required quality of the services provided by BUCG and its associates to the Group under the specific agreements;

(ii) the expected operational costs (including labor costs, material costs and administrative costs) for the provision of engineering and laboring services by BUCG and its associates to the Group under the specific agreements; and

(iii) the fees charged or quoted by at least three Independent Third Parties under normal trading conditions in the area where the services are provided under the specific agreements for similar or comparable services (which will be determined by reference to the above item (i)(ii) on a comprehensive basis as to whether such services are similar or comparable services).

Payment method: Payment for the services shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific business contracts to be entered into separately after arm's length negotiation between BUCG and its associates and the Group.

BUCG and its associates will normally issue monthly or quarterly payment notices to the Group in respect of, among other things, the laboring services provided under the 2024 Engineering and Laboring Services Framework Agreement, and payment shall be made by the Group to BUCG and its associates by way of bank transfers within 60 days from the date of receipt of the payment notices.

BUCG and its associates will normally require the Group to make payments by bank transfer in three installments according to the construction progress in respect of, among other things, the engineering renovation services provided under the 2024 Engineering and Laboring Services Framework Agreement, with 30% of the total consideration to be paid within 10 to 15 days after signing of the specific agreement, 65% of the total consideration to be paid upon completion and acceptance of the works, and the remaining 5% to be paid upon the expiry of the quality assurance period.

The terms of the payment method set out in the specific business contracts shall be determined with reference to the terms of payment method stipulated in no less than three agreements for similar services provided by BUCG and its associates to the Independent Third Parties to ensure compliance with market practice.

In view of the above factors, the Board is of the view that the above pricing basis and payment method have been arrived at after arm's length negotiations and are entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, which are also fair and reasonable and in the interests of the Company and its Shareholders as a whole.

2. *Existing annual caps and historical transaction amounts under the 2021 Engineering and Laboring Services Framework Agreement*

The annual caps for the two years ended December 31, 2022 and the year ending December 31, 2023, and the historical transaction amounts for the two years ended December 31, 2022 and the six months ended June 30, 2023 are set out below:

	Year ended/ending December 31,					**Six months ended June 30,**
	2021		**2022**		**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Annual cap	Historical amount	Annual cap	Historical amount	Annual cap[Note 1]	Historical amount
Total service fees paid by the Group	48,278	45,236	53,106	52,957	56,416	13,712

Note 1: The Company proposes to revise the annual cap for the year ending December 31, 2023 for the transactions under the 2021 Engineering and Laboring Services Framework Agreement. For details, please refer to the section headed "(II) PROPOSED REVISION OF THE ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS" in this circular.

The utilization rates of the annual caps for the transactions under the 2021 Engineering and Laboring Services Framework Agreement for the two years ended December 31, 2022 and the six months ended June 30, 2023 are 93.7%, 99.7% and 24.3%, respectively. The comparatively low utilization rate for the first six months of 2023 is mainly due to the fact that the engineering and laboring demand of the Group mainly occurred in the second half of 2023, and the payment time for the transaction amount under signed engineering and laboring contracts was also mainly incurred in the second half of 2023.

3. *Annual caps and basis for determination under the 2024 Engineering and Laboring Services Framework Agreement*

The Directors estimate that the maximum annual service fees payable by the Group under the 2024 Engineering and Laboring Services Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees payable by the Group	55,000	57,750	60,638

In arriving at the above annual caps, the Directors have taken into account the following factors:

(i) the historical transaction amounts paid by the Group and, in particular, the annual cap utilization rates for the two years ended December 31, 2022 reached 93.7% and 99.7%, respectively, and the average historical annual growth rate of engineering and laboring service fees paid by the Group to BUCG and its associates from 2020 to 2022 was approximately 9.8%;

(ii) the number of projects under the management of the Group in the first half of 2023 increased by 16.7% year-on-year, and the area under the management of the Group increased by 13.5% year-on-year. Therefore, the expected increase in the demand for construction and laboring services in respect of engineering renovation and repairs and maintenance of property projects which are managed by the Group and the engineering design of which is provided by BUCG and its associates; and

(iii) the expected increase in the operational costs (particularly labor costs expected to reach annual growth of 3%-5%) incurred by BUCG and its associates.

In view of the above factors, the Board is of the view that the determination of the above annual caps is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

G. Carpark Space Leasing and Sales Services Framework Agreement

1. Main terms

Parties: (i) the Company (for itself and on behalf of its subsidiaries); and

(ii) BUCG (for itself and on behalf of its associates)

Date: October 10, 2023

Period: three years from the date when the Carpark Space Leasing and Sales Services Framework Agreement is considered and approved at the EGM

Matter: The Group has agreed to provide assistance services for BUCG and its associates in its sale and/or leasing of carpark spaces by adopting the leasing and sales at the base price model and/or the acquisition of rights-of-use model. The Group will enter into specific contracts (the "**Specific Contracts**") with BUCG and its associates to specify the agreed cooperation of both parties on specific projects and the number of carpark spaces involved (the "**Target Carpark Spaces**").

Details of the business models of the services for the sale and/or leasing of carpark spaces under the Carpark Space Leasing and Sales Services Framework Agreement

The specific business models of the services for the sale and/or leasing of carpark spaces include the following two types:

Model I: leasing and sales at the base price model

BUCG and its associates have agreed to entrust the Group to assist them for the sale and/or leasing of the Target Carpark Spaces involved in the Specific Contracts (the "**Exclusive Leasing and Sales Rights**"). During the agreement period of the Specific Contracts, BUCG and its associates shall not entrust the Target Carpark Spaces to other third parties for leasing or sales. The agreement period for a Specific Contract under the leasing and sales at the base price model is expected to be normally three years. The Exclusive Leasing and Sales Rights are the sole and exclusive rights entitled to the Group, and any sale, transfer, grant, pledge or any other disposal of any of the Target Carpark Spaces by BUCG and its associates to a third party shall be subject to agreement with the Group.

(1) Pricing policy and settlement

The Group shall negotiate with BUCG and its associates to set the base price of the Target Carpark Spaces, which in principle shall not exceed 80% of the agreed sales/leasing price (the "**Agreed Price**") negotiated between the two parties (the "**Cooperation Rights on Leasing and Sales at Base Price**"), and such transactions shall be conducted on normal commercial terms. The setting of the base price at a discount of 20% or more to the Agreed Price was arrived at after making reference to transactions of similar nature carried out by other listed companies and companies in the same industry in the market, as well as through commercial negotiation between the Group and BUCG and its associates, which is in line with market practice. On this basis, assuming that the Target Carpark Spaces are sold at the Agreed Price, which is expected to generate at least 20% of the corresponding selling price as the exclusive leasing and sales service fee receivable by the Group, the Group will be able to benefit from the stable income generated under the model and enhance the overall profitability, which will result in potentially substantial returns to the Shareholders. The Agreed Price shall be determined with reference to the appraised value of the Target Carpark Spaces after the appraisal of the sales/leasing price of the Target Carpark Spaces by an independent appraiser engaged by the two parties.

In determining the service fees and the discount of the base price compared to the Agreed Price, the Group will also estimate the costs of such services, taking into account factors such as labour costs, marketing expenses and difficulties of the leasing and sales agency. In determining the base price for sales or leasing, the discount of the base price compared to the Agreed Price will be determined by taking into account factors such as occupancy rate, parking spaces ratio, stage of sales and quality of parking spaces of the project. Those projects which are (i) within the proximity of the specific project; and (ii) of similar type targeting at similar customer group will be selected as comparable projects when determining the Agreed Price. The Group will make reference to not less than two comparable projects to determine the Agreed Price of specific projects and the discount of the base price compared to the Agreed Price. The similarity in the stages of selling cycle and the average sales/leasing prices of these comparable projects over the past 12 months would also be taken into account, and adjustment may be made considering the most recent market trends and economic development.

In respect of the carpark space sales service, BUCG and its associates shall transfer the Target Carpark Spaces to any third party purchaser designated by itself at the Agreed Price at the request of the Group, and the excess of the Agreed Price exceeding the base price of the carpark space sales shall be attributed to the Group as the service fee. In respect of the carpark space leasing services, BUCG and its associates shall lease the Target Carpark Spaces to any third party lessee designated by itself at the Agreed Price at the request of the Group, and the excess over the base price of the carpark space leasing shall be attributed to the Group as the service fee.

Although the Group will not charge service fees to BUCG and its associates for unsold/unleased carpark spaces, the Group will assess the profitability of a carpark space sales/leasing project on an overall basis and it is expected that the proceeds from the sold/leased car parks is able to cover the service costs, labor costs, and marketing expenses incurred to the Group in respect of the unsold/unleased carpark spaces.

BUCG and its associates shall pay service fees to the Group for the aforesaid services for the leasing and sales of carpark spaces. The relevant carpark spaces purchaser/lessee shall only sign the carpark space purchase/leasing agreement with BUCG and its associates and make payment for the purchase/leasing to the designated account of BUCG and its associates, and the price of the purchase/leasing agreement shall include the base price and the service fees attributable to the Group; upon receipt of the agreed payment from the relevant carpark space purchaser/lessee by BUCG and its associates, the excess of the agreed payment over the base price will be settled to the Group as the service fee on a monthly or quarterly basis, and the service fee for the previous month or quarter (as the case may be) will be settled by the 15th day of the following month or quarter.

(2) Refundable deposits

The Group is required to pay to BUCG and its associates the deposits not exceeding the aggregate of the relevant value under the Specific Contracts (base price * number of the Target Carpark Spaces to be leased or sold) for acquiring the Exclusive Leasing and Sales Rights of the carpark spaces and the Cooperation Rights on Leasing and Sales at Base Price. The deposits are payable in one lump sum or by installments upon signing of the Specific Contracts. The payment of the deposits in one lump sum or by installments is determined after arm's length negotiations between the parties based on the circumstances of the specific project. The deposit will normally be paid in one lump sum if the aggregate value of the carpark spaces of a specific project is comparatively small and the sales cycle is short, or by installments according to the projected sales timetable if the aggregate value of the carpark spaces is comparatively large and the sales cycle is long. The deposits will not bear interest and will not be secured by any collateral.

In respect of the return of deposits, the parties agreed that:

(i) During the agreement period of the Carpark Space Leasing and Sales Services Framework Agreement, the Group may replace the unleased/unsold carpark spaces with those of equivalent value, and BUCG and its associates, pursuant to the express written request of the Group, are required to return the existing deposits to the Group before June 30 and December 31 of each year. In addition, the Group will assess the business operation and clarify whether to make adjustments or not (the main considerations include the overall sales status of the Target

Carpark Spaces for a specific project, the occupancy status of owners, the likelihood of achieving the remaining sales target of carpark spaces, the prevailing property market conditions (mainly with reference to the industry reports on China's real estate released by China Index Academy, Jones Lang LaSalle, Savills, etc.), and the prevailing market price of the Target Carpark Spaces (with reference to the average sales price of other carpark spaces in specific projects for the past 12 months as summarized by the Group)), and pay the corresponding deposits to BUCG and its associates based on the post-assessment results;

(ii) If the Group leases and sells all the Target Carpark Spaces in advance or the Specific Contract for the Target Carpark Spaces expires and is not renewed, BUCG and its associates shall return the corresponding deposits to the Group within 60 days after the leasing and sales are completed or the Specific Contract for the Target Carpark Spaces expires;

(iii) Within 60 days from the cancellation or termination of the Carpark Space Leasing and Sales Services Framework Agreement for any reason, BUCG and its associates shall recover the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price of all unleased/unsold carpark spaces, and shall return the corresponding deposits; and

(iv) The return of the deposits mentioned in items (i), (ii) and (iii) above shall be made no later than June 30 and December 31 of the current year; or if June 30 and December 31 of the current year are rest days for banking services, the deposits shall be returned earlier to the nearest banking service day.

Meanwhile, to safeguard the interests of the Group, the Group will adopt the following internal control procedures to ensure the recoverability of the refundable deposits placed with BUCG and its associates:

(i) The Company's financial management department closely monitors the sales proceeds of carpark spaces received by BUCG and its associates on a monthly basis and measures the balance of refundable deposits paid in a timely manner;

(ii) The Company's quality management department will closely monitor the overall sales status of the Target Carpark Spaces and the occupancy status of the owners of specific projects on a monthly basis and assess the likelihood of achieving the remaining sales target of the carpark spaces throughout the year in order to monitor the risk of recovering the refundable deposits;

(iii) In the event that the sales of carpark spaces in individual projects fail to meet expectations (i.e., when the recovery of the refundable deposits is at risk), the Group will communicate with the management of BUCG and its associates as a whole and negotiate for the delivery of carpark spaces with higher quality in other projects as a replacement; and

(iv) The Company's financial management department will obtain financial updates regularly from BUCG to assess (a) the latest financial position of BUCG and its associates; (b) the liquidity risk and net asset value; and (c) the risk of default and repayment ability; and assess the liquidity risk and the default risk by monitoring the publicly available information in the market from time to time, including media news reports, etc. If any material adverse event relating to the financial position of BUCG comes to their knowledge, they will report it to the Board and the management of the Company in a timely manner and minimize the credit risk associated with the refundable deposits. Based on the annual report of BUCG for the year ended December 31, 2022, BUCG generated revenue and profit attributable to owners of approximately RMB148.1 billion and RMB2.2 billion, respectively. Based on the interim report for the six months ended June 30, 2023, as at June 30, 2023, BUCG had total assets, net assets and cash of approximately RMB360.1 billion, RMB79.4 billion and RMB54.6 billion, respectively. Based on the strong financial results and healthy financial position of BUCG, the credit risk of the Group in respect of the deposit arrangement is considered to be acceptable.

The Company is of the view that the recoverability of the deposits under the Carpark Space Leasing and Sales Services Framework Agreement can be strongly guaranteed by taking the above measures and the related risks are limited and controllable. Although the deposits under the leasing and sales at the base price model will be interest-free and not secured by any collateral, as the payment of the deposits is an integral part of the Group's commercial arrangement for obtaining the Exclusive Leasing and Sales Rights of the carpark spaces and the Cooperation Rights on Leasing and Sales at Base Price, it is expected that the service fee received by the Group under the leasing and sales at the base price model will exceed the potential interest income which may be generated from the deposit placed with banks or other financial institutions. Based on the foregoing, the Board (including the Independent Board Committee) is of the view that the terms under the Carpark Space Leasing and Sales Services Framework Agreement (including the arrangement for the payment of the deposits) are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Taking into account the cash and cash equivalents of the Group amounting to approximately RMB1,140,700 thousand as at December 31, 2022, the Company confirms that payment of the refundable deposits under the Carpark Space Leasing and Sales Services Framework Agreement to BUCG and its associates will not have any material adverse impact on the Company's cash flow.

Model II: acquisition of rights-of-use model

BUCG and its associates agreed to transfer the rights-of-use in the Target Carpark Spaces to the Group. After transfer of the rights-of-use in the Target Carpark Spaces, the scope of the rights-of-use entitled to the Group includes self-use of the Target Carpark Spaces, leasing to the public, and assisting BUCG and its associates in the sale of the carpark spaces. In respect of assisting BUCG and its associates for the sales of the carpark spaces, BUCG and its associates have legally authorised the Group to sell the Target Carpark Spaces to the purchaser and enter into the contract for sale and purchase of the carpark spaces with the purchaser in the name of BUCG and its associates, and to handle the procedures to transfer property rights of the Target Carpark Spaces. The proceeds from the sale of the carpark spaces will be remitted by the purchaser directly to the designated account of BUCG and its associates or the Group.

(1) Pricing policy and settlement

The parties shall engage an independent appraiser to conduct an appraisal of the value of the rights-of-use in the Target Carpark Spaces, negotiate to determine the price for the transfer of the rights-of-use in the Target Carpark Spaces, and enter into the relevant transaction on normal commercial terms.

In addition, the Group shall prepare an internal sale plan and projection for Target Carpark Spaces under Specific Contracts with an estimated payback period of no more than five years. Having made reference to transactions of similar nature conducted by other listed companies and companies in the same industry in the market, the Company is of the view that the internal policy requirement of setting an estimated payback period of not more than five years is reasonable and practicable. Moreover, the Group's marketing team will conduct mapping exercises and analysis of specific carpark spaces and prepare marketing programs combining rewards and penalties for specific employees in order to strive for a shorter payback period. Feasibility study will include, among other things, (a) analysis of the demand for the underlying carpark spaces; (b) the payback period and expected return of the investment; and (c) the price of other carpark spaces of at least two development projects (if any) surrounding the underlying carpark spaces, taking into account factors such as the total number, nature, targeted purchasers, environment, local facilities, etc. of the carpark spaces. The two development projects are generally selected from real estate development projects in the same city in which the target project is located that have a similar positioning of residential projects, number and condition of carpark spaces, surrounding commercial prosperity, traffic conditions, and per capita income of the occupants. In any event, the transfer price of the rights-of-use (i.e. the consideration) shall be no less favourable to the Group than that available from the Independent Third Party sellers for similar transactions. The transfer price of the rights-of-use will be funded by internal resources of the Group.

Depending on the agreement of the Specific Contracts, the transfer price of the rights-of-use in the carpark spaces may be paid in one lump sum or by installments. The payment of the price for the transfer of the rights-of-use in the carpark spaces in one lump sum or by installments is determined after arm's length negotiations between the parties based on the circumstances of the specific project. The price for the transfer of the rights-of-use in the carpark spaces will normally be paid in one lump sum if the aggregate value of the carpark spaces of a specific project is small, or by installments according to the expected plan for sales and leasing if the aggregate value of the carpark spaces is large or the projected payback period is comparatively long.

The parties may agree to reconcile and calculate the sales of specific Target Carpark Spaces on a monthly or quarterly basis (depending on the Specific Contract) and settle the service fee. The proceeds from the sale of the carpark spaces remitted by the purchaser to the designated account of BUCG and its associates can be used to offset the transfer price of the rights-of-use in the carpark spaces. After accounting, if the cumulative sales proceeds generated from the sales of the Target Carpark Spaces exceeds the transfer price of the rights-of-use in the Target Carpark Spaces in the Specific Contract, the excess will be attributed to the Group as the service fee. Therefore, under the acquisition of rights-of-use model, the actual service fees received by the Group represent the difference between the proceeds from selling the Target Carpark Spaces under Specific Contracts and the price for the transfer of the rights-of-use. The Group will primarily rely on the internal sale plan and projection prepared by the Group as described above to estimate the costs of providing services, in full consideration of factors such as labor costs, marketing expenses and sales difficulty, and make prudent estimates of the service fees (i.e. difference between the proceeds from selling the spaces and the price for the transfer of the rights-of-use). Additionally, as the scope of the rights-of-use in the carpark spaces entitled to the Group under this model includes leasing unsold carpark spaces to the public, and the proceeds from external leasing belongs to the Group, which can increase the Group's income. Rental rates of the unsold carpark spaces will be determined by the Group with reference to the rentals of at least two comparable carpark spaces in the nearby communities. Taking into account of the total number of carpark spaces in the relevant communities falling short of the number of vehicles held by the residents or there being no free parking spaces around the communities where the Target Carpark Spaces locate, the Group believes there being good chances of leasing out the unsold carpark spaces.

(2) Transfer period of the rights-of-use

The transfer period of the rights-of-use shall be from the date signing of the Specific Contract to the date of expiry of the term of the land use right in relation to the Target Carpark Spaces, or such other date as may be agreed between the parties (such other date shall not be later than the date of expiry of the term of the relevant land use right). Therefore, the agreement period of the Specific Contracts under the acquisition of rights-of-use model (i.e. consistent with the transfer period of the rights-of-use) is expected to be normally 50 to 70 years. The Company, after consultation with the Independent Financial Adviser (for details of its opinion, please refer to the letter from the Independent Financial Adviser as set out in this circular), is of the view that the term of such Specific Contracts exceeding three years is a common market practice and is fair and reasonable, which is in the interests of the Company and its Shareholders as a whole. If the Group has assisted BUCG and its associates to sell the carpark space to a purchaser, the Group's rights-of-use in the carpark space shall terminate. Upon expiry of the term for transfer of the rights-of-use in the carpark space, the Group shall transfer the leasing and other operation and management rights of the unsold Target Carpark Spaces to BUCG and its associates and vacate the same (except in the case that the two parties have reached a new agreement on the rights-of-use in the target parking space). During the transfer period, in the event that there is any change in the government's laws, regulations and management policies on carpark spaces, and such change will cause impairment or loss of the rights-of-use in the carpark spaces purchased by the Group, BUCG and its associates shall compensate the Group for the aforesaid losses suffered by the Group.

The Group will take into account a number of factors of the Target Carpark Spaces in determining which business model under the Carpark Space Leasing and Sales Services Framework Agreement will be adopted for a specific project. Specifically, these factors include (i) the positioning of the residential project in the residential communities to which the Target Carpark Spaces belong, the degree of commercial prosperity in the vicinity and the transportation condition; (ii) the aggregate value and the projected progress of the sale of the Target Carpark Spaces; and (iii) the demand for leasing of carpark spaces in the residential communities to which the Target Carpark Spaces belong. For Target Carpark Spaces of a residential project targeting residential communities with a permanent population and the aggregate value of carpark spaces is small, the Group will mainly adopt the leasing and sales at the base price model to ensure quick return of funds within a short period of time, so as to reasonably control the risks and improve the overall profitability; for Target Carpark Spaces of a residential project targeting residential communities with a long sales cycle, short-term tenant population, large aggregate value of the carpark spaces, and higher demand for leasing of the carpark spaces, the Group will mainly adopt the acquisition of rights-of-use model, so as to maximize its autonomy in the management of carpark spaces, and to set up targeted sales and leasing operation plans, and thus be able to maintain a sound balance of inventory of the Target Carpark Spaces, so as to maximize returns in this regard.

2. Annual caps and basis for determination under the Carpark Space Leasing and Sales Services Framework Agreement

There is no historical transaction amount for the transactions under the Carpark Space Leasing and Sales Services Framework Agreement for the two years ended December 31, 2022 and the six months ended June 30, 2023.

The Directors estimate that the annual caps under the Carpark Space Leasing and Sales Services Framework Agreement for the period from the effective date to December 31, 2023, for the two years ending December 31, 2025 and for the period from January 1, 2026 to the termination date are as follows:

	From the effective date of the Carpark Space Leasing and Sales Services Framework Agreement to December 31, 2023	For the year ending December 31, 2024	For the year ending December 31, 2025	From January 1, 2026 to the termination date of the Carpark Space Leasing and Sales Services Framework Agreement
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Model I: leasing and sales at the base price				
– Deposits (the maximum balance of the deposits to be paid by the Group to BUCG and its associates at any point in time during the relevant period)	26,360	59,765	67,325	67,920
– Service fee	–	18,640	34,640	25,600
Model II: acquisition of rights-of-use				
– Transfer price of the rights-of-use the carpark spaces	126,169	20,000	20,000	20,000
– Service fee	23,456	31,366	12,298	9,932

In arriving at the above annual caps, the Directors have taken into account the following factors:

(i) the number and overall situation (including the historical sales of carpark spaces of the relevant projects and the comparable average price ranges in the immediate vicinity) of the carpark space sales/leasing projects (the "**Potential Projects**") which are under discussion with BUCG and its associates and currently known to the Group. In particular, the Group expects to adopt the model of leasing and sales at the base price in respect of the carpark space sales projects of three communities (with a total of 299 carpark spaces) developed by BUCG and its associates, and the model of acquisition of rights-of-use in respect of the carpark space sales projects of two communities (with a total of 1,138 carpark spaces) developed by BUCG and its associates, by the end of 2023;

(ii) the Group's resources available for allocation to the business, its ability to meet service demands and its steady and sustained business development strategies;

(iii) the base price standard determined by the Group and BUCG and its associates (i.e. in principle, the base price shall not exceed 80% of the Agreed Price negotiated by both parties) and the standard for determining the deposits and the terms of payment and refund in the model of leasing and sales at the base price under the Carpark Space Leasing and Sales Services Framework Agreement;

(iv) the general commercial standard of the transfer price of the rights-of-use in the carpark space determined by the Group and BUCG and its associates in the model of acquisition of rights-of-use under the Carpark Space Leasing and Sales Services Framework Agreement; and

(v) the internal sales plans and projection prepared by the Group in respect of Potential Projects.

Specifically, the Directors have taken into account the following factors in arriving at the aforesaid annual caps on deposits and service fees under the Model I (leasing and sales at the base price model) and the annual caps on the price for the transfer of the rights-of-use of carpark spaces and the service charges under the Model II (acquisition of rights-of-use model), respectively:

In respect of the Model I, the independent appraiser's valuation for Potential Projects (with a total of 299 carpark spaces) that the Group proposed to adopt this model before the end of 2023 is approximately RMB54,100 thousand. Based on the valuation and the policies in respect of deposits under Model I, the amount of the deposits to be paid shall not be more than RMB43,300 thousand (calculated with reference to the aforementioned pricing policy of the deposits, namely, the deposit shall not exceed the base price value of the Target Carpark Spaces under the Specific Contracts and such base price shall not exceed 80% the Agreed Price). The annual cap of the deposits of RMB26,360 thousand is hence within the maximum deposit amount payable for the 299 carparks in 2023 due to the fact that the Group is expected to determine the base price of Target Carpark Spaces and the deposits at a more favorable price after arm's length negotiation with BUCG and its associates. Based on the current status of the Group's negotiation with BUCG and its associates, it is expected that BUCG and its associates will cooperate with the Group under the Model I in 2024 for 393 carpark spaces, and in 2025 and 2026, it is expected that BUCG and its associates will cooperate with the Group under the Model I for 849 carpark spaces, and the relevant arrangements will be subject to the construction development of the project communities. Due to the similarity of the communities where these carpark spaces are located, the base price and deposits of the carpark spaces are expected to be essentially the same as the projects that adopted this model in 2023.

With regard to the determination of the annual cap on service fees payable under Model I, the Group mainly relies on the pricing policy of the service fees and proposed sales plan of the Group, in particular, the total number of carpark spaces falls short of the number of residents in the respective communities. The Group has made an estimate of the sales plan and targets on the sales of carpark spaces and expected that the majority of the carpark spaces adopting this model at the end of 2023 will be sold in 2024 and the remaining will be sold in 2025, and that the relevant sales price will be higher than the base price in accordance with the pricing policy. The Group expects the carpark spaces adopting this model in 2024 to 2026 will be sold in similar sales pattern. Based on the proposed sales plan of the Group, under Model I, the number of carpark spaces to be sold for the two years ended December 31, 2025 and from January 1, 2026 to the termination date of the Carpark Space Leasing and Sales Services Framework Agreement is expected to be around 250, 378 and 364, respectively.

In respect of the Model II, the independent appraiser's valuation for Potential Projects (with a total of 1,138 carpark spaces, of which 11 carpark spaces are excluded from the valuation due to their deficiencies) that the Group proposed to adopt this model before the end of 2023 is approximately RMB151,000 thousand. The annual cap of RMB126,169 thousand is hence within the maximum amount transferrable for the aforesaid carpark spaces due to the fact that the Group is expected to determine the transfer price of rights-of-use of Target Carpark Spaces at a more favorable price after arm's length negotiation with BUCG and its associates. In respect of the rights-of-use of the carpark spaces to be transferred in 2024 to 2026, the number of carpark spaces proposed to be transferred is estimated with reference to the total number of carpark spaces available for sales based on the building plans of those communities and the preliminary discussion with BUCG and its associates. In respect of the price for the transfer of the rights-of-use of the carpark spaces, the transfer price is determined with reference to the carpark spaces adopting this model in 2023 due to the similarities of the communities where the carpark spaces are located.

With regard to the determination of the annual cap on service fees payable under Model II, in accordance with the pricing policy and the sales feasibility report containing the proposed sales plan of the Group, for the Group's potential projects which are proposed to adopt this model by the end of 2023, the total number of carpark spaces in the communities falls short of the number of vehicles held by the residents or there is no free parking spaces around the community. Given the potential demand, the Group considered it is feasible to sell the carpark spaces in accordance with its sales plan over the period from 2023 to 2026. The selling price of the carpark spaces is determined by the Group with reference to the historical selling price of the carpark spaces in the same community, the opinion from the community residents as well as conditions of the carpark spaces. Based on the proposed sales plan of the Group, under Model II, the number of carpark spaces to be sold for the period from the effective date of the Carpark Space Leasing and Sales Services Framework Agreement to December 31, 2023, the two years ended December 31, 2025 and from January 1, 2026 to the termination date of the Carpark Space Leasing and Sales Services Framework Agreement is expected to be around 202, 321, 219 and 241, respectively.

In view of the above, the Board is of the view that the entering into of the annual caps for the deposits and the service fees under Model I and the annual caps for the price for the transfer of the rights-of-use and the service fees for carpark spaces under Model II are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

(IV) REASONS FOR AND BENEFITS OF THE ABOVE TRANSACTIONS

In view of the Group's long term relationship with BUCG and Tiannuo Property, the Company considers that it is in the interest of the Company to enter into the agreements for and continue with the daily continuing connected transactions, specifically:

(i) Under the 2024 Property Management Services Framework Agreement and the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement, the Group will be able to generate revenue from its principal business and the sound development of the various business segments of BUCG and its associates will lead to new business opportunities for the property management services, commercial operation services and value-added services to be provided by the Group, which is an important component of the Group's revenue;

(ii) Under the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement, the Group is able to provide timely, stable and professional commercial operation services and value-added services to Tiannuo Property and obtain such services from the connected subsidiary;

(iii) Under the 2024 BUCG Property Leasing Framework Agreement, the Group may reduce the cost of searching for suitable properties and avoid incurring relocation costs, thereby ensuring a stable working environment for the Group. In addition, the Group will provide rental properties to BUCG and its associates to generate rental income and further expand its business scale;

(iv) Under the 2024 Property Ancillary Services Framework Agreement, the Group may further derive additional revenue through the provision of supporting services such as catering and heating to BUCG and its associates;

(v) Under the 2024 Engineering and Laboring Services Framework Agreement, the Group may obtain timely, stable and professional engineering and laboring services from BUCG and its associates, which will contribute to its business development; and

(vi) Under the Carpark Space Leasing and Sales Services Framework Agreement, the Group is able to explore the carpark space leasing and sales services under various modes, which will further expand its business scale.

In view of the above and based on the historical transaction amounts and the current trend, the Company estimates that the full-year transaction amount of certain continuing connected transactions for the financial year ending December 31, 2023 may exceed the annual caps of the existing agreements, and that the Group may be able to satisfy the business needs by revising the annual caps, thereby facilitating the development of the Group and increasing the revenue of the Group. For details, please refer to the section headed "(II) PROPOSED REVISION OF THE ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS" in this circular.

(V) OPINION OF THE BOARD

In view of the above reasons and benefits, the Directors (including the independent non-executive Directors) are of the view that the terms of (i) the Proposed Revision of the 2023 Annual Caps; and (ii) the Non-exempt Continuing Connected Transactions Agreements have been arrived at after arm's length negotiations and the aforesaid agreements are entered into in the ordinary and usual course of business of the Group on normal commercial terms or better and that the terms and the proposed caps are also fair and reasonable and in the interests of the Company and its Shareholders as a whole.

None of the Directors has any material interests in the above agreements and the continuing connected transactions thereunder. However, Ms. Jiang Xin and Mr. Mao Lei, both Directors of the Company, each holds office in BUCG or its associates and they have abstained from voting on the Board resolutions in relation to the above continuing connected transactions.

(VI) IMPLICATIONS OF THE LISTING RULES

Continuing connected transactions implications

BUCG is the ultimate controlling Shareholder of the Company as at the Latest Practicable Date, so BUCG and its associates are connected persons of the Company under Rule 14A.07 of the Listing Rules. Tiannuo Property is a non-wholly-owned subsidiary of the Company and, as it is indirectly owned as to more than 10% by BUCG, Tiannuo Property is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules. Accordingly, the relevant framework agreements entered into between the Company and BUCG and Tiannuo Property, and the transactions thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed revision of annual caps for the year ending December 31, 2023 for each of (i) the transactions contemplated under the 2021 Property Management Services Framework Agreement; (ii) the transactions in relation to the Group leasing properties from BUCG and its associates as contemplated under the 2021 BUCG Property Leasing Framework Agreement; and (iii) the transactions contemplated under 2021 Engineering and Laboring Services Framework Agreement exceeds 5%, the proposed revision of annual caps for such continuing connected transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual caps for each of (i) the transactions contemplated under the 2024 Property Management Services Framework Agreement; (ii) the transactions contemplated under the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement in relation to the provision of commercial operational services and value-added services by the Group (other than Tiannuo Property) to Tiannuo Property (upon aggregation with the transactions contemplated under the 2024 BUCG Commercial Operational Services and Value-Added

Services Framework Agreement pursuant to Rule 14A.81 of the Listing Rules); (iii) the transactions contemplated under the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement (upon aggregation with the transactions in respect of the provision of the commercial operational services and value-added services to Tiannuo Property by the Group (other than Tiannuo Property) contemplated under the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement pursuant to Rule 14A.81 of the Listing Rules); (iv) the transactions contemplated under the 2024 BUCG Property Leasing Framework Agreement; (v) the transactions contemplated under the 2024 Property Ancillary Services Framework Agreement; (vi) the transactions contemplated under the 2024 Engineering and Laboring Services Framework Agreement; and (vii) the transactions contemplated under the Carpark Space Leasing and Sales Services Framework Agreement exceeds 5%, such continuing connected transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Notifiable transactions implications

Discloseable transactions

As the highest applicable percentage ratio in respect of each of (i) the proposed revision of the annual cap for the year ending December 31, 2023 for the transactions in relation to the Group leasing properties from BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement; and (ii) the annual cap for the transactions contemplated under the Carpark Space Leasing and Sales Services Framework Agreement in relation to refundable deposits is more than 5% but less than 25%, the relevant transactions constitute discloseable transactions under Chapter 14 of the Listing Rules which are subject to the reporting and announcement requirements.

Major transactions

As the highest applicable percentage ratio in respect of each of the annual caps for (i) the transactions contemplated under the 2024 BUCG Property Leasing Framework Agreement in relation to the Group leasing properties from BUCG and its associates; and (ii) the transactions contemplated under the Carpark Space Leasing and Sales Services Framework Agreement in relation to the acquisition of right-of-use assets is more than 25% but less than 100%, the relevant transactions constitute major transactions under Chapter 14 of the Listing Rules which are subject to the reporting, announcement and shareholders' approval requirements.

(VII) INTERNAL CONTROL MEASURES

The Company has implemented a set of effective internal control measures to monitor the continuing connected transactions. Before entering into specific agreements, the Company's authorised departments (financial management department, safety operation department and quality management department) will review and evaluate the terms and conditions of transactions to ensure consistency with relevant framework agreements for continuing connected transactions, taking into account the current market conditions and quotes provided by at least three Independent Third Parties for similar services with comparable scale under normal transaction conditions at that time. The Board of the Company is responsible for the risk management and internal control system and reviews the effectiveness of risk management and internal control at least once a year. The legal compliance department of the Company, as the internal control construction department, and the board secretary department, as the internal control evaluation department, monitor the Group's risk management and internal control system on an ongoing basis, identifying deficiencies in the design and operation of internal controls and proposing appropriate suggestions for improvements. The financial management department of the Company tracks, monitors, and verifies the progress of continuing connected transactions on a monthly basis. In addition, the audit committee of the Board conducts continuously strict reviews of continuing connected transactions to ensure the integrity and effectiveness of the internal control measures in respect of continuing connected transactions. The independent non-executive Directors of the Company review the continuing connected transactions annually in accordance with Rule 14A.55 of the Listing Rules and confirm that the continuing connected transactions are entered into in the ordinary and usual course of business of the Group; on normal commercial terms or better; and in accordance with the agreements governing the transactions and terms of which are also fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Board considers the internal control procedures for continuing connected transactions and corporate governance measures adopted by the Company to be appropriate, and believes that these procedures and measures provide Shareholders with sufficient assurance that such continuing connected transactions will be properly supervised by the Company.

(VIII) INFORMATION ON CONTRACTING PARTIES

A. Information on the Group

The Company is a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Hong Kong Stock Exchange (stock code: 2210) The Group is primarily engaged in the provision of property management and related services in the PRC with three main business segments, namely property management services, non-owner value-added services and community value-added services.

B. Information on BUCG

As at the Latest Practicable Date, BUCG is the ultimate controlling Shareholder of the Company. BUCG directly and indirectly owns 74.15% of the issued shares of the Company, of which, BUCG directly owns 26.44% of the shares of the Company and indirectly owns 33.47% and 14.24% of the shares of the Company through BUCID and BUCC (both being subsidiaries of BUCG) respectively. BUCG is a wholly state-owned enterprise subordinate to the Beijing Municipal People's Government and is principally engaged in the authorization of state-owned asset management, undertaking general contracting of various types of industrial, energy, transportation, civil and municipal engineering construction projects, contracting of overseas engineering projects and real estate development, as well as other businesses.

C. Information on Tiannuo Property

Tiannuo Property is a non-wholly-owned subsidiary of the Company and it is owned as to 50% by Beiyu Property (a wholly-owned subsidiary of the Company), and 50% by Beijing Uni.-Construction Real Estate Development Co., Ltd.* (北京住總房地產開發有限責任公司) (a non-wholly-owned subsidiary of BUCG). As BUCG (one of the controlling Shareholders of the Company) has more than 10% equity interest in Tiannuo Property indirectly, Tiannuo Property is therefore a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules. Tiannuo Property is primarily engaged in commissioned property services.

(IX) GENERAL

The resolutions in relation to (i) the Proposed Revision of the 2023 Annual Caps; and (ii) the entering into of the Non-exempt Continuing Connected Transactions Agreements have been considered and approved by the Board on October 10, 2023 and are hereby proposed at the EGM for consideration and approval by way of ordinary resolutions. BUCG and its associates will abstain from voting on the relevant proposals in respect of the above matters at the EGM.

The Independent Board Committee comprising of all independent non-executive Directors has been established to consider (i) the Proposed Revision of the 2023 Annual Caps; and (ii) the entering into of the Non-exempt Continuing Connected Transactions Agreements and provide advice to the Independent Shareholders, Letter from the Independent Board Committee is set out on pages 78 to 79 in this circular. Rainbow Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the above matters, its letter is set out on pages 80 to 157 in this circular.

V. THE EGM

The Company will convene the EGM at 1:30 p.m. on Tuesday, December 19, 2023, at Conference Room 2, 3/F, Chengjian Plaza, 18 North Taipingzhuang Road, Haidian District, Beijing, the PRC to consider and, where appropriate, approve the proposed matters set out in the relevant notice. A notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular. The Company will publish an announcement of the poll results in the manner required under Rule 13.39(5) of the Listing Rules after the conclusion of the EGM.

For determining eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Saturday, December 16, 2023 to Tuesday, December 19, 2023, both days inclusive, during which no transfer of Shares will be effected. To be eligible for attending and voting at the EGM, all share transfer documents accompanied by the relevant share certificates and other appropriate documents must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders), or the Company's Office of the Board at 8/F, Building A, Chengjian Plaza, 18 North Taipingzhuang Road, Haidian District, Beijing, the PRC (for Domestic Shareholders) not later than 4:30 p.m. on Friday, December 15, 2023 for registration. Shareholders whose names appear on the register of members of the Company on Tuesday, December 19, 2023 shall be entitled to attend and vote at the EGM.

If you intend to appoint a proxy to attend the EGM, you are required to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the form. If the instrument appointing the proxy is signed by a person authorized by the appointer, the power of attorney authorizing the execution of the instrument or other authorization documents shall be notarized and must be served concurrently with the instrument. The form of proxy, together with the copies of the notarized power of attorney or other authorization documents, shall be deposited at the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders), or the Company's Office of the Board at 8/F, Building A, Chengjian Plaza, 18 North Taipingzhuang Road, Haidian District, Beijing, the PRC (for Domestic Shareholders) no later than 24 hours before the time designated for the EGM (being before 1:30 p.m. on Monday, December 18, 2023) or any adjournment (as the case may be) thereof before the form becomes effective. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof should you so wish.

VI. VOTE BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the resolutions to be proposed at the EGM will be voted on by poll.

As at the Latest Practicable Date, BUCG is the ultimate controlling shareholder of the Company, which directly and indirectly holds 74.15% of the issued shares of the Company, among which, BUCG directly holds 38,779,865 Domestic Shares of the Company, and indirectly holds 49,092,189 and 20,881,485 Domestic Shares of the Company through BUCID and BUCC (both being subsidiaries of BUCG), respectively. Accordingly, BUCG, BUCID and BUCC will abstain from voting on the resolutions in relation to (i) the Proposed Revision of the 2023 Annual Caps; and (ii) the entering into of the Non-exempt Continuing Connected Transactions Agreements in respect of an aggregate of 108,753,539 Domestic Shares of the Company held by them at the EGM. Save as disclosed above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholders were required to abstain from voting on the resolutions to be proposed at the EGM.

VII. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

VIII. RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the resolutions to be proposed at the EGM are in the interests of the Company and its Shareholders as a whole. As such, the Board recommends the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

IX. OTHER INFORMATION

Your attention is drawn to the other information contained in this circular, appendices to this circular and the notice of the EGM.

By order of the Board of Directors
Beijing Capital Jiaye Property Services Co., Limited
Zhang Weize
Chairman

Beijing, the PRC

The following is the text of the letter from the Independent Board Committee, which has been prepared for the purpose of inclusion in this circular, setting out its recommendation to the Independent Shareholders in relation to the terms of (i) the Proposed Revision of the 2023 Annual Caps; and (ii) the Non-exempt Continuing Connected Transactions Agreements and the transactions contemplated thereunder as set out in this circular.

Beijing Capital Jiaye Property Services Co., Limited
北京京城佳業物業股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2210)

November 30, 2023

To the Independent Shareholders,

Dear Sir or Madam,

DISCLOSEABLE TRANSACTIONS, MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS: PROPOSED REVISION OF THE ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS; AND RENEWAL AND ENTERING INTO OF THE CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of Beijing Capital Jiaye Property Services Co., Limited (the "**Company**") in respect of the resolutions to approve (i) the Proposed Revision of the 2023 Annual Caps; and (ii) the entering into of the Non-exempt Continuing Connected Transactions Agreements, details of which are set out in the "**Letter from the Board**" in the circular of the Company (the "**Circular**") dated November 30, 2023, of which this letter forms part. The capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We wish to draw your attention to the "Letter from the Board", the advice of Rainbow Capital (in its capacity as the Independent Financial Adviser) to the Independent Board Committee and the Independent Shareholders as set out in the "Letter from the Independent Financial Adviser" in relation to whether the terms of (i) the Proposed Revision of the 2023 Annual Caps; and (ii) the Non-exempt Continuing Connected

Transactions Agreements are fair and reasonable, whether the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group and whether they are in the interests of the Company and its Shareholders as a whole, and other additional information as set out in other parts of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by Rainbow Capital (as stated in its letter), we consider that the terms of (i) the Proposed Revision of the 2023 Annual Caps; and (ii) the Non-exempt Continuing Connected Transactions Agreements are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to (i) the Proposed Revision of the 2023 Annual Caps; and (ii) the entering into of the Non-exempt Continuing Connected Transactions Agreements.

Yours faithfully
For and on behalf of
Independent Board Committee
Beijing Capital Jiaye Property Services Co., Limited

Mr. Cheng Peng	**Mr. Kong Weiping**	**Mr. Kong Chi Mo**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

Beijing, the PRC

The following is the full text of a letter of advice from Rainbow Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation of this circular.

Rainbow Capital (HK) Limited

November 30, 2023

To the Independent Board Committee and the Independent Shareholders

Beijing Capital Jiaye Property Services Co., Limited
8/F, Building A, Chengjian Plaza
18 North Taipingzhuang Road
Haidian District, Beijing, PRC

Dear Sir or Madam,

DISCLOSEABLE TRANSACTIONS, MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS: PROPOSED REVISION OF THE ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS; AND RENEWAL AND ENTERING INTO OF THE CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of (i) the revision of annual caps for the year ending December 31, 2023 for the transactions contemplated under (a) the 2021 Property Management Services Framework Agreement; (b) the 2021 BUCG Property Leasing Framework Agreement in relation to the Group leasing properties from BUCG and its associates; and (c) the 2021 Engineering and Laboring Services Framework Agreement (collectively, the "**Revised Framework Agreements**"); and (ii) the transactions contemplated under (a) the 2024 Property Management Services Framework Agreement; (b) the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement; (c) the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement; (d) the 2024 BUCG Property Leasing Framework Agreement; (e) the 2024 Property Ancillary Services Framework Agreement; (f) the 2024 Engineering and Laboring Services Framework Agreement; and (g) the Carpark Space Leasing and Sales Services Framework Agreement (collectively, the "**2024 Non-exempt Framework Agreements**", including the proposed annual caps thereunder (the "**Proposed Annual Caps**")), for which the Independent Shareholders' approval is being sought (altogether, the "**Transactions**"). Details of the Transactions are set out in the circular of the Company to the Shareholders dated November 30, 2023 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Revised Framework Agreements

On October 11, 2021, the Company entered into, among others, (i) the 2021 Property Management Services Framework Agreement with BUCG, pursuant to which the Group agreed to provide to BUCG and its associates property management services; (ii) the 2021 BUCG Property Leasing Framework Agreement with BUCG, pursuant to which the Group agreed to lease certain properties from BUCG and its associates and BUCG and its associates agreed to lease certain properties from the Group; and (iii) the 2021 Engineering and Laboring Services Framework Agreement with BUCG, pursuant to which BUCG and its associates agreed to provide to the Group engineering and laboring services, for a term from the Listing Date to December 31, 2023. Taking into account the actual demand for the relevant transactions between the Group and BUCG and its associates, the Company expected that the relevant existing annual caps for the year ending December 31, 2023 under the Revised Framework Agreements will not be sufficient to meet the requirements. Hence, on October 10, 2023, the Board considered and approved the proposed revision of the existing annual caps for the year ending December 31, 2023 for (i) the transactions contemplated under the 2021 Property Management Services Framework Agreement; (ii) the transactions in relation to the Group leasing properties from BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement; and (iii) the transactions contemplated under the 2021 Engineering and Laboring Services Framework Agreement (collectively, the "**Revised Annual Caps**").

As at the Latest Practicable Date, BUCG is the ultimate controlling Shareholder of the Company. As such, BUCG and its associates are connected persons of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions contemplated under the Revised Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Revised Annual Caps under each of the Revised Framework Agreement exceeds 5%, the transactions contemplated thereunder will be subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In view of BUCG's interest in the Revised Framework Agreements, BUCG and its associates are required to and shall abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Revised Annual Caps.

The 2024 Non-exempt Framework Agreements

On October 11, 2021, the Company entered into (i) the 2021 Property Management Services Framework Agreement with BUCG, pursuant to which the Group agreed to provide to BUCG and its associates property management services; (ii) the 2021 BUCG Commercial Operational Services and Value-Added Services Framework Agreement with BUCG, pursuant to which the Group agreed to provide to BUCG and its associates commercial operational services and value-added services; (iii) the 2021 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement with BUCG, pursuant to which Tiannuo Property and the Group (other than Tiannuo Property) agreed to provide to each other commercial operational services and value-added services; (iv) the 2021 BUCG Property Leasing Framework Agreement with BUCG, pursuant to which the Group agreed to lease certain properties from BUCG and its associates and BUCG and its associates agreed to lease certain properties from the Group; (v) the 2021 Property Ancillary Services Framework Agreement with BUCG, pursuant to which the Group agreed to provide to BUCG and its associates property ancillary services; and (vi) the 2021 Engineering and Laboring Services Framework Agreement with BUCG, pursuant to which BUCG and its associates agreed to provide to the Group engineering and laboring services, for a term from the Listing Date to December 31, 2023. With a view to continue the transactions contemplated under these agreements, on October 10, 2023, the Company entered into the (i) 2024 Property Management Services Framework Agreement; (ii) the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement; (iii) the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement; (iv) the 2024 BUCG Property Leasing Framework Agreement; (v) the 2024 Property Ancillary Services Framework Agreement; and (vi) the 2024 Engineering and Laboring Services Framework Agreement to renew the term for the three years ending December 31, 2026.

In addition, on October 10, 2023, the Company entered into the Carpark Space Leasing and Sales Services Framework Agreement with BUCG, pursuant to which the Group agreed to provide carpark space leasing and sales services to BUCG and its associates with a term for three years from the date when the Carpark Space Leasing and Sales Services Framework Agreement is considered and approved at the EGM.

As at the Latest Practicable Date, BUCG is the ultimate controlling Shareholder of the Company. As such, BUCG and its associates are connected persons of the Company under Rule 14A.07 of the Listing Rules. Tiannuo Property is a non-wholly-owned subsidiary of the Company and is owned as to more than 10% by BUCG. As such, Tiannuo Property is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules. Accordingly, the transactions contemplated under the 2024 Non-exempt Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual caps for each of (i) the transactions contemplated under the 2024 Property Management Services Framework Agreement; (ii) the transactions contemplated under the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement in relation to the provision of commercial operational services and value-added services by the Group (other than Tiannuo Property) to Tiannuo Property (upon aggregation with the transactions contemplated under the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement pursuant to Rule 14A.81 of the Listing Rules); (iii) the transactions contemplated under the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement (upon aggregation with the transactions in respect of the provision of the commercial operational services and value-added services to Tiannuo Property by the Group (other than Tiannuo Property) contemplated under the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement pursuant to Rule 14A.81 of the Listing Rules); (iv) the transactions contemplated under the 2024 BUCG Property Leasing Framework Agreement; (v) the transactions contemplated under the 2024 Property Ancillary Services Framework Agreement; (vi) the transactions contemplated under the 2024 Engineering and Laboring Services Framework Agreement; and (vii) the transactions contemplated under the Carpark Space Leasing and Sales Services Framework Agreement exceeds 5%, such continuing connected transactions will be subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In view of BUCG's interest in the 2024 Non-exempt Framework Agreements, BUCG and its associates are required to and shall abstain from voting on the relevant resolutions to be proposed at the EGM to approve the 2024 Non-exempt Framework Agreements.

As the highest applicable percentage ratio in respect of each of the annual caps for (i) the transactions contemplated under the 2024 BUCG Property Leasing Framework Agreement in relation to the Group leasing properties from BUCG and its associates; and (ii) the transactions contemplated under the Carpark Space Leasing and Sales Services Framework Agreement in relation to the acquisition of right-of-use assets is more than 25% but less than 100%, the relevant transactions constitute major transactions under Chapter 14 of the Listing Rules which are subject to the reporting, announcement and the Shareholders' approval requirements.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Cheng Peng, Mr. Kong Weiping and Mr. Kong Chi Mo, has been formed to advise the Independent Shareholders on (i) whether the entering into of the Transactions are conducted in the ordinary and usual course of the Group; and (ii) whether the terms of the Transactions (including the Revised Annual Caps and the Proposed Annual Caps) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and as to voting. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group and BUCG and its associates that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group or BUCG and its associates and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received any fees or benefits from the Group or any other party to the Transactions. Accordingly, we are independent from the Company pursuant to the requirement under Rule 13.84 of the Listing Rules and therefore we are qualified to give independent advice in respect of the Transactions (including the Revised Annual Caps and the Proposed Annual Caps).

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Transactions (including the Revised Annual Caps and the Proposed Annual Caps), we have taken into account the principal factors and reasons set out below:

1. Information of the Group and BUCG and its Associates

1.1 The Group

The Group is principally engaged in the provision of property management and related services in the PRC with three main business segments, namely property management services, non-owner value-added services and community value-added services. The Company has been recognized as one of the "China's Top 100 Property Management Companies" (中國物業服務百強企業) and "China's Leading Property Management Company for Featured Service" (中國

特色物業服務領先企業) for consecutive years. As of June 30, 2023, the Group had more than 39.1 million square meters ("**sq.m.**") of area under its management and expanded its presence in 12 provinces, centrally-administered municipalities and autonomous regions across the country. The Group operated a diversified range of properties, covering residential, commercial, hutong and other properties, as well as diversified project types, including office buildings, public buildings, scientific research institutes, military barracks, medical care apartments, theatres and venues, subway stations, and office buildings of party or government organizations, etc.

As disclosed in the interim report of the Company (the "**2023 Interim Report**") for the six months ended June 30, 2023 ("**6M2023**"), the Group's revenue increased by approximately 33.4% from approximately RMB665.7 million for the six months ended June 30, 2022 ("**6M2022**") to approximately RMB888.1 million for 6M2023, primarily attributable to the increase in revenue as a result of the continuous expansion of the Group's business scale and the rapid development of the Group's value-added services during the period. The Group's profit attributable to the Shareholders increased by approximately 11.9% from approximately RMB52.4 million for 6M2022 to approximately RMB58.7 million for 6M2023, primarily attributable to the increase in revenue as mentioned above, which was partially offset by (i) the decrease in other income by approximately RMB5.6 million mainly due to the changes in fair value of investment properties and changes in foreign exchange gains for the same period in 2022; (ii) the increase in administrative expenses by approximately RMB11.4 million mainly due to the increase in remuneration of management personnel and the increase in fees for engaging intermediaries for the demand of the Group's business development; and (iii) the increase in expected credit loss on trade and other receivables by approximately RMB9.6 million.

In the future, based on the whole industry chain and full life cycle of urban construction and operation and to meet the people's growing needs for a better life, the Group will expand the value chain of property services, continuously enrich value-added service products and create high-value property, integrate into community management and city operations, and gain insight into new service projects from new scenarios to continuously improve the Group's innovation and growth.

1.2 BUCG

As at the Latest Practicable Date, BUCG is the ultimate controlling Shareholder of the Company. BUCG directly and indirectly owns 74.15% of the issued shares of the Company, of which, BUCG directly owns 26.44% of the shares of the Company and indirectly owns 33.47% and 14.24% of the shares of the Company through BUCID and BUCC (both being subsidiaries of BUCG) respectively. BUCG is a wholly state-owned enterprise subordinate to the Beijing Municipal People's Government and is principally engaged in the authorization of state-owned asset management, undertaking general contracting of various types of industrial, energy, transportation, civil and municipal engineering construction projects, contracting of overseas engineering projects and real estate development, as well as other businesses.

1.3 Tiannuo Property

Tiannuo Property is a non-wholly-owned subsidiary of the Company and it is owned as to 50% by Beiyu Property (a wholly-owned subsidiary of the Company), and 50% by Beijing Uni.-Construction Real Estate Development Co., Ltd.* (北京住總房地產開發有限責任公司) (a non-wholly-owned subsidiary of BUCG). As BUCG (one of the controlling Shareholders of the Company) has more than 10% equity interest in Tiannuo Property indirectly, Tiannuo Property is therefore a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules. Tiannuo Property is primarily engaged in commissioned property services.

2. The Revised Framework Agreements

2.1 2021 Property Management Services Framework Agreement

(i) Background and reasons

As advised by the management of the Group, the Group has been providing property management services to BUCG and its associates for over 30 years which has become a stable income stream for the Group. As disclosed in the 2023 Interim Report, property management services business is the largest operating segment of the Group and recorded substantial revenue growth of approximately 16.2% for 6M2023. It has been the Group's intention to continue to expand its portfolio of area under management in the PRC. As disclosed in the Prospectus, on October 11, 2021, the Company entered into the 2021 Property Management Services Framework Agreement with BUCG, pursuant to which the Group agreed to provide a variety of property management services to BUCG and its associates for a term commencing from the Listing Date up to and including December 31, 2023.

As advised by the management of the Group, the Group's provision of property management services to BUCG and its associates amounted to approximately RMB62.9 million for 6M2023, which had already reached approximately 42.9% of the existing annual cap of approximately RMB146.7 million for the year ending December 31, 2023. Based on the historical transaction amount and business development, in particular, the secure of four new property management projects by the Group with BUCG and its associates which covered area of approximately 452,000 sq.m. and the change of charging mode of the Group's two property management projects, the Company expects that the full-year transaction amount under the 2021 Property Management Services Framework Agreement for the year ending December 31, 2023 will likely exceed the original annual cap.

In view of this, on October 10, 2023, the Board considered and approved the proposed revision of the existing annual cap under the 2021 Property Management Services Framework Agreement for the year ending December 31, 2023 from RMB146,695 thousand to RMB177,147 thousand.

Having considered that (a) the Group is principally engaged in property management services and has a long history of providing property management services to BUCG and its associates; (b) the existing annual cap for the year ending December 31, 2023 is estimated to be insufficient, as approximately 42.9% of the existing annual cap have been utilised for 6M2023 and the Company has secured four new property management projects from BUCG and its associates; (c) the proposed revised annual cap, if approved, would facilitate the Group's provision of property management services to BUCG and its associates to be conducted in an effective and efficient manner without the need for the Company to seek the Shareholders' approval on a transaction-by-transaction basis; and (d) the revenue to be generated from the 2021 Property Management Services Framework Agreement with the proposed revised annual cap shall broaden the income of the Group which shall in turn increase the return to the Shareholders, we concur with the Directors that the proposed revision of the existing annual cap under the 2021 Property Management Services Framework Agreement for the year ending December 31, 2023 is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(ii) Principal terms

Other than the revision of the existing annual cap, all other terms of 2021 Property Management Services Framework Agreement shall remain the same and in full force and effect. Please refer to the Prospectus for the principal terms of the 2021 Property Management Services Framework Agreement. Some of the principal terms are summarised as follows:

Service scope and term

Pursuant to the 2021 Property Management Services Framework Agreement, the Group has agreed to provide to BUCG and its associates property management services, including security, cleaning, greening, gardening and repair and maintenance services in respect of (a) property units developed by BUCG and its associates which have been completed and are either unsold or sold but not yet delivered to the buyers; and (b) residential communities, office buildings and other properties owned, used or operated by BUCG and its associates, for a term commencing from the Listing Date up to and including December 31, 2023.

Pricing basis

The services fees to be charged by the Group under the 2021 Property Management Services Framework Agreement shall be determined after arm's length negotiations and taking into account (a) the nature, area and location of the relevant properties; (b) the scope of property management services; (c) the expected operational costs (including labor costs, materials costs and administrative costs) in relation to the provision of the property management services; (d) the fees charged by the Group to at least three Independent Third Parties for the same or similar services; and (e) quotations from at least three from other Independent Third Party service providers for the fees charged for the same or similar services for similar types of properties in the market.

Meanwhile, the service fees charged by the Group to BUCG and its associates shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable). Such standard fees are the government guidance prices (comprising benchmark prices and respective range of variations) which are determined from time to time by the relevant authorities in the PRC in accordance with the Measures on the Charges of Property Management Enterprise (《物業服務收費管理辦法》) and relevant local regulations in the PRC, with reference to (i) the specific property types (which may include higher-level apartment buildings with elevators and lower-level apartment buildings without elevators); (ii) scope of services; and (iii) the grading criteria for property management service charges.

The price and terms of the tenders for property management services projects obtained by the Group from BUCG and its associates by way of tender will be made in accordance with the tender procedure of the Company. The tender procedure includes (i) receiving invitation to tender; (ii) preliminary assessment of tender documents; (iii) preparation of property management proposal; (iv) cost estimation and pricing; (v) preparation of tender report, internal evaluation and approval of tender report; and (vi) tender submission, etc. The internal evaluation and approval of the tender will be conducted by the financial management department, safety operation department, quality management department and legal compliance department of the Company. All personnel of the Group involved in the evaluation and approval process will be independent of BUCG and its associates.

Payment method

Payment for the services shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific property management services and/or specialized service agreements to be entered into separately after arm's length negotiation between the Group and BUCG and its associates. The Group would normally issue a monthly or quarterly payment notice to BUCG and its associates for the services provided under the 2021 Property Management Services Framework Agreement, and BUCG and its associates shall, in principle, pay the Group by bank transfer within 60 days after receiving the payment notice. The payment method terms stipulated in the specific property management services and/or specialized services agreements shall be determined with reference to the payment method terms stipulated in not less than three agreements for the provision of similar services by the Group to the Independent Third Parties to ensure compliance with market practice.

Further to the above, except for the term, other principal terms of the 2021 Property Management Services Framework Agreement remain principally the same as those of the 2024 Property Management Services Framework Agreement, including but not limited to the scope of services, pricing basis and payment method. Please refer to the sub-section headed "3.1 2024 Property Management Services Framework Agreement – (ii) Principal terms" below for our assessment and work performed on the terms of the 2021 Property Management Services Framework Agreement and the 2024 Property Management Services Framework Agreement. Based on our review, we noted that the terms for the transactions contemplated under the 2021 Property Management Services Framework Agreement and the 2024 Property Management Services Framework Agreement are equal to or no more favourable to BUCG and its associates than the terms for similar transactions between the Group and the Independent Third Parties. As such, we are of the view that the terms of the 2021 Property Management Services Framework Agreement are fair and reasonable.

(iii) Assessment of the revised annual cap

The Group proposes to revise the existing annual cap under the 2021 Property Management Services Framework Agreement in respect of the Group's provision of property management services to BUCG and its associates from RMB146,695 thousand to RMB177,147 thousand for the year ending December 31, 2023.

In assessing the reasonableness of the revised annual cap of the Group's provision of property management services to BUCG and its associates for the year ending December 31, 2023, we have discussed with the management of the Group the basis and assumptions underlying the projections. Given that (a) the actual transaction amount regarding the Group's provision of property management services to BUCG and its associates amounted to approximately RMB62.9 million for 6M2023, which had already reached approximately 42.9% of the existing annual cap of approximately RMB146.7 million for the year ending December 31, 2023; and (b) the Group's property management projects are generally performed and provided on an annual basis, it is expected that the full-year transaction amount of the Group's existing property management projects in the first half of 2023 will be able to cover the majority portion of the existing annual cap of approximately RMB146.7 million. As advised by the management of the Group, the increase in the revised annual cap of approximately RMB30.5 million for the year ending December 31, 2023 was mainly attributable to the four new property management contracts entered into between the Group and BUCG and its associates in the second half of 2023. In this regard, in order to assess the fairness and reasonableness of the increase in the revised annual cap, we have obtained and reviewed, among others, the aforesaid four contracts, and we noted that the total property management services fees payable by BUCG and its associates under these four contracts in the second half of 2023 amounted to approximately RMB22.7 million.

We have further understood from the management of the Group that two projects for which the Group provides property management services to BUCG and its associates are changed from the commission basis to the lump sum basis in 2023. On the one hand, for the property management services charged under the commission basis, only a pre-determined percentage or amount of property management services fees is recorded as the Group's revenue while the remainder of the property management services fees, after deducting the pre-determined percentage or amount, is used as property management working capital to cover property management expenses. On the other hand, for the property management services charged under the lump sum basis, the Group is able to record the full amount of property management services fees received as its revenue as the Group bears the costs of managing properties under the lump sum basis, which are recognised as the Group's direct operating expenses. As such, the change of services fees model from commission basis to the lump sum basis would result in a corresponding increase in property management services revenue of the Group due to the change in the revenue recognition method. In this regard, we have obtained and reviewed, among others, the two contracts under the commission basis and the corresponding two contracts under the lump sum basis, and we noted that the annual property management services fees payable by BUCG and its associates of these two projects have increased from approximately RMB0.8 million and RMB1.1 million per annum to approximately RMB12.0 million and RMB16.8 million per annum, respectively.

Based on the secure of the four new property management projects from BUCG and its associates and the change of pricing basis on two existing projects, it is noted that the expected increase in the property management services fees payable by BUCG and its associates amounted to approximately RMB49.6 million (being the sum of the four contracts of RMB22.7 million, plus the amount of the two projects under lump sum base of RMB12.0 million and RMB16.8 million, minus the fees that were payable under commission basis of RMB0.8 million and RMB1.1 million) (Figure 1) in aggregate in 2023. As the actual transaction amount of the Group's provision of property management services to BUCG and its associates amounted to approximately RMB62.9 million for 6M2023, the corresponding annualised transaction amount would be approximately RMB125.8 million (Figure 2). In addition, as advised by the management of the Group, the Group ceased the provision of the property management services to five projects of BUCG and its associates which have recorded total revenue of approximately RMB3.1 million (Figure 3) in the first half of 2023 and hence no revenue is expected to be record in the second half of 2023. Based on the above factors, the expected total property management services fees payable by BUCG and its associates are expected to be approximately RMB172.3 million (being Figure 1 plus Figure 2 and minus Figure 3), which is slightly lower than the proposed revised annual cap of approximately RMB177.1 million for the year ending December 31, 2023.

Taking into account that (a) the actual transaction amount of the Group's provision of property management services to BUCG and its associates amounted to approximately RMB62.9 million for 6M2023, which had already reached approximately 42.9% of the existing annual cap for the year ending December 31, 2023; and (b) the total property management services fees expected to be payable by BUCG and its associates having considered the four new contracts in 2023, the increase in the revenue of the Group under the two amended contracts and the termination of five contracts amount to approximately RMB172.3 million for the year ending December 31, 2023, representing approximately 97.3% of the revised annual cap of approximately 177.1 million for the year ending December 31, 2023, we are of the view that the revised annual cap of the Group's provision of property management services to BUCG and its associates for the year ending December 31, 2023 is sufficient, fair and reasonable.

2.2 2021 BUCG Property Leasing Framework Agreement

(i) Background and reasons

As disclosed in the Prospectus, on October 11, 2021, the Company entered into the 2021 BUCG Property Leasing Framework Agreement with BUCG, pursuant to which the Group agreed to lease certain properties from BUCG and its associates and BUCG and its associates agreed to lease certain properties from the Group for a term commencing from the Listing Date up to and including December 31, 2023.

As advised by the management of the Group, the actual transaction amount in relation to the Group's leasing properties from BUCG and its associates amounted to approximately RMB7.2 million for 6M2023, which had already reached approximately 56.3% of the existing annual cap of approximately RMB12.9 million. Based on the historical transaction amount and business development, in particular, the Group's intention to lease additional three properties from BUCG and its associates, the Company expects that the full-year transaction amount in relation to the Group leasing properties from BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement for the year ending December 31, 2023 will likely exceed the original annual cap.

In view of this, on October 10, 2023, the Board considered and approved the proposed revision of the existing annual cap for the transactions in relation to the Group leasing properties from BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement for the year ending December 31, 2023 from RMB12,868 thousand (among which approximately RMB500 thousand will be recognised as right-of-use assets from the certain property leases, and approximately RMB12,368 thousand will be rental expenses) to RMB51,013 thousand (among which approximately RMB38,645 thousand will be recognised as right-of-use assets from the certain property leases, and approximately RMB12,368 thousand will be rental expenses). For the avoidance of doubt, the existing annual caps for the transactions in relation to BUCG and its associates leasing properties from the Group under the 2021 BUCG Property Leasing Framework Agreement will remain unchanged.

Having considered that (a) BUCG is a leading construction company in the PRC which has always been a great support for the Group's business development. Leasing properties from BUCG and its associates provides flexibility and reduce the additional costs of searching for suitable properties for the Group; (b) the existing annual cap for the year ending December 31, 2023 is estimated to be insufficient, as approximately 56.3% of the existing annual cap have been utilised for 6M2023 and the Company has intended to lease additional three properties from BUCG and its associates for its business operation; (c) the proposed revised annual cap, if approved, would facilitate the transactions contemplated under the 2021 BUCG Property Leasing Framework Agreement to be conducted in an effective and efficient manner without the need for the Company to seek the Shareholders' approval on a transaction-by-transaction basis; and

(d) the rental charged by BUCG and its associates to the Group shall be determined after arm's length negotiations and not higher than the rental charged by other Independent Third Parties for similar types of properties located in similar regions in the market, we concur with the Directors that the proposed revision of the existing annual cap under the 2021 BUCG Property Leasing Framework Agreement for the year ending December 31, 2023 is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(ii) Principal terms

Other than the revision of the existing annual cap, all other terms of 2021 BUCG Property Leasing Framework Agreement shall remain the same and in full force and effect. Please refer to the Prospectus for the principal terms of the 2021 BUCG Property Leasing Framework Agreement. Some of the principal terms are summarised as follows:

Service scope and term

Pursuant to the 2021 BUCG Property Leasing Framework Agreement, the Group has agreed to lease properties (including houses, office buildings and carpark spaces) from BUCG and its associates; and BUCG and its associates have agreed to lease certain properties (including houses, container houses for workers' residence at construction sites, office buildings and carpark spaces) from the Group, for a term commencing from the Listing Date up to and including December 31, 2023.

Pricing basis

The respective rental payable by the Group and BUCG and its associates to each other shall be determined after arm's length negotiations and taking into account (a) the location, quality, area and region of the leased properties; (b) respective rent charged by the Group or BUCG and its associates (as the case may be) to at least three Independent Third Parties for comparable properties; and (c) rent charged by at least three Independent Third Parties for comparable properties in the market.

Payment method

Payment for the rentals shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific leasing contracts to be entered into separately after arm's length negotiation between the Group and BUCG and its associates. The Group and BUCG and its associates would normally issue a monthly or quarterly payment notice to each other for the services provided under the 2021 BUCG Property Leasing Framework Agreement, and the Group and BUCG and its associates (as the case may be) shall pay the other party by bank transfer within 60 days after receiving the payment notice. The payment method terms stipulated in the specific lease contracts shall be determined with reference to the payment method terms stipulated in not less than three agreements for the lease of comparable properties by the Group or BUCG and its associates (as the case may be) to Independent Third Parties to ensure compliance with market practice.

Further to the above, except for the term, other principal terms of the 2021 BUCG Property Leasing Framework Agreement remain principally the same as those of the 2024 BUCG Property Leasing Framework Agreement, including but not limited to the scope of services, pricing basis and payment method. Please refer to the sub-section headed "3.4 2024 BUCG Property Leasing Framework Agreement – (ii) Principal terms" below for our assessment and work performed of the terms of the 2021 BUCG Property Leasing Framework Agreement and the 2024 BUCG Property Leasing Framework Agreement. Based on our review, we noted that the terms for the transactions in relation to the Group's leasing properties from BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement and the 2024 BUCG Property Leasing Framework Agreement are equal to or no more favourable to BUCG and its associates than the terms for similar transactions between the Group and the Independent Third Parties. As such, we are of the view that the terms of the 2021 BUCG Property Leasing Framework Agreement are fair and reasonable.

(iii) Assessment of the revised annual cap

The Group proposes to revise the existing annual cap under the 2021 BUCG Property Leasing Framework Agreement in respect of the Group's leasing properties from BUCG and its associates from RMB12,868 thousand (among which approximately RMB500 thousand will be recognised as right-of-use assets from the certain property leases, and approximately RMB12,368 thousand will be rental expenses) to RMB51,013 thousand (among which approximately RMB38,645 thousand will be recognised as right-of-use assets from the certain property leases, and approximately RMB12,368 thousand will be rental expenses) for the year ending December 31, 2023.

In assessing the reasonableness of the revised annual cap of the Group's leasing properties from BUCG and its associates for the year ending December 31, 2023, we have discussed with the management of the Group the basis and assumptions underlying the projections. Given that (a) the actual transaction amount regarding the Group's leasing properties from BUCG and its associates amounted to approximately RMB7.2 million for 6M2023, which had already reached approximately 56.3% of the existing annual cap of approximately RMB12.9 million; and (b) the leasing periods in respect of the properties leased by the Group from BUCG and its associates generally cover the full year of 2023 and will be renewed upon expiry, it is estimated that the full-year transaction amount of the Group's existing properties leasing from BUCG and its associates in the first half of 2023 will be able to cover the majority portion of the existing annual cap of approximately RMB12.9 million for the year ending December 31, 2023. As advised by the management of the Group, the increase in the revised annual cap of approximately

RMB38.1 million for the year ending December 31, 2023 was mainly attributable to the new leasing demand of the Group to be generated in the second half of 2023. Specifically, in the second half of 2023, the Group intended to lease additional three properties from BUCG and its associates, and therefore the right-of-use assets are projected to increase by RMB38,145 thousand by the end of 2023. Among them, two properties are boiler rooms in two communities located in Beijing, which will be used by the Group to provide heat energy supply services to the residents and the lease term is four years. The other property is an underground garage carpark space and civil defense machinery carpark space of an office building located in Beijing. The Group will carry out office building carpark space management services and the lease term is 17 years. In this regard, in order to assess the fairness and reasonableness of the increase in the revised annual cap, we have obtained and reviewed, among others, the three new contracts between the Group and BUCG and its associates in relation to the recognition of the right-of-use assets, and we noted that (a) the total contract sum (exclusive of tax) of these three contracts amounted to approximately RMB37.2 million, which is close to the increase in the annual cap; and (b) as confirmed by the management of the Group, the principal amount of the total contract sum of these three contracts will be recognised as the right-of-use assets of the Group by the end of 2023 according to the relevant accounting standards and treatments. As the lease terms of the transactions under the 2021 BUCG Property Leasing Framework Agreement may exceed three years, in assessing the fairness and reasonableness of the duration, we have considered the following factors based on the information provided by the management of the Group and the publicly available information: (a) the entering into the lease contracts with longer durations ensures a stable operation of the properties by the Group to provide heat energy supply services and carpark space management services; (b) the longer durations of the lease contracts will extend the period of income to be generated from the operation of the properties and facilitate the Group to formulate a long-term strategy in relation to these two services; (c) the longer durations of the lease contracts will provide stability to the Group's community value-added services and property ancillary services businesses and promote the cooperation with BUCG and its associates; and (d) based on our independent research on companies listed on the Stock Exchange (the "**Comparable Companies**") which leased properties with its connected persons, with their respective announcement published during the period from August 1, 2023 to October 10, 2023, being the approximate two months period before the date of the 2024 BUCG Property Leasing Framework Agreement, and noted that, it is not uncommon for companies to enter into property lease agreements with connected persons for a term of more than three years. Based on the above, we consider the terms of the lease contracts which are over three years to be fair and reasonable.

Details of the Comparable Companies are set out below:

Date of Announcement	Company name (stock code)	Lease term
29 September 2023	BetterLife Holding Limited (6909.HK)	3 years
28 September 2023	China Merchants Port Holdings Company Limited (144.HK)	1 year to 1.67 years
27 September 2023	GCL New Energy Holdings Limited (451.HK)	2 years
19 September 2023	Man Shing Global Holdings Limited (8309.HK)	1 year
15 September 2023	China Merchants Port Holdings Company Limited (144.HK)	92.92 years
31 August 2023	China Apex Group Limited (2011.HK)	6 years
31 August 2023	KWG Group Holdings Limited (1813.HK)	1 year
30 August 2023	Lisi Group (Holdings) Limited (526.HK)	1 year
25 August 2023	Shangri-La Asia Limited (69.HK)	3 years with the right of renewal exercisable by the lessee for successive three-year terms provided that the entire term of the renewed term shall not be longer than 25 years
24 August 2023	South China Vocational Education Group Company Limited (6913.HK)	1 year
23 August 2023	K.Wah International Holdings Limited (173.HK)	3 years
15 August 2023	Sun Art Retail Group Limited (6808.HK)	5 years
11 August 2023	Weiqiao Textile Company Limited (2698.HK)	3 years
3 August 2023	Miramar Group (71.HK)	3 years

Source: the website of the Stock Exchange

Taking into account that (a) the actual transaction amount of the Group's leasing properties from BUCG and its associates amounted to approximately RMB7.2 million for 6M2023, which had already reached approximately 56.3% of the existing annual cap of approximately RMB12.9 million for the year ending December 31, 2023; and (b) the total contract sum (exclusive of tax) for the three new contracts between the Group and BUCG and its associates in relation to the recognition of the right-of-use assets is close to the increase in the revised annual cap of approximately RMB38.1 million for the year ending December 31, 2023, we are of the view that the revised annual cap of the Group's leasing properties from BUCG and its associates for the year ending December 31, 2023 is fair and reasonable.

2.3 2021 Engineering and Laboring Services Framework Agreement

(i) Background and reasons

As disclosed in the Prospectus, on October 11, 2021, the Company entered into the 2021 Engineering and Laboring Services Framework Agreement with BUCG, pursuant to which BUCG and its associates agreed to provide a variety of engineering and laboring services to the Group for a term commencing from the Listing Date up to and including December 31, 2023.

As advised by the management of the Group, the actual transaction amount in relation to the provision of engineering and laboring services by BUCG and its associates to the Group amounted to approximately RMB13.7 million for 6M2023, which had already reached approximately 24.3% of the existing annual cap of approximately RMB56.4 million. As disclosed in the 2022 Annual Report and the 2023 Interim Report, the Group's total area under management has recorded a year-on-year increase of approximately 16.6% and 13.5% as at December 31, 2022 and June 30, 2023, respectively. The Group's total number of projects under management has also recorded a year-on-year increase of approximately 18.9% and 16.7% as at December 31, 2022 and June 30, 2023, respectively. Based on the historical transaction amount and business development, in particular, the Group's plan to carry out a series of construction modifications and maintenance on multiple property management service projects undertaken by the Group at the end of 2023 which is in line with the Group's continuous increase in its total area under management and number of projects under management, the Company expects that the full-year transaction amount under the 2021 Engineering and Laboring Services Framework Agreement for the year ending December 31, 2023 will likely exceed the original annual cap.

In view of this, on October 10, 2023, the Board considered and approved the proposed revision of the existing annual cap under the 2021 Engineering and Laboring Services Framework Agreement for the year ending December 31, 2023 from RMB56,416 thousand to RMB62,286 thousand.

Having considered that (a) BUCG is a leading construction company in the PRC which has always been a great support for the Group's business development and can enable the Group to assure the quality of services are provided in an efficient manner; (b) the Group's plan to carry out a series of construction modifications and maintenance on multiple property management service projects undertaken by the Group at the end of 2023 which is in line with the Group's continuous increase in its total area under management and number of projects under management; (c) the proposed revised annual cap, if approved, would facilitate the transactions contemplated under the 2021 Engineering and Laboring Services Framework Agreement to be conducted in an effective and efficient manner without the need for the Company to seek the Shareholders' approval on a transaction-by-transaction basis; and (d) the engineering and laboring services fees charged by BUCG and its associates to the Group shall be determined after arm's length negotiations and not higher than the those charged by other Independent Third Parties in the regions where such services are provided for services with comparable scale, we concur with the Directors that the proposed revision of the existing annual cap under the 2021 Engineering and Laboring Services Framework Agreement for the year ending December 31, 2023 is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(ii) Principal terms

Other than the revision of the existing annual cap, all other terms of 2021 Engineering and Laboring Services Framework Agreement shall remain the same and in full force and effect. Please refer to the Prospectus for the principal terms of the 2021 Engineering and Laboring Services Framework Agreement. Some of the principal terms are summarised as follows:

Service scope and term

Pursuant to the 2021 Engineering and Laboring Services Framework Agreement, BUCG and its associates have agreed to provide to the Group engineering and laboring services including but not limited to (a) engineering design, construction and laboring services (such as installation and replacement of large-scale equipment or heavy machinery); and (b) the provision of equipment or machinery for the Group's use and operation (such as heat energy generation plants), etc., for a term commencing from the Listing Date up to and including December 31, 2023.

Pricing basis

The services fees payable by the Group under the 2021 Engineering and Laboring Services Framework Agreement shall be determined after arm's length negotiations and taking into account (a) the nature, region, scope and required quality of the services; (b) the expected operational costs (including labor costs, material costs and administrative costs) for the provision of engineering and laboring services; and (c) the fees charged or quoted under normal trading conditions by at least three Independent Third Parties in the area where such services are provided for similar or comparable services.

Payment method

Payment for the services shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific business contracts to be entered into separately after arm's length negotiation between BUCG and its associates and the Group.

BUCG and its associates would normally issue monthly or quarterly payment notices to the Group in respect of, among other things, the employment services to be provided under the 2021 Engineering and Laboring Services Framework Agreement, and payment shall be made by the Group to BUCG and its associates by way of bank transfers within 60 days from the date of receipt of the payment notices.

BUCG and its associates would normally require the Group to make payments by bank transfer in three installments according to the progress of the works in respect of, among other things, the engineering reconstruction services to be provided under the 2021 Engineering and Laboring Services Framework Agreement, with 30% of the total consideration to be paid within 10 to 15 days after signing of the specific agreement, 65% of the total consideration to be paid upon completion and acceptance of the works, and the remaining 5% to be paid upon the expiry of the quality assurance period.

The payment methods terms stipulated in the specific business contracts shall be determined with reference to the payment methods terms stipulated in not less than three agreements for the provision of similar services by BUCG and its associates to Independent Third Parties to ensure compliance with market practice.

Further to the above, except for the term, other principal terms of the 2021 Engineering and Laboring Services Framework Agreement remain principally the same as those of the 2024 Engineering and Laboring Services Framework Agreement, including but not limited to the scope of services, pricing basis and payment method. Please refer to the sub-section headed "3.6 2024 Engineering and Laboring Services Framework Agreement – (ii) Principal terms" below for our assessment and work performed of the terms of the 2021 Engineering and Laboring Services Framework Agreement and the 2024 Engineering and Laboring Services Framework Agreement. Based on our review, we noted that the terms for the transactions contemplated under the 2021 Engineering and Laboring Services Framework Agreement and the 2024 Engineering and Laboring Services Framework Agreement are equal to or no more favourable to BUCG and its associates than the terms for similar transactions between the Group and the Independent Third Parties. As such, we are of the view that the terms of the 2021 Engineering and Laboring Services Framework Agreement are fair and reasonable.

(iii) Assessment of the revised annual cap

The Group proposes to revise the existing annual cap under the 2021 Engineering and Laboring Services Framework Agreement in respect of the provision of engineering and laboring services by BUCG and its associates to the Group from RMB56,416 thousand to RMB62,286 thousand.

In assessing the reasonableness of the revised annual cap of the engineering and laboring services fees payable by the Group to BUCG and its associates for the year ending December 31, 2023, we have discussed with the management of the Group the basis and assumptions underlying the projections. For 6M2023, the actual transaction amount regarding the provision of engineering and laboring services by BUCG and its associates to the Group was approximately RMB13.7 million, representing approximately 24.3% of the existing annual cap of approximately RMB56.4 million in 2023. Such low utilisation rate was mainly due to that the Group's demand for engineering and laboring services was mainly happened in the second half of 2023 and timing of the contract sum payment for the signed contracts in respect of engineering and laboring services was also mainly in the second half of 2023. As advised by the management of the Group, the increase in the revised annual cap was mainly attributable to the new engineering and laboring demand of the Group expected to be generated by the end of 2023. Specifically, as the Group will carry out a series of construction modifications and maintenance on multiple property management service projects undertaken by the Group at the end of 2023, the engineering and laboring services provided by BUCG and its associates to the Group are estimated to grow. In this regard, in order to assess the fairness and reasonableness of the revised annual cap, we have obtained and reviewed the list of contracts for the engineering and laboring services to be provided by BUCG and its associates to the Group that are currently effective and in progress and we noted that the total contract sum amounted to approximately RMB77.6 million, among which approximately RMB58.4 million is expected to be incurred and payable in 2023 based on the current work status, as advised by the management of the Group. We have further, on a random basis, obtained and reviewed 7 samples of engineering and laboring services contracts entered into between the Group and BUCG and its associates and we noted that (a) the total contract sum of these 7 contracts amounted to approximately RMB50.8 million; and (b) the relevant work under these 7 contracts are expected to be substantially completed during 2023.

Taking into account that (a) the total services fees payable under the contracts for the engineering and laboring services to be provided by BUCG and its associates to the Group that are currently effective and is expected to be incurred and payable during the the year ending December 31, 2023 amounted to approximately RMB58.4 million, representing approximately 93.7% of the revised annual cap of approximately RMB62.3 million for the year ending December 31, 2023; and (b) the flexibility required by the Group to enter into contracts for the engineering and laboring services from time to time, we are of the view that the revised annual cap of the engineering and laboring services fees payable by the Group to BUCG and its associates for the year ending December 31, 2023 is sufficient, fair and reasonable.

3. The 2024 Non-exempt Framework Agreements

3.1 2024 Property Management Services Framework Agreement

(i) Background and reasons

As mentioned in the sub-section headed "2.1 2021 Property Management Services Framework Agreement – (i) Background and reasons" above, the 2021 Property Management Services Framework Agreement will expire on December 31, 2023.

As the Group expects to carry on the transactions contemplated thereunder upon its expiry and in order to regulate the Group's continuous provision of property management services to BUCG and its associates, the Directors consider it beneficial to renew the 2021 Property Management Services Framework Agreement to facilitate the continuous provision of such property management services to BUCG and its associates for generating stable income stream to the Group, which could further promote the business growth of the Group. Based on the foregoing, on October 10, 2023, the Company entered into the 2024 Property Management Services Framework Agreement with BUCG to renew the term for the three years ending December 31, 2026.

(ii) Principal terms

Service scope and term

Pursuant to the 2024 Property Management Services Framework Agreement, the Group has agreed to provide to BUCG and its associates property management services, including security, cleaning, greening, gardening and repair and maintenance services in respect of (a) property units developed by BUCG and its associates which have been completed and are either unsold or sold but not yet delivered to the buyers; and (b) residential communities, office buildings and other properties owned, used or operated by BUCG and its associates.

The 2024 Property Management Services Framework Agreement is valid for three years from January 1, 2024 to December 31, 2026.

Pricing basis

The services fees to be charged by the Group under the 2024 Property Management Services Framework Agreement will be determined after arm's length negotiations taking into account the following factors: (a) the nature, area and location of the relevant properties; (b) the scope of property management services; (c) the expected operating costs (including labor costs, materials costs and administrative costs) for the provision of the property management services; (d) the fees charged by the Group to at least three Independent Third Parties for the same or similar services; and (e) quotations from at least three other Independent Third Party service providers for the fees charged for the same or similar services for similar properties in the market.

Meanwhile, the service fees charged by the Group to BUCG and its associates shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable). Such standard fees are the government guidance prices (comprising benchmark prices and respective range of variations) which are determined from time to time by the relevant authorities in the PRC in accordance with the Measures on the Charges of Property Management Enterprise (《物業服務收費管理辦法》) and relevant local regulations in the PRC, with reference to (i) the specific property types (which may include higher-level apartment buildings with elevators and lower-level apartment buildings without elevators); (ii) scope of services; and (iii) the grading criteria for property management service charges.

The price and terms of the tenders for property management services projects obtained by the Group from BUCG and its associates by way of tender will be made in accordance with the tender procedure of the Company. The tender procedure includes (i) receiving invitation to tender; (ii) preliminary assessment of tender documents; (iii) preparation of property management proposal; (iv) cost estimation and pricing; (v) preparation of tender report, internal evaluation and approval of tender report; and (vi) tender submission, etc. The internal evaluation and approval of the tender will be conducted by the financial management department, safety operation department, quality management department and legal compliance department of the Company. All personnel of the Group involved in the evaluation and approval process will be independent of BUCG and its associates.

Payment method

Payment for the services shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific property management services and/or specialised service agreements to be entered into separately after arm's length negotiation between the Group and BUCG and its associates. The Group would normally issue monthly or quarterly payment notices to BUCG and its associates for the services provided under the 2024 Property Management Services Framework Agreement, and payment shall be made by BUCG and its associates, in principle, to the Group by way of bank transfers within 60 days from the date of receipt of the payment notices. The terms of the payment method set out in the specific property management services and/or specialised service agreements shall be determined with reference to the terms of payment method stipulated in no less than three agreements for similar services provided by the Group to the Independent Third Parties to ensure compliance with market practice.

In assessing whether the terms of the 2024 Property Management Services Framework Agreement are fair and reasonable, we have selected on a random basis and obtained and reviewed 17 samples of property management services contracts between the Group and BUCG and its associates and 20 samples of property management services contracts between the Group and the Independent Third Parties entered into from 2021 to 2023. Based on our review, we noted that (a) the Group has set a similar pricing basis to each project with BUCG and its associates and the Independent Third Parties. The property management fee paid by BUCG and its associates was charged on the basis of a unit price per sq.m or a package price per project. Specifically, for projects which were charged at a package price per project, the service fees paid by BUCG and its associates to the Group were charged at costs plus a profit margin. The profit margin and fixed monthly unit price per sq.m. vary depending on a number of factors, such as the nature, size, positioning and geographic locations of the properties, local pricing regulations, management fees charged in nearby and comparable communities, budgeted expenses, property owner, resident and/or tenant profiles and the scope of services; and (b) the payment term granted to BUCG and its associates and the Independent Third Parties are the same that both shall be settled in monthly, quarterly, half-yearly or annual basis. Based on the above, we consider the terms, including the pricing basis and payment method, for transactions contemplated under the 2024 Property Management Services Framework Agreement are equal to or no more favourable to BUCG and its associates than the terms for similar transactions between the Group and the Independent Third Parties. Taking into account (a) the similarity of services covered under the aforesaid sample contracts, all being providing property management services; (b) the sample contracts were entered into under the period of the 2021 Property Management Services Framework Agreement; and (c) a total of 37 sample contracts were selected, obtained and reviewed, we are of the view that the aforesaid sample contracts we have reviewed are fair and representative.

In addition, we have compared the terms of the 2024 Property Management Services Framework Agreement with those of the 2021 Property Management Services Framework Agreement and noted that except for the term, other principal terms of the 2021 Property Management Services Framework Agreement and the 2024 Property Management Services Framework Agreement remain the same, including but not limited to the scope of services, pricing basis and payment terms. As such, we consider the terms of the 2024 Property Management Services Framework Agreement, including the pricing basis and payment method, are on normal commercial terms which are fair and reasonable. Please refer to the section headed “4. Internal control policies of the Group” below for our analyses of further safeguards imposed by the Group.

(iii) Assessment of the proposed annual caps

Review of historical figures

Set out below are the historical annual caps and actual transaction amounts regarding the Group's provision of property management services to BUCG and its associates under the 2021 Property Management Services Framework Agreement for the periods indicated:

	For the year ended December 31, 2021 *RMB'000* *(audited)*	**For the year ended December 31, 2022** *RMB'000* *(audited)*	**For the six months ended June 30, 2023** *RMB'000* *(unaudited)*
Annual caps	98,428	126,098	146,695, and expected to be revised to 177,147 (for the year ending December 31, 2023)
Actual transaction amounts	92,639	124,707	62,943
Utilisation rate	94.1%	98.9%	42.9%

As shown in the table above, the actual transaction amounts regarding the Group's provision of property management services to BUCG and its associates under the 2021 Property Management Services Framework Agreement amounted to approximately RMB92.6 million and RMB124.7 million for the two years ended December 31, 2022, respectively, representing approximately 94.1% and 98.9% of the total annual caps in 2021 and 2022, respectively. For 6M2023, the actual transaction amount regarding the Group's provision of property management services to BUCG and its associates was approximately RMB62.9 million, representing approximately 42.9% of the total annual cap of approximately RMB146.7 million in 2023.

Assessment of the proposed annual caps

Pursuant to the 2024 Property Management Services Framework Agreement, it is proposed that the maximum annual service fees payable by BUCG and its associates for each of the three years ending December 31, 2026 will not exceed the annual caps set out below:

	For the year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Proposed annual caps	203,719	234,277	269,418

In assessing the reasonableness of the proposed annual caps of the Group's provision of property management services to BUCG and its associates, we have discussed with the management of the Group the basis and assumptions underlying the projections. In determining the proposed annual caps for the three years ending December 31, 2026, the Directors have taken into account, among other things, (a) the historical transaction amounts for the two years ended December 31, 2022 and 6M2023 and, in particular, the annual cap utilisation rates for the two years ended December 31, 2022 reaching approximately 94.1% and 98.9%, respectively and historical transaction amounts for the year ended December 31, 2022 increased by 34.6% as compared with the same period in the previous year; (b) the number, gross floor area ("**GFA**") under management and terms (including service fees) of existing projects/service contracts as of June 30, 2023. As at December 31, 2022 and June 30, 2023, gross floor area of properties of BUCG and its associates managed by the Group increased by approximately 7.4% and 8.2% respectively as compared with the same period in the previous year; (c) the Group's high bid-winning rate for property management service contracts in respect of property projects developed by BUCG and its associates which is 100% for the two years ended December 31, 2022 and 6M2023, and the Group's high retention rate for property management service contracts in respect of property projects developed by BUCG and its associates which is over approximately 97.92% for the two years ended December 31, 2022 and 6M2023; (d) the estimated GFA in respect of the residential and commercial properties developed by BUCG and its associates, including the fact that the Group has entered into contracts to manage 10 undelivered projects located in Beijing, Tianjin and Shandong respectively with an aggregate contracted gross floor area of approximately 1.99 million sq.m., and that the Group anticipates it may be further engaged to provide property management services to additional projects, which are expected to be delivered from 2024 to 2026, and the expected increase in the demand for services of the Group with reference to the expected increase in GFA of properties developed by and in the number of property units used by BUCG and its associates as a result of its business growth and expansion. In particular, BUCG's real estate investment for the year ended December 31, 2022 amounted to RMB35.9 billion (representing 97% of its total annual investment). Benefiting from various favourable policies issued by the PRC government to support the real estate industry, BUCG and its associates are expected to gradually deliver more residential and commercial properties in the next three years, thereby increasing their demand for the Group's property management services; and (e) the expected increase in the service fees to be charged by the Group considering the increase in the operational costs as incurred by the Group (particularly labor costs expected to reach annual growth of 3% to 5%).

As shown in the table above, the annual cap of the Group's provision of property management services to BUCG and its associates is projected to increase from approximately RMB177.1 million for the year ending December 31, 2023 (to be revised, please refer to our analysis on the sub-section headed "2.1 2021 Property Management Services Framework Agreement – (iii) Assessment of the revised annual cap" above) to approximately RMB269.4 million for the year ending December 31, 2026, representing a compound annual growth rate ("**CAGR**") of approximately 15.0% from 2023 to 2026. With reference to the Prospectus, the historical amount of property management service fees paid by BUCG and its associates to the Group has increased from approximately RMB72.0 million for the year ended December 31, 2018 to approximately 124.7 million for the year ended December 31, 2022, representing a CAGR of approximately 14.7% from 2018 to 2022. In addition, as disclosed in the 2022 Annual Report and the 2023 Interim Report, the Group's area under management from BUCG and its associates has recorded a year-on-year increase of approximately 7.4% and 8.2% as at December 31, 2022 and June 30, 2023, respectively. The Group has continuously optimised its own business development strategy and regional layout, and increased its efforts in external expansion and market reserves. Under the guidance of the capital development strategy of the new era and the strategy of BUCG, the Group will further accelerate its diversification and multi-business development strategy to promote the expansion of its business scale, especially the property management services segment. Given (a) the relaxation of control measures in response to COVID-19 in the PRC; and (b) the promulgation of favourable government policies to support the property industry in the PRC. For instance, In November 2022, People's Bank of China and China Banking and Insurance Regulatory Commission jointly issued the "Notice on Properly Performing Work for Current Financial Support for the Stable and Healthy Development of the Real Estate Market" (關於做好當前金融支持房地產市場平穩健康發展工作的通知), which listed out 16 measures for stabilising the Chinese property sector, including but not limited to, supporting the reasonable deferral of property development loans and credit loans, encouraging financial institutions to provide policy support for special loans that ensure the delivery of housing projects and supporting rational demand for personal housing loans, with those relevant policies extended to end of 2024, BUCG and its associates are expected to gradually deliver additional residential and commercial properties in the following three years and thus increase their demand for the Group's property management services.

Furthermore, according to National Bureau of Statistics of the PRC, the per capita disposable income of residents nationwide has increased from RMB28,228 in 2018 to RMB36,883 in 2022, representing a CAGR of approximately 6.9% during the period. It is expected that the wage level in the PRC would continue to increase. As such, the operational costs incurred by the Group as well as the expected service fees to be charged by the Group are projected to increase in the coming years.

Taking into account (a) the historical average growth rate of the property management service fees paid by BUCG and its associates to the Group of approximately 14.7% per annum from 2018 to 2022; (b) the historical increase in the GFA under management from BUCG and its associates over the years and the expected increase in the following three years in view of the promulgation of favourable government policies to support the property industry in the PRC; (c) the Group's business strategy to further expand the scale of the Group's property management services; (d) the Group's high bid-winning rate for property management service contracts in respect of property projects developed by BUCG and its associates; and (e) the CAGR of the per capita disposable income of residents nationwide from 2018 to 2022, we consider the projected growth rate of approximately 15.0% per annum and thus the proposed annual caps for the coming three years to be fair and reasonable.

3.2 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement

(i) Background and reasons

As disclosed in the 2023 Interim Report, value-added services business is one of the principal operating segments of the Group which have developed and grew over the years. It has been the Group's intention to continuously enrich its value-added service products and improve its core competitiveness. On October 11, 2021, the Company entered into the 2021 BUCG Commercial Operational Services and Value-Added Services Framework Agreement with BUCG, pursuant to which the Group agreed to provide a variety of commercial operational services and value-added services to BUCG and its associates, for a term commencing from the Listing Date up to and including December 31, 2023.

As the Group expects to carry on the transactions contemplated thereunder upon its expiry and in order to regulate the Group's continuous provision of commercial operational services and value-added services to BUCG and its associates, the Directors consider it beneficial to renew the 2021 BUCG Commercial Operational Services and Value-Added Services Framework Agreement to facilitate the continuous provision of such commercial operational services and value-added services to BUCG and its associates for generating stable income stream to the Group, which could further promote the business growth of the Group. Based on the foregoing, on October 10, 2023, the Company entered into the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement with BUCG to renew the term for the three years ending December 31, 2026.

(ii) Principal terms

Service scope and term

Pursuant to the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement, the Group has agreed to provide commercial operational services and value-added services to BUCG and its associates, which include, (a) operational and management services, such as positioning and design services, tenant solicitation services, car park operation and management services, and other management services; and (b) value-added services, such as consultancy services, and minor construction, maintenance and greening services.

The 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement is valid for three years from January 1, 2024 to December 31, 2026.

Pricing basis

The services fees to be charged under the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement will be determined after arm's length negotiations taking into account the following factors: (a) the nature, area and location of the relevant properties; (b) the scope of the commercial operational services and value-added services; (c) the expected operating costs (including labor costs, material costs and administrative costs) for the provision of commercial operational services and value-added services; (d) the fees to be charged by the Group to at least three Independent Third Parties for the same or similar commercial operational services and value-added services, if the Group does not provide the same or similar type and scope of commercial operational services and value-added services to its Independent Third Party customers, the expected costs of the Group in providing such services (including, among others, labor costs, material costs and administrative costs) plus a profit margin of not less than 10%, shall be determined after arm's length negotiations; and (e) the quotations of fees charged by at least three other Independent Third Party service providers for similar commercial operational services and value-added services in the market.

The price and terms of the tenders for commercial operational and value-added services projects obtained by the Group from BUCG and its associates by way of tender will be made in accordance with the tender procedure of the Company. The tender procedure includes (i) receiving invitation to tender; (ii) preliminary assessment of tender documents; (iii) preparation of property management proposal; (iv) cost estimation and pricing; (v) preparation of tender report, internal evaluation and approval of tender report; and (vi) tender submission, etc. The internal evaluation and approval of the tender will be conducted by the marketing department, financial management department, safety operation department, quality management department, legal compliance department and other departments of the Company. All personnel of the Group involved in the evaluation and approval process will be independent of BUCG and its associates.

Payment method

Payment for the services shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific business contracts to be entered into separately after arm's length negotiation between the Group and BUCG and its associates. The Group would normally issue monthly or quarterly payment notices to BUCG and its associates in respect of operational management services and tenant solicitation services provided under the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement, and payment shall be made by BUCG and its associates, in principle, to the Group by way of bank transfers within 60 days from the date of receipt of the payment notices. For small-scale construction, maintenance and greening projects provided under the framework agreement, the Group would normally require BUCG and its associates to pay by way of bank transfer in three installments according to the construction progress, with 30% of the total consideration to be paid within 10 to 15 days after signing of the specific agreement, 65% of the total consideration to be paid upon completion and acceptance of the works, and the remaining 5% to be paid upon the expiry of the quality assurance period. The terms of the payment method set out in the specific business contracts shall be determined with reference to the terms of payment method stipulated in no less than three agreements for similar services provided by the Group to the Independent Third Parties to ensure compliance with market practice.

In assessing whether the terms of the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement are fair and reasonable, we have selected on a random basis and obtained and reviewed 12 samples of commercial operational services and value-added services contracts between the Group and BUCG and its associates and 15 samples of commercial operational services and value-added services contracts between the Group and the Independent Third Parties entered into from 2021 to 2023. Based on our review, we noted that (a) the Group has set a similar pricing basis to each project with BUCG and its associates and the Independent Third Parties which is generally charged at a package price per project. Such package price is determined by taking into account a number of factors, such as the nature, quality and scope of the specific services to be provided, size and location of the properties, the Group's costs expected to be incurred and competition from peer companies; and (b) the payment term granted to BUCG and its associates and the Independent Third Parties are the same that both shall be settled in monthly, quarterly, half-yearly or annual basis. Based on the above, we consider the terms, including the pricing basis and payment method, for transactions contemplated under the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement are equal to or no more favourable to BUCG and its associates than the terms for similar transactions between the Group and the Independent Third Parties. Taking into account (a) the similarity of services covered under the aforesaid sample contracts, contracts, all being commercial operational services and value-added services; (b) the sample contracts were entered into under the period of the 2021 BUCG Commercial Operational Services and Value-Added Services Framework Agreement; and (c) a total of 27 sample contracts were selected, obtained and reviewed, we are of the view that the aforesaid sample contracts we have reviewed are fair and representative.

In addition, we have compared the terms of the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement with those of the 2021 BUCG Commercial Operational Services and Value-Added Services Framework Agreement and noted that except for the term, other principal terms of the 2021 BUCG Commercial Operational Services and Value-Added Services Framework Agreement and the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement remain the same, including but not limited to the scope of services, pricing basis and payment terms. As such, we consider the terms of the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement, including the pricing basis and payment method, are on normal commercial terms which are fair and reasonable. Please refer to the section headed "4. Internal control policies of the Group" below for our analyses of further safeguards imposed by the Group.

(iii) Assessment of the proposed annual caps

Review of historical figures

Set out below are the historical annual caps and actual transaction amounts regarding the Group's provision of commercial operational services and value-added services to BUCG and its associates under the 2021 BUCG Commercial Operational Services and Value-Added Services Framework Agreement for the periods indicated:

	For the year ended December 31, 2021 *RMB'000* *(audited)*	**For the year ended December 31, 2022** *RMB'000* *(audited)*	**For the six months ended June 30, 2023** *RMB'000* *(unaudited)*
Annual caps	115,025	165,528	177,080 (for the year ending December 31, 2023)
Actual transaction amounts	111,054	147,745	75,252
Utilisation rate	96.5%	89.3%	42.5%

As shown in the table above, the actual transaction amounts regarding the Group's provision of commercial operational services and value-added services to BUCG and its associates under the 2021 BUCG Commercial Operational Services and Value-Added Services Framework Agreement amounted to approximately RMB111.1 million and RMB147.7 million for the two years ended December 31, 2022, respectively, representing approximately 96.5% and 89.3% of the total annual caps in 2021 and 2022, respectively. For 6M2023, the actual transaction amount regarding the Group's provision of commercial operational services and value-added services to BUCG and its associates was approximately RMB75.3 million, representing approximately 42.5% of the total annual cap of approximately RMB177.1 million in 2023.

Assessment of the proposed annual caps

Pursuant to the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement, it is proposed that the maximum annual service fees payable by BUCG and its associates for each of the three years ending December 31, 2026 will not exceed the annual caps set out below:

	For the year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Proposed annual caps	194,788	214,267	235,693

In assessing the reasonableness of the proposed annual caps of the Group's provision of commercial operational services and value-added services to BUCG and its associates, we have discussed with the management of the Group the basis and assumptions underlying the projections. In determining the proposed annual caps for the three years ending December 31, 2026, the Directors have taken into account, among other things, (a) the historical transaction amounts for the two years ended December 31, 2022 and 6M2023 and, in particular, the annual cap utilisation rates for the two years ended December 31, 2022 reaching approximately 96.5% and 89.3%, respectively and historical transaction amounts for the year ended December 31, 2022 increased by 33.0% as compared with the same period in the previous year; (b) the number, GFA under management and terms (including service fees) of existing projects/service contracts as of June 30, 2023; (c) the expected increase in the demand of BUCG and its associates for the Group's services with reference to the estimated increase in the number of commercial and other properties owned, used or operated by BUCG and its associates which might require commercial operation and management services and tenant sourcing services to be provided by the Group. In particular, BUCG's real estate investment for the year ended December 31, 2022 amounted to RMB35.9 billion (representing 97% of its total annual investment). Benefiting from various favourable policies issued by the PRC government to support the real estate industry, BUCG and its associates are expected to gradually deliver more residential and commercial properties in the next three years, thereby increasing their demand for the Group's property management services; and (d) the expected increase in the service fees to be charged by the Group considering the increase in the operational costs as incurred by the Group (particularly labor costs expected to reach annual growth of 3% to 5%).

As shown in the table above, the annual cap of the Group's provision of commercial operational services and value-added services to BUCG and its associates is projected to increase from approximately RMB177.1 million for the year ending December 31, 2023 to approximately RMB235.7 million for the year ending December 31, 2026, representing a CAGR of approximately 10.0% from 2023 to 2026. With reference to the Prospectus, the historical amount of commercial operational services and value-added service fees paid by BUCG and its associates to the Group has increased from approximately RMB75.0 million for the year ended December 31, 2018 to approximately 147.7 million for the year ended December 31, 2022, representing a CAGR of approximately 18.5% from 2018 to 2022. Under the guidance of the capital development strategy of the new era and the strategy of BUCG, the Group will further accelerate its diversification and multi-business development strategy to promote the expansion of its business scale, including commercial operational services and value-added services. Given (a) the relaxation of control measures in response to COVID-19 in the PRC; and (b) the promulgation of favourable government policies to support the property industry in the PRC, BUCG and its associates are expected to gradually deliver additional residential and commercial properties in the following three years and thus increase their demand for the Group's commercial operational services and value-added services.

Having considered that (a) it is generally considered to be harder to maintain a high growth rate with a relatively larger calculation base, and it is noted that the historical transaction amount of approximately RMB75.0 million in 2018, being the calculation base of the historical CAGR of approximately 18.5% from 2018 to 2022, is smaller than the expected transaction amount of approximately RMB177.1 million in 2023, being the calculation base of the expected CAGR of approximately 10.0% from 2023 to 2026; (b) in estimating the proposed annual caps for the three years ending December 31, 2026 under the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement, the management of the Group has prudently considered its existing and potential projects with BUCG and its associates as well as the Group's long-term development strategy and market conditions; and (c) the Company has adopted a series of internal control policies to regulate the continuing connected transactions, including the monitoring on the transactions to ensure that the transaction amount does not exceed the proposed annual caps. If the actual transaction amount is expected to exceed the proposed annual cap during 2024 to 2026, the Company will apply for the revision of the proposed annual cap in compliance with the Listing Rules, we are of the view that the proposed annual caps of approximately 10.0% growth is sufficient and appropriate under the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement.

Furthermore, according to National Bureau of Statistics of the PRC, the per capita disposable income of residents nationwide has increased from RMB28,228 in 2018 to RMB36,883 in 2022, representing a CAGR of approximately 6.9% during the period. It is expected that the wage level in the PRC would continue to increase. As such, the operational costs incurred by the Group as well as the expected service fees to be charged by the Group are projected to increase in the coming years.

Taking into account (a) the historical average growth rate of the commercial operational services and value-added service fees paid by BUCG and its associates to the Group of approximately 18.5% per annum from 2018 to 2022; (b) the expected increase in the demand of BUCG and its associates for the Group's commercial operational services and value-added services in the following three years in view of the promulgation of favourable government policies to support the property industry in the PRC; (c) the Group's business strategy to further expand the scale of the Group's commercial operational services and value-added services; and (d) the CAGR of the per capita disposable income of residents nationwide from 2018 to 2022, we consider the projected growth rate of approximately 10.0% per annum and thus the proposed annual caps for the coming three years to be fair and reasonable.

3.3 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement

(i) Background and reasons

As disclosed in the 2023 Interim Report, value-added services business is one of the principal operating segments of the Group which have developed and grew over the years. It has been the Group's intention to continuously enrich its value-added service products and improve its core competitiveness. On October 11, 2021, the Company entered into the 2021 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement with Tiannuo Properties, pursuant to which Tiannuo Property and the Group (other than Tiannuo Property) agreed to provide to each other a variety of commercial operational services and value-added services, for a term commencing from the Listing Date up to and including December 31, 2023.

As the Group expects to carry on the transactions contemplated thereunder upon its expiry and in order to regulate the continuous provision of commercial operational services and value-added services between the Group (other than Tiannuo Property) and Tiannuo Property, the Directors consider it beneficial to renew the 2021 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement to facilitate the continuous provision of such commercial operational services and value-added services between the Group (other than Tiannuo Property) and Tiannuo Property for generating stable income stream to the Group, which could further promote the business growth of the Group. Based on the foregoing, on October 10, 2023, the Company entered into the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement with Tiannuo Property to renew the term for the three years ending December 31, 2026.

(ii) Principal terms

Service scope and term

Pursuant to the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement, Tiannuo Property and the Group (other than Tiannuo Property) have agreed to provide commercial operational services and value-added services to each other, which include, (a) operation and management services, such as positioning and design services, tenant solicitation services, carpark space operation and management services, and other management services; and (b) value-added services, such as consultancy services, broadband services and small-scale construction, maintenance and greening services.

The 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement is valid for three years from January 1, 2024 to December 31, 2026.

Pricing basis

The services fees payable by the Group (other than Tiannuo Property) and Tiannuo Property to each other under the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement will be determined after arm's length negotiations taking into account the following factors: (a) nature, area and location of the property; (b) scope of commercial operational services and value-added services; (c) the expected operating costs (including labor costs, material costs and administrative costs) in relation to the provision of commercial operational services and value-added services; (d) fees charged by the Group (other than Tiannuo Property) or Tiannuo Property (as the case may be) to at least three Independent Third Parties for same or similar operational services and value-added services; and (e) fees charged by at least three other Independent Third Party service providers for similar commercial operational services and value-added services in the market.

Payment method

Payment for the services shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific business contracts to be entered into separately after arm's length negotiation between the Group (other than Tiannuo Property) and Tiannuo Property. The Group (other than Tiannuo Property) and Tiannuo Property would normally issue monthly or quarterly payment notices to the other party or request the other party to pay the value-added service fees on an item-by-item basis for the services provided under the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement, and the Group (other than Tiannuo Property) and Tiannuo Property (as the case may be) shall pay the other party by bank transfer within 60 days after receiving the payment notice. The Group (other than Tiannuo Property) and Tiannuo Property would normally require the other party to make payment in three installments according to the construction progress in respect of the small-scale construction, maintenance and greening services provided under the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement, 30% of the total consideration shall be paid within 10 to 15 days after signing of the specific agreement, 65% of the total consideration shall be paid after completion and acceptance, and the remaining 5% shall be paid after the end of the quality assurance period. For the broadband services provided by Tiannuo Property to the Group (other than Tiannuo Property), payment shall be made in one lump sum in the second half of each year in principle.

The terms of the payment method set out in the specific business contracts shall be determined with reference to terms of the payment method for no less than three similar services provided by the Group (other than Tiannuo Property) or Tiannuo Property (as the case may be) to the Independent Third Parties to ensure compliance with market practice.

In assessing whether the terms of the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement are fair and reasonable, we have selected on a random basis and obtained and reviewed (a) 5 samples of commercial operational services and value-added services contracts between the Group (other than Tiannuo Property) (as the services provider) and Tiannuo Property (as the services recipient) and 12 samples of commercial operational services and value-added services contracts between the Group (as the services provider) and the Independent Third Parties (as the services recipient) entered into from 2021 to 2023; and (b) 6 samples of commercial operational services and value-added services contracts between the Group (other than Tiannuo Property) (as the services recipient) and Tiannuo Property (as the services provider) and 10 samples of commercial operational services and value-added services contracts between Tiannuo Property (as the services provider) and the Independent Third Parties (as the services recipient) entered into from 2021 to 2023. Based on our review, we noted that (a) the Group (other than Tiannuo Property) (as the services provider) has set a similar pricing basis to each project with Tiannuo Property and the Independent Third Parties which is generally charged at a package price per project. Such package price is determined by taking into account a number of factors, such as the nature, quality and scope of the specific services to be provided, size and location of the properties, the Group (other than Tiannuo Property)'s costs expected to be incurred and competition from peer companies; (b) the payment term granted by the Group (other than Tiannuo Property) (as the services provider) to Tiannuo Property and the Independent Third Parties are the same that both shall be settled in monthly, quarterly, half-yearly or annual basis; (c) Tinanuo Property (as the services provider) has set a similar pricing basis to each project with the Group (other than Tiannuo Property) and the Independent Third Parties which is generally charged at a package price per project. Such package price is determined by taking into account a number of factors, such as the nature and scope of the specific services to be provided, size and location of the properties, Tiannuo Property costs expected to be incurred and competition from peer companies; and (d) the payment term granted by Tiannuo Property (as the service provider) to the Group (other than Tiannuo Property) and the Independent Third Parties are the same that both shall be settled in an annual basis. Based on the above, we consider the terms, including the pricing basis and payment method, for transactions contemplated under the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement are generally in line to or no more favourable to Tiannuo Property than the terms for similar transactions between the Group and the Independent Third Parties. Taking into account (a) the similarity of services covered under the aforesaid sample contracts, all being commercial operational services and value-added services; (b) the sample contracts were entered into under the period of the 2021 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement; and (c) a total of 33 sample contracts were selected, obtained and reviewed, we are of the view that the aforesaid sample contracts we have reviewed are fair and representative.

In addition, we have compared the terms of the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement with those of the 2021 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement and noted that except for the term, other principal terms of the 2021 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement and the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement remain the same, including but not limited to the scope of services, pricing basis and payment terms. As such, we consider the terms of the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement, including the pricing basis and payment method, are on normal commercial terms which are fair and reasonable. Please refer to the section headed "4. Internal control policies of the Group" below for our analyses of further safeguards imposed by the Group.

(iii) Assessment of the proposed annual caps

Review of historical figures

Set out below are the historical annual caps and actual transaction amounts regarding the provision of commercial operational services and value-added services between the Group (other than Tiannuo Property) and Tiannuo Property under the 2021 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement for the periods indicated:

	For the year ended December 31, 2021	For the year ended December 31, 2022	For the six months ended June 30, 2023
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(unaudited)*
Total service fees paid by the Group (other than Tiannuo Property)			
Annual caps	125	137	150 (for the year ending December 31, 2023)
Actual transaction amounts	113	113	–
Utilisation rate	90.4%	82.5%	0.0%
Total service fees paid by Tiannuo Property			
Annual caps	722	1,872	2,808 (for the year ending December 31, 2023)
Actual transaction amounts	364	179	179
Utilisation rate	50.4%	9.6%	6.4%

As shown in the table above, the actual transaction amounts regarding the provision of commercial operational services and value-added services by Tiannuo Property to the Group (other than Tiannuo Property) under the 2021 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement amounted to approximately RMB0.1 million and RMB0.1 million for the two years ended December 31, 2022, respectively, representing approximately 90.4% and 82.5% of the total annual caps in 2021 and 2022, respectively. For

6M2023, the actual transaction amount regarding the provision of commercial operational services and value-added services by Tiannuo Property to the Group (other than Tiannuo Property) was nil, representing approximately 0.0% of the total annual cap of RMB150,000 in 2023. As advised by the management of the Group, such low utilisation rate in 2023 was primarily attributable to the fact that the Group (other than Tiannuo Property) generally paid the relevant services fees to Tiannuo Property once a year for each project and such payment stage occurred in the second half of the year. We further understand from the management of the Group that for the nine months ended September 30, 2023, the actual transaction amount reached approximately RMB120,000, representing approximately 80.0% of the total annual cap in 2023.

As for the provision of commercial operational services and value-added services by the Group (other than Tiannuo Property) to Tiannuo Property under the 2021 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement, the actual transaction amounts amounted to approximately RMB0.4 million and RMB0.2 million for the two years ended December 31, 2022, respectively, representing approximately 50.4% and 9.6% of the total annual caps in 2021 and 2022, respectively. For 6M2023, the actual transaction amount regarding the provision of commercial operational services and value-added services by the Group (other than Tiannuo Property) to Tiannuo Property was approximately RMB0.2 million, representing approximately 6.4% of the total annual cap of approximately RMB2.8 million in 2023. As advised by the management of the Group, the decrease in the utilisation rate in 2022 and 2023 was primarily attributable to that the Group failed to secure certain commercial operational services and value-added services projects from Tiannuo Property due to keen market competition.

Assessment of the proposed annual caps

Pursuant to the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement, it is proposed that the maximum annual service fees payable for each of the three years ending December 31, 2026 will not exceed the annual caps set out below:

	For the year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees payable by the Group (other than Tiannuo Property)	200	240	288
Total service fees payable by Tiannuo Property	542	651	781

In assessing the reasonableness of the proposed annual caps of the commercial operational services and value-added services fees payable by the Group (other than Tiannuo Property), we have discussed with the management of the Group the basis and assumptions underlying the projections. In determining the proposed annual caps for the three years ending December 31, 2026, the Directors have taken into account, among other things, (a) the historical transaction amounts for the two years ended December 31, 2022 and, in particular, the annual cap utilisation rates for the two years ended December 31, 2022 reached approximately 90.4% and 82.5%, respectively; (b) the number and terms (including service fees) of existing contracts for the operation and management services and value-added services (such as Internet installation and maintenance services) provided by Tiannuo Property to the properties under the management of the Group (other than Tiannuo Property) as of June 30, 2023 and such contracts relate to the provision of one-year Internet installation and maintenance services by Tiannuo Property to the Group (other than Tiannuo Property) and the service fees are paid in one lump sum; and (c) the expected increase in the demand of the Group (other than Tiannuo Property) for commercial operational services and value-added services to be provided by Tiannuo Property, taking into account the estimated increase in the projects under the management of the Group (other than Tiannuo Property) in the forthcoming years (in particular, the Group achieved newly-signed area of approximately 2.5 million square meters in the first half of 2023, representing a year-on-year increase of 15.9%).

As advised by the management of the Group, the principal commercial operational services and value-added services provided by Tiannuo Property to the Group (other than Tiannuo Property) is Internet installation and maintenance services over the years which has a relatively stable demand. Although the actual transaction amount regarding the provision of commercial operational services and value-added services by Tiannuo Property to the Group (other than Tiannuo Property) was nil for 6M2023, based on the existing Internet installation and maintenance services contracts between the Group (other than Tiannuo Property) and Tiannuo Property that are currently effective, it is expected that the total transaction amount would amount to approximately RMB120,000 for the year ending December 31, 2023. In this regard, we have obtained and reviewed the aforesaid existing contracts, and noted that the total contract sum of these contracts amounted to RMB120,000 which are required to be paid on a lump-sum basis. In addition, as discussed in the sub-section headed "(ii) Principal terms" above, we have reviewed 6 samples of commercial operational services and value-added services contracts between the Group (other than Tiannuo Property) (as the services recipient) and Tiannuo Property (as the services provider) and 10 samples of commercial operational services and value-added services contracts between Tiannuo Property (as the services provider) and the Independent Third Parties (as the services recipient) entered into from 2021 to 2023. The review period from 2021 to 2023 is the same as the period of the 2021 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement. Based on our review, we noted that each contract had a contract term of one year and was renewed upon its expiry from 2021 to 2023. As such, we concur with the management of the Group that the Group (other than Tiannuo Property)'s demand for the Internet installation and maintenance services provided by Tiannuo Property is relatively stable and will have a continual need in the following three years.

As shown in the table above, the annual cap of the commercial operational services and value-added services fees payable by the Group (other than Tiannuo Property) is projected to increase from approximately RMB200,000 for the year ending December 31, 2024 to approximately RMB288,000 for the year ending December 31, 2026, representing a CAGR of approximately 20.0% from 2024 to 2026. As disclosed in the 2022 Annual Report and the 2023 Interim Report, the Group's total area under management has recorded a year-on-year increase of approximately 16.6% and 13.5% as at December 31, 2022 and June 30, 2023, respectively. The Group's total number of projects under management has also recorded a year-on-year increase of approximately 18.9% and 16.7% as at December 31, 2022 and June 30, 2023, respectively. With the Group's strategy to continuously optimise its business development and regional layout and increase its efforts in external expansion and market reserves as well as the promulgation of favourable government policies to support the property industry in the PRC, it is expected that the Group (other than Tiannuo Property) will secure more projects under management in the forthcoming years and thus increase its demand for commercial operational services and value-added services to be provided by Tiannuo Property from time to time.

Based on our review on a total of 16 samples of commercial operational services and value-added services contracts between the Group (other than Tiannuo Property) and Tiannuo Property or between Tiannuo Property and the Independent Third Parties entered into from 2021 to 2023, as discussed in the sub-section headed "(ii) Principal terms" above, we noted that the annual Internet installation and maintenance services service fee for each project provided by Tiannuo property ranged from RMB20,000 to RMB100,000. Taking into account (a) save for the existing commercial operational services and value-added services contracts with a contract sum of RMB120,000 per annum which are expected to be renewed annually, the Group (other than Tiannuo Property) may enter into new contracts for the commercial operational services and value-added services to meet its growing demand; and (b) the annual services fee of each project amounts to RMB20,000 to RMB100,000, we consider the estimated increase in the annual caps for the service fees from RMB120,000 for the year ending December 31, 2023 to RMB240,000 for the year ending December 31, 2024 and further to RMB288,000 for the year ending December 31, 2026 to be fair and reasonable. As such, we consider the proposed annual caps of the commercial operational services and value-added services fees payable by the Group (other than Tiannuo Property) for the coming three years to be fair and reasonable.

On the other hand, in assessing the reasonableness of the proposed annual caps of the commercial operational services and value-added services fees payable by Tiannuo Property, we have discussed with the management of the Group the basis and assumptions underlying the projections. In determining the proposed annual caps for the three years ending December 31, 2026, the Directors have taken into account, among other things, (a) the historical transaction amounts for the two years ended December 31, 2022 and 6M2023; (b) the number and terms (including service fees) of existing contracts for the operation and management services and value-added services (such as greening conservation services and garage management services) provided by the Group (other than Tiannuo Property) to Tiannuo Property in respect of properties under the management of Tiannuo Property as of June 30, 2023; and (c) the expected increase in the demand of Tiannuo Property for the commercial operational services and value-added services to be provided by the Group (other than Tiannuo Property), as well as the types and area of properties under the management of Tiannuo Property (in particular, after taking into account that the Group achieved newly-signed area of approximately 2.5 million square meters in the first half of 2023, representing a year-on-year increase of 15.9%).

As advised by the management of the Group, the principal commercial operational services and value-added services provided by the Group (other than Tiannuo Property) to Tiannuo Property are greening conservation services and garage management services over the years. Although the actual transaction amount regarding the provision of commercial operational services and value-added services by the Group (other than Tiannuo Property) to Tiannuo Property was approximately RMB179,000 for 6M2023, based on the existing commercial operational services and value-added services contracts between the Group (other than Tiannuo Property) and Tiannuo Property that are effective in 2023, it is expected that the total transaction amount would amount to approximately RMB452,000 for the year ending December 31, 2023, representing an increase of approximately 152.5% from approximately RMB179,000 for the year ended December 31, 2022. In this regard, we have obtained and reviewed five samples of the existing contracts, and noted that the total annual services fees of these five contracts amounted to approximately RMB352,000, representing approximately 77.9% of the estimated transaction amount for the year ending December 31, 2023. As Tiannuo Property's demand for greening conservation services and garage management services is relatively stable, it is expected that the Group will renew the existing contracts with Tiannuo Property annually and there will be a continual need by Tiannuo Property in the following years.

In addition, with reference to the Prospectus, the historical transaction amount regarding the provision of commercial operational services and value-added services by the Group (other than Tiannuo Property) to Tiannuo Property decreased from approximately RMB696,000 for the year ended December 31, 2019 to approximately RMB179,000 for the year ended December 31, 2022. We understood from the management of the Group that such decrease was primarily attributable to that the Group (other than Tiannuo Property) failed to secure certain commercial operational services and value-added services from Tiannuo Property due to keen market competition. The Group will further explore the first-mover advantage as a listed property management platform for state-owned enterprises in the capital and continuously improve its core competitiveness, especially the price competitiveness, to be able to secure new commercial operational services and value-added services engagements from Tiannuo Property.

Taking into account (a) the total contract sum of the existing commercial operational services and value-added services contracts between the Group (other than Tiannuo Property) and Tiannuo Property that are effective in 2023; (b) the relatively stable demand for greening conservation services and garage management services by Tiannuo Property; and (c) the expected increase in the number of projects to be secured by the Group (other than Tiannuo Property) from Tiannuo Property in line with the expected increase in transaction amount for the year ending December 31, 2023 as discussed above, we consider the proposed annual caps of the commercial operational services and value-added services fees payable by Tiannuo Property for the coming three years to be fair and reasonable.

3.4 2024 BUCG Property Leasing Framework Agreement

(i) Background and reasons

As mentioned in the sub-section headed "2.2 2021 BUCG Property Leasing Framework Agreement – (i) Background and reasons" above, the 2021 BUCG Property Leasing Framework Agreement will expire on December 31, 2023.

As the Group expects to carry on the transactions contemplated thereunder upon its expiry and in order to regulate the leasing of properties between the Group and BUCG and its associates, the Directors consider it beneficial to renew the 2021 BUCG Property Leasing Framework Agreement to facilitate the continuous leasing of properties between the Group and BUCG and its associates for (a) reducing the cost of searching for suitable properties and avoiding incurring relocation costs, thereby ensuring a stable working environment for the Group on the one hand; and (b) generating rental income to the Group and further expanding the Group's business scale on the other hand. Based on the foregoing, on October 10, 2023, the Company entered into the 2024 BUCG Property Leasing Framework Agreement with BUCG to renew the term for the three years ending December 31, 2026.

(ii) Principal terms

Service scope and term

Pursuant to the 2024 BUCG Property Leasing Framework Agreement, (a) the Group has agreed to lease properties (including houses, office buildings and carpark spaces) from BUCG and its associates; and (b) BUCG and its associates have agreed to lease properties (including houses, container houses for workers' residence at construction sites, office buildings and carpark spaces) from the Group.

The 2024 BUCG Property Leasing Framework Agreement is valid for three years from January 1, 2024 to December 31, 2026.

Pricing basis

The respective rental payable by the Group and BUCG and its associates to each other shall be determined after arm's length negotiation and taking into account the following factors: (a) location, quality and area of the leased property; (b) rentals respectively charged by the Group or BUCG and its associates (as the case may be) to at least Independent Third Parties for comparable properties; and (c) the rent charged by at least three other Independent Third Parties for comparable properties in the market.

Payment method

Payment for the rentals shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific leasing contracts to be entered into separately after arm's length negotiation between the Group and BUCG and its associates. The Group and BUCG and its associates would normally issue monthly or quarterly payment notices to each other in respect of the rental payables under the 2024 BUCG Property Leasing Framework Agreement, and payment shall be made by the Group or BUCG and its associates (as the case may be) by way of bank transfers within 60 days from the date of receipt of the payment notices. The terms of the payment method set out in the specific leasing contracts shall be determined with reference to the terms of payment method stipulated in no less than three agreements for similar services provided by the Group or BUCG and its associates (as the case may be) to the Independent Third Parties to ensure compliance with market practice.

In assessing whether the terms of the 2024 BUCG Property Leasing Framework Agreement are fair and reasonable, we have selected on a random basis and obtained and reviewed (a) 9 samples of leasing contracts between the Group (as the lessor) and BUCG and its associates (as the lessee) and 15 samples of leasing contracts between the Group (as the lessor) and the Independent Third Parties (as the lessee) entered into from 2021 to 2023; and (b) 3 samples of leasing contracts between the Group (as the lessee) and BUCG and its associates (as the lessor) and the only one relevant sample of leasing contract between the Group (as the lessee) and the Independent Third Parties (as the lessor) entered into from 2021 to 2023. Based on our review, we noted that (a) both the Group (as the lessor) and BUCG and its associates (as the lessor) has set a similar basis to each project with the connected party and the Independent Third Parties which is generally charged as a fixed monthly rent per sq.m. or the fixed monthly fee per container house based on the nature of container houses (for example, bathroom or kitchen). Such fixed monthly rent or fee is determined by taking into account a number of factors, such as the geographical location, quality, size and area of the properties/projects and the comparable market rents of similar location and character; (b) the payment term granted by the Group (as the lessor) to BUCG and its associates and the Independent Third Parties are the same that both shall be settled in monthly, quarterly or half-yearly basis; and (c) the payment term granted by BUCG and its associates (as the lessor) to the Group and the Independent Third Parties are the same that both shall be settled in annual basis. Based on the above, we consider the terms, including the pricing basis and payment method, for transactions contemplated under the 2024 BUCG Property Leasing Framework Agreement are equal to or no more favourable to BUCG and its associates than the terms for similar transactions between the Group and the Independent Third Parties. Taking into account (a) the similarity of services covered under the aforesaid sample contracts, all being leasing properties; (b) the sample contracts were entered into under the period of the 2021 BUCG Property Leasing Framework Agreement; and (c) a total of 28 sample contracts were selected, obtained and reviewed, we are of the view that the aforesaid sample contracts we have reviewed are fair and representative.

In addition, we have compared the terms of the 2024 BUCG Property Leasing Framework Agreement with those of the 2021 BUCG Property Leasing Framework Agreement and noted that except for the term, other principal terms of the 2021 BUCG Property Leasing Framework Agreement and the 2024 BUCG Property Leasing Framework Agreement remain the same, including but not limited to the scope of services, pricing basis and payment terms. As such, we consider the terms of the 2024 BUCG Property Leasing Framework Agreement, including the pricing basis and payment method, are on normal commercial terms which are fair and reasonable. Please refer to the section headed “4. Internal control policies of the Group” below for our analyses of further safeguards imposed by the Group.

(iii) Assessment of the proposed annual caps

Review of historical figures

Set out below are the historical annual caps and actual transaction amounts regarding the leasing of properties between the Group and BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement for the periods indicated:

	For the year ended December 31, 2021 *RMB'000* *(audited)*	**For the year ended December 31, 2022** *RMB'000* *(audited)*	**For the six months ended June 30, 2023** *RMB'000* *(unaudited)*
The Group leasing from BUCG and its associates			
Annual caps	11,044	13,844	12,868, and expected to be revised to 51,013 (for the year ending December 31, 2023)
– Right-of-use assets	7,100	2,600	500, and expected to be revised to 38,645 (for the year ending December 31, 2023)
– Rental expenses	3,944	11,244	12,368, and expected to be revised to 12,368 (for the year ending December 31, 2023)
Actual transaction amounts	5,413	4,094	7,244
– Right-of-use assets	5,413	287	–
– Rental expenses	–	3,807	7,244
Utilisation rate	49.0%	29.6%	56.3%
– Right-of-use assets	76.2%	11.0%	–
– Rental expenses	–	33.9%	58.6%

	For the year ended December 31, 2021 *RMB'000* *(audited)*	For the year ended December 31, 2022 *RMB'000* *(audited)*	For the six months ended June 30, 2023 *RMB'000* *(unaudited)*
BUCG and its associates leasing from the Group			
Annual caps	6,138	20,806	27,383 (for the year ending December 31, 2023)
Actual transaction amounts	2,634	16,952	12,102
Utilisation rate	42.9%	81.5%	44.2%

As shown in the table above, the actual transaction amounts regarding the Group leasing properties from BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement amounted to approximately RMB5.4 million and RMB4.1 million for the two years ended December 31, 2022, respectively, representing approximately 49.0% and 29.6% of the total annual caps in 2021 and 2022, respectively. For 6M2023, the actual transaction amount regarding the Group leasing properties from BUCG and its associates was approximately RMB7.2 million, representing approximately 56.3% of the total annual cap of approximately RMB12.9 million in 2023. We understand from the management of the Group that the low utilisation rates in 2021 and 2022 were primarily attributable to BUCG and its associates could not lease the relevant properties to the Group due to its own commercial reasons.

As for BUCG and its associates leasing properties from the Group under the 2021 BUCG Property Leasing Framework Agreement, the actual transaction amounts amounted to approximately RMB2.6 million and RMB17.0 million for the two years ended December 31, 2022, respectively, representing approximately 42.9% and 81.5% of the total annual caps in 2021 and 2022, respectively. For 6M2023, the actual transaction amount regarding BUCG and its associates leasing properties from the Group was approximately RMB12.1 million, representing approximately 44.2% of the total annual cap of approximately RMB27.4 million in 2023. We understand from the management of the Group that the low utilisation rate in 2021 was primarily attributable to that the Group gradually started its business of leasing containers at construction sites to BUCG and its associates in 2021 which has lower business volume in the early stage.

Assessment of the proposed annual caps

Pursuant to the 2024 BUCG Property Leasing Framework Agreement, it is proposed that the maximum annual amounts for each of the three years ending December 31, 2026 will not exceed the annual caps set out below:

	For the year ending December 31,		
	2024	**2025**	**2026**
The Group leasing from BUCG and its associates	180,617	100,881	101,134
– Right-of-use assets	171,250	91,250	91,250
– Rental expenses	9,367	9,631	9,884
BUCG and its associates leasing from the Group	24,000	28,800	34,560

In assessing the reasonableness of the proposed annual caps of the Group leasing properties from BUCG and its associates, we have discussed with the management of the Group the basis and assumptions underlying the projections. In determining the proposed annual caps for the three years ending December 31, 2026, the Directors have taken into account, among other things, (a) the value of the right-of-use assets arising from certain leasing agreements already entered into, which are within the scope of IFRS 16, and the expected renewal of such agreements upon their expiry during the upcoming three years; (b) the expected increment in rentals for the relevant properties under the 2024 BUCG Property Leasing Framework Agreement after taking into account the estimated increase in other fees and expenses, such as labour costs, as a result of business and market improvements and the general increase in rent in the market for commercial properties in major cities in the PRC, such as Beijing, where the Company primarily operates; and (c) the Group's plan to lease a number of properties from BUCG and its associates in 2024 for the purpose of business operations, in particular, the Group plans to lease new properties from BUCG and its associates in the next few years.

As discussed in the table above, the actual transaction amount regarding the Group leasing properties from BUCG and its associates amounted to approximately RMB7.2 million for 6M2023, representing approximately 56.3% of the total annual cap of approximately RMB12.9 million in 2023. Given that the leasing periods in respect of the properties leased by the Group from BUCG and its associates generally cover the full year of 2023 and will be renewed upon expiry as the Group intends to renew the leasing of such properties from BUCG and its associates for its business operations, it is expected that the full-year transaction amount of the Group's existing properties leasing from BUCG and its associates in the first half of 2023 will be able to cover the majority portion of the existing annual cap of approximately RMB12.9 million for the year ending December 31, 2023 and such amount shall continue to be paid by the Group for the three years ending December 31, 2026.

As disclosed in the 2022 Annual Report and the 2023 Interim Report, the Group's revenue has increased by approximately 28.0% and 33.4% for the year ended December 31, 2022 and 6M2023. To further expand the Group's business, the Group had prepared a feasibility report of expanding in the asset operation business. The Group currently earns service income by providing promotion services, tenant recruitment services and other customer services for the properties entrusted to the Group. The transactions conducted with BUCG and its associates or Tiannuo Property are covered by the commercial operational services and value-added services framework agreements with BUCG or Tiannuo Property. The Group will expand the business to lease the properties from the lessor, and will renovate and operate the properties to earn profits by generating operating income or realising rent appreciation from the Group's customers. The properties would be renovated and to be used as, among others, commercial property operation, hotels, long-term rental apartment operation, elderly care rental apartment operation, etc. Based on our review of the feasibility report, we noted that the Group had reviewed similar business model operated by other market practitioners and considered such business to be feasible and profitable. In line with the Group's business growth over the years and its business strategy to proactively develop new businesses with a focused goal in optimising its business model and diversifying its service offerings through expanding its project portfolio, the Group plans to lease and operate properties from BUCG and its associates in the coming years, including (a) a nursing home project in Beijing with total rents of approximately RMB80.0 million for 20 years (the "**Property A**"); and (b) a property in Beijing with total rents of approximately RMB91.3 million for 5 years (the "**Property B**"). As advised by the management of the Group, the leasing and operation of Property A and Property B would not constitute competition with any business engaged in by BUCG and its associates. As disclosed in the Letter from the Board and based on our review of the website of BUCG, BUCG and its associates are mainly engaged in the authorisation of state-owned asset management, undertaking general contracting of various types of industrial, energy, transportation, civil and municipal engineering construction projects, contracting of overseas engineering projects and real estate development, as well as other businesses. As such, we concur with the management of Group's view that the Group's asset operation business will not constitute competition with BUCG and its associates. We have obtained and reviewed the operation plan for the Property A prepared by the management of the Group. We noted the Property A is wholly owned by BUCG and its associates with GFA of approximately 67,200 sq.m. and 425 nursing apartments and the Group plans to lease the Property A for 20 years and utilise it to provide nursing services to explore the opportunities to provide services which cater to the needs of the elderly, so as to diversify its revenue stream and accelerate margin expansion. Based on the GFA of approximately 67,200 sq.m., the average monthly rent of the Property A is approximately RMB5.0 per sq.m. In respect of the Property B, the Group plans to lease GFA of approximately 10,000 sq.m. per annum with daily rent of approximately RMB5.0 per sq.m. and plans to re-design and renovate the Property B to turn it into new business of the Group, including but not limited to hotels, long-lease apartments and offices. With regard to the Company's estimation on the rent rates of the Property A and the Property B, we are advised by the management of the Group that the rent rates are projected with reference to the historical rent rates charged by BUCG and its associates for the properties in Beijing as well as the market rates for the properties with similar use. In assessing the reasonableness and fairness of the rent rates of the Property A and the Property B, we have obtained and reviewed (a) 3 samples of contracts in relation of leasing properties in Beijing entered into between the Group and BUCG and its associates; and (b) 15 samples of contracts in relation of leasing properties in Beijing entered into between the Group and the Independent Third Parties from 2021 to 2023 and we noted that the rent rates of the Property A and the Property B are generally within the range of rent rates charged by BUCG and its associates to the Group and generally in line with the rents charged by the Group to the Independent Third Parties after considering the difference is nature of the properties, and thus is reasonable in our view.

As the lease terms of the transactions under the 2024 BUCG Property Leasing Framework Agreement may exceed three years, in assessing the fairness and reasonableness of the duration, we have considered the following factors based on the information provided by the management of the Group and the publicly available information: (a) the entering into the lease contracts with longer durations ensures a stable operation of the properties by the Group to provide nursing services and the hotels, long-lease apartments and offices operation and management services; (b) the longer durations of the lease contracts will extend the period of income to be generated from the operation of the properties and facilitate the Group to formulate a long-term business strategy of expanding the value chain of property services, continuously enriching value-added service products and creating high-value property, integrate into community management and city operations; (c) the longer durations of the lease contracts will provide stability to the Group's business and promote cooperation with BUCG and its associates; (d) the Group needs to renovate the properties before they are brought into use, so a longer payback period is required; and (e) based on our review of the Comparable Companies, we noted that it is not uncommon for companies to enter into property lease agreements with connected persons for a term of more than three years. For details of the Comparable Companies, please refer to the sub-section headed "2.2 2021 BUCG Property Leasing Framework Agreement – (iii) Assessment of the revised annual cap" above. Based on the above, we consider the terms of the lease contracts which are over three years to be fair and reasonable.

Taking into account (a) the Group shall continue to lease the existing properties from BUCG and its associates for its business operations; and (b) the Group's plan to lease the Property A and the Property B to develop new businesses and achieve sustainable business growth and development, we consider the proposed annual caps of the Group leasing properties from BUCG and its associates for the coming three years to be fair and reasonable.

On the other hand, in assessing the reasonableness of the proposed annual caps of BUCG and its associates leasing properties from the Group, we have discussed with the management of the Group the basis and assumptions underlying the projections. In determining the proposed annual caps for the three years ending December 31, 2026, the Directors have taken into account, among other things, (a) the historical rentals paid by BUCG and its associates (in particular, the utilisation rate of the annual cap for the year ended December 31, 2022 reaching approximately 81.5%) and the historical growth rate of the Group leasing properties from BUCG and its associates in 2022 and 2023 of approximately 543.6% and 42.8%, respectively; (b) the estimated future business needs of BUCG and its associates including the business needs for leasing of container houses for workers' residence at construction sites from the Group during the upcoming three years based on the operation and management strategy of the construction sites of BUCG and its associates; and (c) the expected rental increase in the market, in particular, after taking into account the increase in operating costs generated by the Group (including the expected increase in labour costs of 3% to 5% per annum).

As shown in the table above, the actual transaction amount regarding BUCG and its associates leasing properties from the Group was approximately RMB12.1 million for 6M2023, representing approximately 44.2% of the total annual cap of approximately RMB27.4 million in 2023. If annualised, the full-year transaction amount would amount to approximately RMB24.2 million for the year ending December 31, 2023, which is close to the proposed annual cap of approximately RMB24.0 million for the year ending December 31, 2024. By adopting the annualised full-year transaction amount, the historical transaction amount regarding BUCG and its associates leasing properties from the Group has increased by approximately 543.6% from approximately RMB2.6 million for the year ended December 31, 2021 to approximately RMB17.0 million for the year ended December 31, 2022 and further increased by approximately 42.8% to approximately RMB24.2 million for the year ending December 31, 2023. The annual cap of BUCG and its associates leasing properties from the Group is then projected to increase from approximately RMB24.0 million for the year ending December 31, 2024 to approximately RMB34.6 million for the year ending December 31, 2026, representing a CAGR of approximately 20.0% from 2024 to 2026, which is lower than the historical annual growth rate from 2021 to 2023.

We have been provided with the projection of the estimated rents payable by BUCG and its associates which was prepared by the management of the Group for the purpose of determining the proposed annual caps for the three years ending December 31, 2026 under the 2024 BUCG Property Leasing Framework Agreement. Based on our review and discussion with the management of the Group, such estimated rents have been confirmed and agreed by BUCG and its associates. Inspired by the relaxation of control measures in response to COVID-19 in the PRC in 2023 and the Chinese government's steady policy support since late 2022 against the background of the nationally advocated policy of "guarantee house delivery, guarantee people's livelihood and guarantee stability", the housing construction of BUCG and its associates is expected to pick up considerable momentum in the coming three years. Leveraging its professional advantages in the field of services, the Group conducted business collaborations with BUCG and its associates in the engineering segment, and put much effort to promote the property management for construction sites so as to provide construction units with container house leasing services. As advised by the management of the Group, BUCG and its associates mainly leased container houses for its workers' residence at construction sites from the Group from 2021 and 2023. In assessing the demand of BUCG and its associates, we have reviewed the annual report of BUCID (600266.SH) for the year ended December 31, 2021 and 2022, and noted its number of real estate development and investment projects increased from 55 with an area under construction of approximately 6.5 million sq.m. as at December 31, 2021 to 57 with an area under construction of approximately 6.8 million sq.m. as at December 31, 2022. Having considered the estimated increase in the number of properties expected to be developed for the three years ending December 31, 2026 based on the operation and management strategy of the construction sites of BUCG and its associates and its development plan, BUCG and its associates' demand for the Group's container houses shall continue and is expected to increase for the coming three years.

Taking into account (a) the historical growth rate of BUCG and its associates leasing properties from the Group of approximately 543.6% and 42.8% in 2022 and 2023, respectively; (b) the expected increase in the demand of BUCG and its associates for the Group's container houses in the following three years; and (c) the actual transaction amount regarding BUCG and its associates leasing properties from the Group of approximately RMB12.1 million for 6M2023, we consider the projected growth rate of approximately 20.0% per annum and thus the proposed annual caps of BUCG and its associates leasing properties from the Group for the coming three years to be fair and reasonable.

3.5 2024 Property Ancillary Services Framework Agreement

(i) Background and reasons

On October 11, 2021, the Company entered into the 2021 Property Ancillary Services Framework Agreement, pursuant to which the Group agreed to provide a variety of property ancillary services to BUCG and its associates, for a term commencing from the Listing Date up to and including December 31, 2023.

As the Group expects to carry on the transactions contemplated thereunder upon its expiry and in order to regulate the Group's continuous provision of property ancillary services to BUCG and its associates, the Directors consider it beneficial to renew the 2021 Property Ancillary Services Framework Agreement to facilitate the continuous provision of such property ancillary services to BUCG and its associates for generating stable income stream to the Group, which could further promote the business growth of the Group. Based on the foregoing, on October 10, 2023, the Company entered into the 2024 Property Ancillary Services Framework Agreement with BUCG to renew the term for the three years ending December 31, 2026.

(ii) Principal terms

Service scope and term

Pursuant to the 2024 Property Ancillary Services Framework Agreement, the Group has agreed to provide property ancillary services to BUCG and its associates, including (a) catering services; and (b) heat energy supply services.

The 2024 Property Ancillary Services Framework Agreement is valid for three years from January 1, 2024 to December 31, 2026.

Pricing basis

The services fees to be charged by the Group under the 2024 Property Ancillary Services Framework Agreement will be determined after arm's length negotiations taking into account the following factors: (a) the scale of services provided to and the quality of the service requested by BUCG and its associates; (b) the expected operational costs (including labor costs, materials costs and administrative costs) in relation to the provision of the property ancillary services by the Group; (c) fees charged by the Group to at least three Independent Third Parties for comparable services; and (d) quotes of fees charged by at least three other Independent Third Party service providers for comparable services in the market.

In particular, the service fees charged by the Group for the provision of heat energy supply services shall be determined with reference to the unit price of energy fixed by the relevant local government, which is generally published on its official website.

Payment method

Payment for the services shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific business contracts to be entered into separately after arm's length negotiation between the Group and BUCG and its associates. The Group would normally issue monthly or quarterly payment notices to BUCG and its associates in respect of the services provided under the 2024 Property Ancillary Services Framework Agreement, and payment shall be made by BUCG and its associates to the Group by way of bank transfers within 60 days from the date of receipt of the payment notices. The terms of the payment method set out in the specific business contracts shall be determined with reference to the terms of payment method stipulated in no less than three agreements for similar services provided by the Group to the Independent Third Parties to ensure compliance with market practice.

In assessing whether the terms of the 2024 Property Ancillary Services Framework Agreement are fair and reasonable, we have selected on a random basis and obtained and reviewed 15 samples of property ancillary services contracts between the Group and BUCG and its associates and 20 samples of property ancillary services contracts between the Group and the Independent Third Parties entered into from 2021 to 2023. Based on our review, we noted that (a) for catering services, the Group has set a similar pricing basis to each project with BUCG and its associates and the Independent Third Parties which is generally charged with reference to the project schedule, nature, scale and quality of the services to be provided, the Group's costs expected to be incurred and competition from peer companies; (b) for heat energy supply services, the services fees paid by BUCG and its associates to the Group ranged between RMB30 per sq.m. to RMB45 per sq.m. while the service fees paid by the Independent Third Parties to the Group also ranged between RMB30 per sq.m. to RMB45 per sq.m., and (c) the payment term granted to BUCG and its associates and the Independent Third Parties are the same that both shall be settled monthly or quarterly basis for catering services and in a lump-sum basis per annum for heat energy supply services. Based on the above, we consider the terms, including the pricing basis and payment method, for transactions contemplated under the 2024 Property Ancillary Services Framework Agreement are equal to or no more favourable to BUCG and its associates than the terms for similar transactions between the Group and the Independent Third Parties. Taking into account (a) the similarity of services covered under the aforesaid sample contracts, all being catering services and heat energy supply services; (b) the sample contracts were entered into under the period of the 2021 Property Ancillary Services Framework Agreement; and (c) a total of 35 sample contracts were selected, obtained and reviewed, we are of the view that the aforesaid sample contracts we have reviewed are fair and representative.

In addition, we have compared the terms of the 2024 Property Ancillary Services Framework Agreement with those of the 2021 Property Ancillary Services Framework Agreement and noted that except for the term, other principal terms of the 2021 Property Ancillary Services Framework Agreement and the 2024 Property Ancillary Services Framework Agreement remain the same, including but not limited to the scope of services, pricing basis and payment terms. As such, we consider the terms of the 2024 Property Ancillary Services Framework Agreement, including the pricing basis and payment method, are on normal commercial terms which are fair and reasonable. Please refer to the section headed "4. Internal control policies of the Group" below for our analyses of further safeguards imposed by the Group.

(iii) Assessment of the proposed annual caps

Review of historical figures

Set out below are the historical annual caps and actual transaction amounts regarding the Group's provision of property ancillary services to BUCG and its associates under the 2021 Property Ancillary Services Framework Agreement for the periods indicated:

	For the year ended December 31, 2021 *RMB'000* *(audited)*	**For the year ended December 31, 2022** *RMB'000* *(audited)*	**For the six months ended June 30, 2023** *RMB'000* *(unaudited)*
Annual caps	27,600	42,667	58,748 (for the year ending December 31, 2023)
Actual transaction amounts	20,517	31,354	7,130
Utilisation rate	74.3%	73.5%	12.1%

As shown in the table above, the actual transaction amounts regarding the Group's provision of property ancillary services to BUCG and its associates under the 2021 Property Ancillary Services Framework Agreement amounted to approximately RMB20.5 million and RMB31.4 million for the two years ended December 31, 2022, respectively, representing approximately 74.3% and 73.5% of the total annual caps in 2021 and 2022, respectively. For 6M2023, the actual transaction amount regarding the Group's provision of property ancillary services to BUCG and its associates was approximately RMB7.1 million, representing approximately 12.1% of the total annual cap of approximately RMB58.7 million in 2023. As advised by the management of the Group, such low utilisation rate in 2023 was primarily attributable to the food and beverage services that were required in 2021 and 2022 under the COVID-19 prevention policies were no longer required in 2023 as such policies lifted.

Assessment of the proposed annual caps

Pursuant to the 2024 Property Ancillary Services Framework Agreement, it is proposed that the maximum annual service fees payable by BUCG and its associates for each of the three years ending December 31, 2026 will not exceed the annual caps set out below:

	For the year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Proposed annual caps	34,489	37,938	41,732

In assessing the reasonableness of the proposed annual caps of the Group's provision of property ancillary services to BUCG and its associates, we have discussed with the management of the Group the basis and assumptions underlying the projections. In determining the proposed annual caps for the three years ending December 31, 2026, the Directors have taken into account, among other things, (a) the historical transaction amounts for the two years ended December 31, 2022 and 6M2023, especially the actual transaction amounts for the year ended December 31, 2022 increased by 52.8% year-on-year; (b) the existing contracts for heat energy supply services provided by the Group to BUCG and its associates as of June 30, 2023, and the expected increase in the demand of BUCG and its associates for heat energy supply services along with their business expansion (in particular, benefiting from various favourable policies issued by the PRC government to support the real estate industry, BUCG and its associates are expected to gradually deliver more residential and commercial properties in the next three years) in the forthcoming years, taking into account, among other things, the estimated increase in the unit price of energy in the forthcoming years; and (c) the existing contracts for catering services provided by the Group to BUCG and its associates as of June 30, 2023, and the expected increase in the demand of BUCG and its associates for catering services on their construction sites in the forthcoming years as well as the expected increase in the relevant costs and market prices related to such services, which include the estimated increases in the labor costs (expected to reach annual growth of 3% to 5%) and materials costs when the Group provides catering services.

We have reviewed the annual report of BUCID (600266.SH) for the year ended December 31, 2021 and 2022, and noted that its number of real estate development and investment projects increased from 55 with an area under construction of approximately 6.5 million sq.m. as at December 31, 2021 to 57 with an area under construction of approximately 6.8 million sq.m. as at December 31, 2022. As such, we concur with the view of the Directors that there may be increase in the demand of BUCG and its associates for heat energy supply services for completed residential and commercial properties and for catering services on construction sites in the forthcoming years.

Based on our review of the expected transaction amounts regarding the Group's provision of property ancillary services to BUCG and its associates under the 2024 Property Ancillary Services Framework Agreement, the transaction amount for the year ending December 31, 2024 is expected to increase by approximately 10% from RMB31.4 million for the year ended December 31, 2022 and reach approximately RMB34.5 million. The transaction amounts are expected to further grow annually by approximately 10% for the years ended December 31, 2025 and 2026 and reach approximately RMB37.9 million and RMB41.7 million, respectively. Although the food and beverage services were not provided in 2023 as the COVID-19 prevention policies lifted, to cater for any sudden or unexpected requirement on food and beverage services, the Company considered it is prudent to reserve such buffer and estimated the annual cap based on the annual cap for the year ended December 31, 2022. As discussed above, BUCID's area under construction increased from approximately 6.5 million sq.m. as at December 31, 2021 to approximately 6.8 million sq.m. as at December 31, 2022. Since the increase in number of construction projects may lead to unexpected demand for temporary catering services on construction sites, we consider such buffer to be fair and reasonable.

Taking into account (a) the actual transaction amount of property ancillary services for the year ended December 31, 2022 increased by approximately 52.8% from that for the year ended December 31, 2021; (b) the Group may further derive additional revenue through the provision of supporting services such as catering and heating to BUCG and its associates; and (c) it is prudent to reserve buffer for sudden or unexpected requirement on food and beverage services, we consider the proposed annual caps of the Group's provision of property ancillary services to BUCG and its associates for the coming three years based the projected amount based on the annual cap for the year ended December 31, 2022 with a growth rate of approximately 10.0% per annum to be fair and reasonable.

3.6 2024 Engineering and Laboring Services Framework Agreement

(i) Background and reasons

As mentioned in the sub-section headed "2.3 2021 Engineering and Laboring Services Framework Agreement" above, the 2021 Engineering and Laboring Services Framework Agreement will expire on December 31, 2023.

As the Group expects to carry on the transactions contemplated thereunder upon its expiry and in order to regulate the continuous provision of engineering and laboring services by BUCG and its associates to the Group, the Directors consider it beneficial to renew the 2021 Engineering and Laboring Services Framework Agreement to facilitate the continuous provision of such engineering and laboring services by BUCG and its associates to enable the Group to obtain timely, stable and professional engineering and laboring services, which could further promote the business development of the Group. Based on the foregoing, on October 10, 2023, the Company entered into the 2024 Engineering and Laboring Services Framework Agreement with BUCG to renew the term for the three years ending December 31, 2026.

(ii) Principal terms

Service scope and term

Pursuant to the 2024 Engineering and Laboring Services Framework Agreement, BUCG and its associates have agreed to provide engineering and laboring services to the Group, which include (a) engineering design, construction and laboring services (such as installation and replacement of large-scale equipment or heavy machinery); and (b) the provision of equipment or machinery for the Group's use and operation (such as heat energy generation plants), etc.

The 2024 Engineering and Laboring Services Framework Agreement is valid for three years from January 1, 2024 to December 31, 2026.

Pricing basis

The services fees payable by the Group under the 2024 Engineering and Laboring Services Framework Agreement will be determined after arm's length negotiations taking into account the following factors: (a) the nature, region, scope and required quality of the services; (b) the expected operational costs (including labor costs, material costs and administrative costs) for the provision of engineering and laboring services; and (c) the fees charged or quoted by at least three Independent Third Parties under normal trading conditions in the area where services are provided under the specific agreements for similar or comparable services.

Payment method

Payment for the services shall be made in the manner of payment (including the payment condition, the payment term, the payment method, etc.) as set out in the specific business contracts to be entered into separately after arm's length negotiation between BUCG and its associates and the Group.

BUCG and its associates will normally issue monthly or quarterly payment notices to the Group in respect of, among other things, the laboring services provided under the 2024 Engineering and Laboring Services Framework Agreement, and payment shall be made by the Group to BUCG and its associates by way of bank transfers within 60 days from the date of receipt of the payment notices.

BUCG and its associates will normally require the Group to make payments by bank transfer in three installments according to the construction progress in respect of, among other things, the engineering renovation services provided under the 2024 Engineering and Laboring Services Framework Agreement, with 30% of the total consideration to be paid within 10 to 15 days after signing of the specific agreement, 65% of the total consideration to be paid upon completion and acceptance of the works, and the remaining 5% to be paid upon the expiry of the quality assurance period.

The terms of the payment method set out in the specific business contracts shall be determined with reference to the terms of payment method stipulated in no less than three agreements for similar services provided by BUCG and its associates to the Independent Third Parties to ensure compliance with market practice.

In assessing whether the terms of the 2024 Engineering and Laboring Services Framework Agreement are fair and reasonable, we have selected on a random basis and obtained and reviewed 16 samples of engineering and laboring services contracts between the Group and BUCG and its associates and 15 samples of engineering and laboring services contracts between the Group and the Independent Third Parties entered into from 2021 to 2023. Based on our review, we noted that (a) both BUCG and its associates and the Independent Third Parties have set a similar pricing basis to each project with the Group which is generally charged at a package price per project. Such package price is determined by taking into account a number of factors, such as the nature, quality and scope of the specific services to be provided, the costs expected to be incurred and the management fees; and (b) the payment term granted by both BUCG and its associates and the Independent Third Parties to the Group are the same that the Group shall pay monthly, quarterly or by project milestones as stipulated in the contracts depending on the complexity of the projects. Based on the above, we consider the terms, including the pricing basis and payment method, for transactions contemplated under the 2024 Engineering and Laboring Services Framework Agreement are equal to or no more favourable to BUCG and its associates than the terms for similar transactions between the Group and the Independent Third Parties. Taking into account (a) the similarity of services covered under the aforesaid sample contracts, all being engineering and laboring services; (b) the sample contracts were entered into under the period of the 2021 Engineering and Laboring Services Framework Agreement; and (c) a total of 31 sample contracts were selected, obtained and reviewed, we are of the view that the aforesaid sample contracts we have reviewed are fair and representative.

In addition, we have compared the terms of the 2024 Engineering and Laboring Services Framework Agreement with those of the 2021 Engineering and Laboring Services Framework Agreement and noted that except for the term, other principal terms of the Engineering and Laboring Services Framework Agreement and the 2024 Engineering and Laboring Services Framework Agreement remain the same, including but not limited to the scope of services, pricing basis and payment terms.

As such, we consider the terms of the 2024 Engineering and Laboring Services Framework Agreement, including the pricing basis and payment method, are on normal commercial terms which are fair and reasonable. Please refer to the section headed "4. Internal control policies of the Group" below for our analyses of further safeguards imposed by the Group.

(iii) Assessment of the proposed annual caps

Review of historical figures

Set out below are the historical annual caps and actual transaction amounts regarding the provision of engineering and laboring services by BUCG and its associates to the Group under the 2021 Engineering and Laboring Services Framework Agreement for the periods indicated:

	For the year ended December 31, 2021 *RMB'000* *(audited)*	**For the year ended December 31, 2022** *RMB'000* *(audited)*	**For the six months ended June 30, 2023** *RMB'000* *(unaudited)*
Annual caps	48,278	53,106	56,416 (for the year ending December 31, 2023)
Actual transaction amounts	45,236	52,957	13,712
Utilisation rate	93.7%	99.7%	24.3%

As shown in the table above, the actual transaction amounts regarding the provision of engineering and laboring services by BUCG and its associates to the Group under the 2021 Engineering and Laboring Services Framework Agreement amounted to approximately RMB45.2 million and RMB53.0 million for the two years ended December 31, 2022, respectively, representing approximately 93.7% and 99.7% of the total annual caps in 2021 and 2022, respectively. For 6M2023, the actual transaction amount regarding the provision of engineering and laboring services by BUCG and its associates to the Group was approximately RMB13.7 million, representing approximately 24.3% of the total annual cap of approximately RMB56.4 million in 2023. As advised by the management of the Group, such low utilisation rate in 2023 was primarily attributable to that the Group's demand for engineering and laboring services was mainly happened in the second half of 2023 and timing of the contract sum payment for the signed contracts in respect of engineering and laboring services was also mainly in the second half of 2023.

Assessment of the proposed annual caps

Pursuant to the 2024 Engineering and Laboring Services Framework Agreement, it is proposed that the maximum annual service fees payable by the Group for each of the three years ending December 31, 2026 will not exceed the annual caps set out below:

	For the year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Proposed annual caps	55,000	57,750	60,638

In assessing the reasonableness of the proposed annual caps of the provision of engineering and laboring services by BUCG and its associates to the Group, we have discussed with the management of the Group the basis and assumptions underlying the projections. In determining the proposed annual caps for the three years ending December 31, 2026, the Directors have taken into account, among other things, (a) the historical transaction amounts paid by the Group and, in particular, the annual cap utilisation rates for the two years ended December 31, 2022 reached approximately 93.7% and 99.7%, respectively, and the average historical annual growth rate of engineering and laboring service fees paid by the Group to BUCG and its associates from 2020 to 2022 was approximately 9.8%; (b) the number of projects under the management of the Group in the first half of 2023 increased by 16.7% year-on-year, and the area under the management of the Group increased by 13.5% year-on-year. Therefore, the expected increase in the demand for construction and laboring services in respect of engineering renovation and repairs and maintenance of property projects which are managed by the Group and the engineering design of which is provided by BUCG and its associates; and (c) the expected increase in the operational costs (particularly labor costs expected to reach annual growth of 3% to 5%) incurred by BUCG and its associates.

We have been provided with the projection of the estimated engineering and laboring services fees payable the Group which was prepared by the management of the Group for the purpose of determining the proposed annual caps for the three years ending December 31, 2026 under the 2024 Engineering and Laboring Services Framework Agreement. Based on our review and discussion with the management of the Group, such estimated engineering and laboring services fees payable the Group are determined after discussion with BUCG and its associates, having taken into account the Group's continual need for engineering and laboring services on certain properties and the expected increase in the demand arising from the increase in the number of projects under management by the Group, in particular, the Group's plan to lease the Property A and the Property B to develop new businesses and expand its project portfolio.

With reference to the Prospectus, the historical amount of the engineering and laboring services fees paid by the Group to BUCG and its associates has increased from approximately RMB43.9 million for the year ended December 31, 2020 to approximately 53.0 million for the year ended December 31, 2022, representing a CAGR of approximately 9.8% from 2020 to 2022. The annual cap of the provision of engineering and laboring services by BUCG and its associates to the Group is then projected to increase from approximately RMB55.0 million for the year ending December 31, 2024 to approximately RMB60.6 million for the year ending December 31, 2026, representing a CAGR of approximately 5.0% from 2024 to 2026, which is lower than the historical annual growth rate from 2020 to 2022. In addition, as discussed in the sub-section headed "2.3 2021 Engineering and Laboring Services Framework Agreement – (iii) Assessment of the revised annual cap", as the Group will carry out a series of construction modifications and maintenance on multiple property management service projects undertaken by the Group at the end of 2023, the annual cap of the engineering and laboring services fees payable by the Group is estimated to grow to approximately RMB62.3 million for the year ending December 31, 2023, which, based on our analysis, is considered to be fair and reasonable. As such, the proposed annual caps for the three years ending December 31, 2026 are determined within the range of the historical transaction amounts for the three years ended December 31, 2022 and the revised annual cap for the year ending December 31, 2023 based on the existing contracts between the Group and BUCG and its associates that are currently effective, which reflected the Group's actual demand for the engineering and laboring services in recent years.

Furthermore, according to National Bureau of Statistics of the PRC, the per capita disposable income of residents nationwide has increased from RMB28,228 in 2018 to RMB36,883 in 2022, representing a CAGR of approximately 6.9% during the period. It is expected that the wage level in the PRC would continue to increase. As such, the operational costs incurred by the Group as well as the expected service fees to be charged by the Group are projected to increase in the coming years.

Taking into account that (a) the historical average growth rate of the engineering and laboring services fees paid by the Group to BUCG and its associates of approximately 9.8% per annum from 2020 to 2022; (b) the proposed annual caps for the three years ending December 31, 2026 are determined close to the Group's actual demand for the engineering and laboring services in recent years; (c) the expected increase in the number of projects under management by the Group, especially the Property A and the Property B; (d) the flexibility required by the Group to enter into contracts for the engineering and laboring services from time to time; and (e) the CAGR of the per capita disposable income of residents nationwide from 2018 to 2022, we consider the projected growth rate of approximately 5.0% per annum and thus the proposed annual caps for the coming three years to be fair and reasonable.

3.7 Carpark Space Leasing and Sales Services Framework Agreement

(i) Background and reasons

As disclosed in the Letter from the Board, on October 10, 2023, the Company and BUCG entered into the Carpark Space Leasing and Sales Services Framework Agreement, pursuant to which the Group has agreed to provide assistance services for BUCG and its associates in its sale and/or leasing of carpark spaces by adopting the leasing and sales at the base price model and/or the acquisition of rights-of-use model. The Group has provided commercial operational services and value-added services to BUCG and its associates under the 2021 BUCG Commercial Operational Services and Value-Added Services Framework Agreement, which include, among other things, car park operation and management services. Given the increasing daily community and living needs of property owners and occupants, the Group has been striving to become a leading diversified property management service provider in the PRC. As advised by the management of the Group, it has been the strategy of the Group to further develop and expand new business models under the commercial operational services and value-added services segment which covers carpark space operation and management. In this context, we concur with Directors that the entering into of the Carpark Space Leasing and Sales Services Framework Agreement is in line with the business strategy of the Group to promote its ongoing development and business growth.

Pursuant to the rights provided to the Group under the Carpark Space Leasing and Sales Services Framework Agreement, the Group can provide the required services to the relevant buyers during the sale and purchase of the Target Carpark Spaces and charge the service fees which are determined at the absolute discretion of the Group, thereby broadening the income base of the Group and bringing valuable returns for the Shareholders. In addition, the Group can leverage on the market information, including but not limited to the demand of property owners and occupants towards carpark spaces, obtained from the Group's daily work for the management on the relevant properties and community resources to sell the carpark spaces.

Taking into account (a) the entering into of the Carpark Space Leasing and Sales Services Framework Agreement is in line with the business strategies of the Group and serve to complement the existing principal businesses of the Group; and (b) the financial benefits brought along by rights provided to the Group under the Carpark Space Leasing and Sales Services Framework Agreement, in particular the broadening of the income base of the Group, we are of the view that the Carpark Space Leasing and Sales Services Framework Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(ii) Principal terms

Service scope and term

Pursuant to the Carpark Space Leasing and Sales Services Framework Agreement, the Group has agreed to provide assistance services for BUCG and its associates in its sale and/or leasing of carpark spaces by adopting the leasing and sales at the base price model and/or the acquisition of rights-of-use model. The Group will enter into specific contracts (the "**Specific Contracts**") with BUCG and its associates to specify the agreed cooperation of both parties on specific projects and the number of carpark spaces involved (the "**Target Carpark Spaces**").

The Carpark Space Leasing and Sales Services Framework Agreement is valid for three years from the date when the Carpark Space Leasing and Sales Services Framework Agreement is considered and approved at the EGM.

Model I: leasing and sales at the base price model

BUCG and its associates have agreed to entrust the Group to assist them for the sale and/or leasing of the Target Carpark Spaces involved in the Specific Contracts (the "**Exclusive Leasing and Sales Rights**"). During the agreement period of the Specific Contracts, BUCG and its associates shall not entrust the Target Carpark Spaces to other third parties for leasing or sales. The agreement period for a Specific Contract under the leasing and sales at the base price model is expected to be normally three years. The Exclusive Leasing and Sales Rights are the sole and exclusive rights entitled to the Group, and any sale, transfer, grant, pledge or any other disposal of any of the Target Carpark Spaces by BUCG and its associates to a third party shall be subject to agreement with the Group.

(1) Pricing policy and settlement

The Group shall negotiate with BUCG and its associates to set the base price of the Target Carpark Spaces, which in principle shall not exceed 80% of the agreed sales/leasing price (the "**Agreed Price**") negotiated between the two parties (the "**Cooperation Rights on Leasing and Sales at Base Price**"), and such transactions shall be conducted on normal commercial terms. The setting of the base price at a discount of 20% or more to the Agreed Price was arrived at after making reference to transactions of similar nature carried out by other listed companies and companies in the same industry in the market, as well as through commercial negotiation between the Group and BUCG and its associates, which is in line with market practice. On this basis, assuming that the Target Carpark Spaces are sold at the Agreed Price, which is expected to generate at least 20% of the corresponding selling price as the exclusive leasing and sales service fee receivable by the Group, the Group will be able to benefit from the stable income generated under the model and enhance the overall profitability, which will result in potentially substantial returns to the Shareholders. The Agreed Price shall be determined with reference to the appraised value of the Target Carpark Spaces after the appraisal of the sales/leasing price of the Target Carpark Spaces by an independent appraiser engaged by the two parties.

In determining the service fees, the Group will also estimate the costs of such services, taking into account factors such as labour costs, marketing expenses and difficulties of the leasing and sales agency. In determining the base price for sales or leasing, the discount of the base price compared to the Agreed Price will be determined by taking into account factors such as occupancy rate, parking spaces ratio, stage of sales and quality of parking spaces of the project. Those projects which are (a) within the proximity of the specific project; and (b) of similar type targeting at similar customer group will be selected as comparable projects when determining the Agreed Price. The Group will make reference to not less than two comparable projects to determine the Agreed Price of specific projects. The similarity in the stages of selling cycle and the average sales/leasing prices of these comparable projects over the past 12 months would also be taken into account, and adjustment may be made considering the most recent market trends and economic development.

In respect of the carpark space sales service, BUCG and its associates shall transfer the Target Carpark Spaces to any third party purchaser designated by itself at the Agreed Price at the request of the Group, and the excess of the Agreed Price exceeding the base price of the carpark space sales shall be attributed to the Group as the service fee. In respect of the carpark space leasing services, BUCG and its associates shall lease the Target Carpark Spaces to any third party lessee designated by itself at the Agreed Price at the request of the Group, and the excess over the base price of the carpark space leasing shall be attributed to the Group as the service fee.

BUCG and its associates shall pay service fees to the Group for the aforesaid services for the leasing and sales of carpark spaces. The relevant carpark spaces purchaser/lessee shall only sign the carpark space purchase/leasing agreement with BUCG and its associates and make payment for the purchase/leasing to the designated account of BUCG and its associates, and the price of the purchase/leasing agreement shall include the base price and the service fees attributable to the Group; upon receipt of the agreed payment from the relevant carpark space purchaser/lessee by BUCG and its associates, the excess of the agreed payment over the base price will be settled to the Group as the service fee on a monthly or quarterly basis, and the service fee for the previous month or quarter (as the case may be) will be settled by the 15th day of the following month or quarter.

(2) Refundable deposits

The Group is required to pay to BUCG and its associates the deposits not exceeding the aggregate of the relevant value under the Specific Contracts (base price * number of the Target Carpark Spaces to be leased or sold) for acquiring the Exclusive Leasing and Sales Rights of the carpark spaces and the Cooperation Rights on Leasing and Sales at Base Price. The deposits are payable in one lump sum or by installments upon signing of the Specific Contracts. The payment of the deposits in one lump sum or by installments is determined after arm's length negotiations between the parties based on the circumstances of the specific project. The deposit will normally be paid in one lump sum if the aggregate value of the carpark spaces of a specific project is comparatively small and the sales cycle is short, or by installments according to the projected sales timetable if the aggregate value of the carpark spaces is comparatively large and the sales cycle is long. The deposits will not bear interest and will not be secured by any collateral. Given (a) the Group will bear the loss of interest when the sales cycle is long; and (b) the recoverability of the deposits decreases as the sales cycle is longer, we consider the payment of the deposits in one lump sum only when the aggregate value of the carpark spaces is small and the sales cycle is short to be fair and reasonable.

In respect of the return of deposits, the parties agreed that:

(a) During the agreement period of the Carpark Space Leasing and Sales Services Framework Agreement, the Group may replace the unleased/unsold carpark spaces with those of equivalent value, and BUCG and its associates, pursuant to the express written request of the Group, are required to return the existing deposits to the Group before June 30 and December 31 of each year. In addition, the Group will assess the business operation and clarify whether to make adjustments or not (the main considerations include the overall sales status of the Target Carpark Spaces for a specific project, the occupancy status of owners, the likelihood of achieving the remaining sales target of carpark spaces, the prevailing property market conditions, and the prevailing market price of the Target Carpark Spaces), and pay the corresponding deposits to BUCG and its associates based on the post-assessment results;

(b) If the Group leases and sells all the Target Carpark Spaces in advance or the Specific Contract for the Target Carpark Spaces expires and is not renewed, BUCG and its associates shall return the corresponding deposits to the Group within 60 days after the leasing and sales are completed or the Specific Contract for the Target Carpark Spaces expires;

(c) Within 60 days from the cancellation or termination of the Carpark Space Leasing and Sales Services Framework Agreement for any reason, BUCG and its associates shall recover the Exclusive Leasing and Sales Rights and the Cooperation Rights on Leasing and Sales at Base Price of all unleased/unsold carpark spaces, and shall return the corresponding deposits; and

(d) The return of the deposits mentioned in (a), (b) and (c) above shall be made no later than June 30 and December 31 of the current year; or if June 30 and December 31 of the current year are rest days for banking services, the deposits shall be returned earlier to the nearest banking service day.

Meanwhile, to safeguard the interests of the Group, the Group will adopt the following internal control procedures to ensure the recoverability of the refundable deposits placed with BUCG and its associates:

(a) The Company's financial management department closely monitors the sales proceeds of carpark spaces received by BUCG and its associates on a monthly basis and measures the balance of refundable deposits paid in a timely manner;

(b) The relevant staff of the Company's quality management department will closely monitor the overall sales status of the Target Carpark Spaces and the occupancy status of the owners of specific projects on a monthly basis and assess the likelihood of achieving the remaining sales target of the carpark spaces throughout the year in order to monitor the risk of recovering the refundable deposits;

(c) In the event that the sales of carpark spaces in individual projects fail to meet expectations (i.e., when the recovery of the refundable deposits is at risk), the Group will communicate with the management of BUCG and its associates as a whole and negotiate for the delivery of carpark spaces with higher quality in other projects as a replacement; and

(d) The relevant staff of the Group's financial management department will obtain financial updates regularly from BUCG to assess (i) the latest financial position of BUCG and its associates; (ii) the liquidity risk and net asset value; and (iii) the risk of default and repayment ability; and assess the liquidity risk and the default risk by monitoring the publicly available information in the market from time to time, including media news reports, etc. If any material adverse event relating to the financial position of BUCG comes to their knowledge, they will report it to the Board and the management of the Company in a timely manner and minimize the credit risk associated with the refundable deposits.

To assess the credit risk of the Company in respect of the deposit arrangement, we have obtained and reviewed the latest annual report of BUCG for the year ended December 31, 2022 and the interim report for the six months ended June 30, 2023. Based on the annual report, BUCG generated revenue and profit attributable to owners of approximately RMB148.1 billion and RMB2.2 billion, respectively. As at June 30, 2023, BUCG had total assets, net assets and cash of approximately RMB360.1 billion, RMB79.4 billion and RMB54.6 billion, respectively. Based on the strong financial results and healthy position of BUCG, we consider the credit risk of the Company in respect of the deposit arrangement to be acceptable. Given the Group will closely monitor the sales of carpark spaces, the balance of refundable deposits and the financial position of BUCG and its associates, we consider the Group's credit risk assessment is sufficient and appropriate.

Given the base price of the Target Carpark Spaces, which in principle shall not exceed 80% of the Agreed Price, the service fee, which is the excess of the Agreed Price exceeding the base price of the carpark space sales, in turn is not be less than 20% of the Agreed Price. To access (a) the service fee; and (b) the refundable deposits under the Model I, we have independently searched and reviewed comparable agreements in relation to the provision of carpark space leasing and sales services entered into by other property management companies in the PRC (the "**Comparable Agreements**"), which (a) are in relation to the same services and include the terms of agreed sales/leasing price and the arrangement of refundable deposits; (b) were entered into within the last three years so that the Comparable Agreements are still in effective as at the Latest Practicable Date; (c) and were entered into by other property management companies in the PRC which are listed in Hong Kong. Although the Comparable Agreements represent a non-exhaustive list, given (a) the selection criteria mentioned above; and (b) the Comparable Agreements sets out the recent market practice adopted by other property management companies in respect of provision of carpark space leasing and sales services, we consider the Comparable Arrangements are fair, appropriate and representative for the assessment of the terms of the Carpark Space Leasing and Sales Services Framework Agreement under Model I. The principal terms of the Comparable Agreements are set out below:

Company	Agreement	Nature of services provided	Service fee	Refundable deposit	Source
Jinmao Services Co., Limited (816.HK)	Property Agency Services Framework Agreement	Property agency services for car parking spaces	the difference 15% to 50% as a percentage of the estimated sales price of the relevant car park spaces	up to the total minimum sales price of the car park spaces	Prospectus dated 25 February 2022
Xinyuan Property Management Service (Cayman) Ltd. (1895.HK)	Car parking space exclusive sales cooperation agreement	Co-sales value-added services for car parking spaces	not less than 39% of the valuation of car parking spaces	100% of the car parking reserve prices, representing approximately 61% of the valuation of car parking spaces	Circular dated 17 May 2022
Poly Property Services Co., Ltd. (6049.HK)	Parking space leasing and sales agency services framework agreement	Exclusive parking spaces sales and leasing agency services for car parking spaces	at least 20% of the agreed price	not exceeding 50% of the base price, which shall not exceed 80% of the agreed price	Circular dated 26 August 2021

Company	Agreement	Nature of services provided	Service fee	Refundable deposit	Source
Landsea Green Life Service Company Limited (1965.HK)	Exclusive sales agency agreements	Property agency services for car parking spaces and commercial properties	not less than 20% of the estimated sales prices	equal to the pre-determined minimum prices, which are set at a discount of not less than 20% of the estimated sales price	Circular dated 15 December 2021
Sino-Ocean Service Holding Limited (6677.HK)	Exclusive parking space sales agency services framework agreement	Exclusive sales agency services for parking spaces	at least 20% of the respective selling price	not exceed 50% of the base price, which shall not exceed 80% of the average price of comparable parking spaces	Circular dated 13 January 2023
The Company			not less than 20% of the Agreed Price	not exceed the base price, which shall not exceed 80% of the Agreed Price	

Given (a) the service fee of the Comparable Agreements ranged from 15% to 50% of the agreed price of the relevant car park spaces and a service fee rate of 20% is widely adopted by the Comparable Agreements; (b) the refundable deposits of the Comparable Agreements ranged from 50% to 100% of the base price of the relevant car park spaces and four of five Comparable Agreements adopted a refundable deposits up to or equal to 100% of the base price, we consider the service fee of not less than 20% of the Agreed Price and the refundable deposits not exceeding the base price to be fair and reasonable.

Model II: acquisition of rights-of-use model

BUCG and its associates agreed to transfer the rights-of-use in the Target Carpark Spaces to the Group. After transfer of the rights-of-use in the Target Carpark Spaces, the scope of the rights-of-use entitled to the Group includes self-use of the Target Carpark Spaces, leasing to the public, and assisting BUCG and its associates in the sale of the carpark spaces. In respect of assisting BUCG and its associates for the sales of the carpark spaces, BUCG and its associates have legally authorised the Group to sell the Target Carpark Spaces to the purchaser and enter into the contract for sale and purchase of the carpark spaces with the purchaser in the name of BUCG and its associates, and to handle the procedures to transfer property rights of the Target Carpark Spaces. The proceeds from the sale of the carpark spaces will be remitted by the purchaser directly to the designated account of BUCG and its associates or the Group.

(1) Pricing policy and settlement

The parties shall engage an independent appraiser to conduct an appraisal of the value of the rights-of-use in the Target Carpark Spaces, negotiate to determine the price for the transfer of the rights-of-use in the Target Carpark Spaces, and enter into the relevant transaction on normal commercial terms.

In addition, the Group shall prepare an internal sale plan and projection for Target Carpark Spaces under Specific Contracts with an estimated payback period of no more than five years. Feasibility study will include, among other things, (a) analysis of the demand for the underlying carpark spaces; (b) the payback period and expected return of the investment; and (c) the price of other carpark spaces of at least two development projects (if any) surrounding the underlying carpark spaces, taking into account factors such as the total number, nature, targeted purchasers, environment, local facilities, etc. of the carpark spaces. The two development projects are generally selected from real estate development projects in the same city in which the target project is located that have a similar positioning of residential projects, number and condition of carpark spaces, surrounding commercial prosperity, traffic conditions, and per capita income of the occupants. In any event, the transfer price of the rights-of-use (i.e. the consideration) shall be no less favourable to the Group than that available from the Independent Third Party sellers for similar transactions. The transfer price of the rights-of-use will be funded by internal resources of the Group.

Depending on the agreement of the Specific Contracts, the transfer price of the rights-of-use in the carpark spaces may be paid in one lump sum or by installments. The payment of the price for the transfer of the rights-of-use in the carpark spaces in one lump sum or by installments is determined after arm's length negotiations between the parties based on the circumstances of the specific project. The price for the transfer of the rights-of-use in the carpark spaces will normally be paid in one lump sum if the aggregate value of the carpark spaces of a specific project is small, or by installments according to the expected plan for sales and leasing if the aggregate value of the carpark spaces is large or the projected payback period is comparatively long. Given the risk increases as the aggregate value of the carpark spaces is larger and the projected payback period is longer, we consider the payment of the transfer price in one lump sum only when the aggregate value of the carpark spaces is small and the projected payback period is short to be fair and reasonable.

The parties may agree to reconcile and calculate the sales of specific Target Carpark Spaces on a monthly or quarterly basis (depending on the Specific Contract) and settle the service fee. The proceeds from the sale of the carpark spaces remitted by the purchaser to the designated account of BUCG and its associates can be used to offset the transfer price of the rights-of-use in the carpark spaces. After accounting, if the cumulative sales proceeds generated from the sales of the Target Carpark Spaces exceeds the transfer price of the rights-of-use in the Target Carpark

Spaces in the Specific Contract, the excess will be attributed to the Group as the service fee. Therefore, under the acquisition of rights-of-use model, the actual service fees received by the Group represent the difference between the proceeds from selling the Target Carpark Spaces under Specific Contracts and the price for the transfer of the rights-of-use. The Group will primarily rely on the internal sale plan and projection prepared by the Group as described above to estimate the costs of providing services, in full consideration of factors such as labor costs, marketing expenses and sales difficulty, and make prudent estimates of the service fees (i.e. difference between the proceeds from selling the spaces and the price for the transfer of the rights-of-use). Additionally, as the scope of the rights-of-use in the carpark spaces entitled to the Group under this model includes leasing unsold carpark spaces to the public, and the proceeds from external leasing belongs to the Group, it can increase the Group's income. Therefore, the Group expects a reasonable profit margin under this model.

(2) Term of transfer of the right-of-use

The transfer period of the rights-of-use shall be from the date signing of the Specific Contract to the date of expiry of the term of the land use right in relation to the Target Carpark Spaces, or such other date as may be agreed between the parties (such other date shall not be later than the date of expiry of the term of the relevant land use right). Therefore, the agreement period of the Specific Contracts under the acquisition of rights-of-use model (i.e. consistent with the transfer period of the rights-of-use) is expected to be normally 50 to 70 years. If the Group has assisted BUCG and its associates to sell the carpark space to a purchaser, the Group's rights-of-use in the carpark space shall terminate. Upon expiry of the term for transfer of the rights-of-use in the carpark space, the Group shall transfer the leasing and other operation and management rights of the unsold Target Carpark Spaces to BUCG and its associates and vacate the same (except in the case that the two parties have reached a new agreement on the rights-of-use in the target parking space). During the transfer period, in the event that there is any change in the government's laws, regulations and management policies on carpark spaces, and such change will cause impairment or loss of the rights-of-use in the carpark spaces purchased by the Group, BUCG and its associates shall compensate the Group for the aforesaid losses suffered by the Group.

In assessing the transfer period of the rights-of-use in the Target Carpark Spaces, we independent searched and reviewed the comparable transactions (the "**Comparable Transactions**"), which (a) were in relation to the acquisition/transfer of rights-of-use of car parking spaces; (b) were conducted and announced during the period from January 1, 2021 to October 10, 2023, being the approximate three years before the date of the Carpark Space Leasing and Sales Services Framework Agreement, so that the Comparable Transactions could reflect the recent market practice for transactions of this type; (c) and were conducted by other property management companies in the PRC which are listed in Hong Kong. Taking into account (a) the Comparable Transactions represent an exhaustive list; (b) the selection criteria mentioned above; and (b) the Comparable Transactions set out the recent market practice adopted by other property management companies in respect of acquisition/transfer of rights-of-use of car parking spaces, we consider that the Comparable Transactions are fair, appropriate and representative for the assessment of the terms of the Carpark Space Leasing and Sales Services Framework Agreement under Model II. The principal terms of the Transactions are set out below:

Company name (stock code)	**Term of right to use the car parking spaces acquired**	**Source**
Redsun Services Group Limited (1971.HK)	Until the expiry of the land use right (65 years to 70 years)	Announcement dated December 13, 2021
China Overseas Property Holdings Limited (2669.HK)	Until the land use right(s) of the relevant project(s) at which the car parking spaces are located expire	Circular dated October 12, 2022
Binjiang Service Group Co. Limited (3316.HK)	Until the expiry of the land use rights of the relevant projects (65 years to 67 years)	Announcement dated September 23, 2022
Yuexiu Services Group Limited (6626.HK)	Until the relevant land use right expires (50 years)	Announcement dated December 30, 2022
The Company	Until the date of expiry of the term of the land use right in relation to the Target Carpark Spaces (normally 50 to 70 years)	

Given that the term of right to use the car parking spaces of the Comparable Transactions were all until the expiry of the land use right, which ranged from 50 years to 70 years, we consider it is normal business practice to transfer of rights-of-use until the date of expiry of the term of the land use right.

If the Group could not sell out the Target Carpark Spaces or could only sell them at a price lower than the transfer price of the Target Carpark Spaces, the Group will not receive any service fee from BUCG and its associates. However, the Group could lease the unsold Target Carpark Spaces to the public, and the proceeds from the external leasing belong to the Group. For the Comparable Transactions, the property management companies could only make a profit from the acquisition if they could sell the carpark spaces at a price higher than their acquisition consideration or by collecting rent continually. Therefore, we consider that the service fee to be received by the Group under Model II is not less favourable than the potential profit of the Comparable Transaction.

Taking into account (a) the price for the transfer of the rights-of-use in the Target Carpark Spaces will be determined based on the valuation conducted by independent appraiser, which shall be no less favourable to the Group than that available from the Independent Third Party sellers for similar transactions and is similar to the base price under Model I; (b) the excess of the cumulative sales proceeds exceeding the transfer price of the rights-of-use will be attributed to the Group as the service fee, which will be settled be on a monthly or quarterly basis; and (c) the Group could lease unsold carpark spaces to the public, and the proceeds from the external leasing belong to the Group, which can increase the Group's income, we consider the pricing terms under Model II to be fair and reasonable.

(iii) Assessment of the proposed annual caps

Pursuant to the Carpark Space Leasing and Sales Services Framework Agreement, it is proposed that the annual caps for the period from the effective date to December 31, 2023, for the two years ending December 31, 2025 and for the period from January 1, 2026 to the termination date are as follows:

	From the effective date of the Carpark Space Leasing and Sales Services Framework Agreement to December 31, 2023	**For the year ending December 31, 2024**	**For the year ending December 31, 2025**	**From January 1, 2026 to the termination date of the Carpark Space Leasing and Sales Services Framework Agreement** *(Note)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Model I: leasing and sales at the base price				
– Deposits (the maximum balance of the deposits to be paid by the Group to BUCG and its associates at any point in time during the relevant period)	26,360	59,765	67,325	67,920
– Service fee	–	18,640	34,640	25,600
Model II: acquisition of rights-of-use				
– Transfer price of the rights-of-use the carpark spaces	126,169	20,000	20,000	20,000
– Service fee	23,456	31,366	12,298	9,932

Note: The Carpark Space Leasing and Sales Services Framework Agreement will expire three years after the date on which the Carpark Space Leasing and Sales Services Framework Agreement is considered and approved at the EGM.

In assessing the reasonableness of the proposed annual caps under the Carpark Space Leasing and Sales Services Framework Agreement, we have discussed with the management of the Group the basis and assumptions underlying the projections. In determining the proposed annual caps for the three years from the effective Carpark Space Leasing and Sales Services Framework Agreement, the Directors have taken into account, among other things, (a) the number and overall situation (including the historical sales of carpark spaces of the relevant projects and the comparable average price ranges in the immediate vicinity) of the carpark space sales/leasing projects (the "**Potential Projects**") which are under discussion with BUCG and its associates and currently known to the Group. In particular, the Group expects to adopt the model of leasing and sales at the base price in respect of the carpark space sales projects of three communities (with a total of 299 carpark spaces) developed by BUCG and its associates, and the model of acquisition of rights-of-use in respect of the carpark space sales projects of two communities (with a total of 1,138 carpark spaces) developed by BUCG and its associates, by the end of 2023; (b) the Group's resources available for allocation to the business, its ability to meet service demands and its steady and sustained business development strategies; (c) the base price standard determined by the Group and BUCG and its associates (i.e. in principle, the base price shall not exceed 80% of the Agreed Price negotiated by both parties) and the standard for determining the deposits and the terms of payment and refund in the model of leasing and sales at the base price under the Carpark Space Leasing and Sales Services Framework Agreement; (d) the general commercial standard of the transfer price of the rights-of-use in the carpark space determined by the Group and BUCG and its associates in the model of acquisition of rights-of-use under the Carpark Space Leasing and Sales Services Framework Agreement; and (e) the internal sales plans and projection prepared by the Group in respect of Potential Projects.

In respect of the carparks under Model I, we have obtained and reviewed the valuation reports of the 299 carparks proposed to be entrusted in 2023 as prepared by an independent valuer, and we noted that the valuation of such carparks amount to approximately RMB54.1 million. Based on the valuation and the policies in respect of deposits under Model I, the amount of deposits to be paid shall not be more than RMB43.3 million. The annual cap of RMB26.36 million is hence within the maximum amount payable for the 299 carparks. In respect of the carparks to be entrusted in 2024 to 2026, as the valuation would only be carried out prior to the lease, the valuation of these carparks are not available. In this respect, we have obtained and reviewed the property ownership certificate of the carparks to be entrusted in 2024 and we noted BUCG and its associates owned 574 carparks under the certificates, which exceeds the amount of carparks proposed to be entrusted to the Group of 393 in 2024. As for 2025 and 2026, since the relevant communities were still under development, we have obtained and reviewed the property area measurement technical report of the relevant property and we noted that the property is intended to build a total of 849 carparks, which equals to the total number of carparks proposed to be entrusted in 2025 and 2026. Based on our review of the abovementioned documents, we noted that BUCG and its associates' number of carparks expected to be available to sell in 2024 to 2026 exceeds the Group's estimation of the number of carparks to be sold by the Group in determining the deposit annual caps under Model I. In respect of the price of the carparks, we have obtained the calculation of the deposits and noted that the price was determined with reference to the carparks to be entrusted in 2023. As advised by the management of the Group, the price was accordingly determined due to the similarities of the communities where the carparks are located. Based on the review of the above documents, we consider the deposit annual caps under Model I to be fair and reasonable.

In respect of the service fee payable under Model I, we have obtained and reviewed the calculation of the service fees and the proposed sales plan of the Group. The details are set out below:

	For the year ending December 31, 2024	For the year ending December 31, 2025	From January 1, 2026 to the termination date of the Carpark Space Leasing and Sales Services Framework Agreement
Number of carparks to be sold	250	378	364
Average service fee per carpark (RMB'000)	74.56	91.64	70.33
Service fee under Model I (RMB'000)	18,640	34,640	25,600

In particular, we noted that the total number of carparks to be sold fell short of the number of residents in the respective communities, and the Company has estimated sales plan and targets on the sales of carparks. Based on the management's estimation, it is expected that the majority of the carparks entrusted in 2023 would be sold in 2024 and the remaining would be sold in 2025, both under the valuation price of the carparks. The management of the Group expects the carparks to be entrusted in 2024 to 2026 would be sold in similar sales pattern. The service fee per carpark is determined based on the base price and the estimated selling price of the carparks, taking into account the selling price of the carparks in the nearby communities. Based on the above, we consider the service fee annual caps under Model I to be fair and reasonable.

In respect of the carparks under Model II, we have obtained and reviewed the valuation reports of the 1,127 carparks proposed to be transferred in 2023 as prepared by an independent valuer, and we noted that the valuation of such carparks amounted to approximately RMB151.1 million. As advised by the management of the Group, 11 carparks would not be sold due to their deficiencies, such as limited space for driver to open the door or the garage fan and fire ducts were too lowly built, such that the height is not sufficient for car parking. Hence, 11 carparks were excluded from the valuation. The annual cap of RMB126.2 million is hence within the maximum amount transferrable for the 1,127 carparks. In respect of the carparks to be transferred in 2024 to 2026, we have discussed with the management of the Group and were advised that the number of carparks proposed to be transferred were estimated with reference to the total number of carparks available for sales based on the building plans of those communities and the preliminary discussion with BUCG and its associates. In this relation, we have obtained and reviewed the relevant building plans and property ownership certificates which illustrated the number of carparks in the property, and noted that the number of carparks on the plan exceeds the number of carparks proposed to be transferred to the Group in each of 2024 to 2026. In respect of the price of the carparks, we were advised by the management of the Group that the transfer price was determined with reference to the carparks to be transferred in 2023 due to the similarities of the communities where the carparks are located. Based on the review of the above documents, we consider the deposit annual caps under Model II to be fair and reasonable.

In respect of the service fee payable under Model II, we have obtained and reviewed the calculation of the service fees, the sales feasibility report containing the proposed sales plan of the Group. The details of which are set out below:

	From the effective date of the Carpark Space Leasing and Sales Services Framework Agreement to December 31, 2023	For the year ending December 31, 2024	For the year ending December 31, 2025	From January 1, 2026 to the termination date of the Carpark Space Leasing and Sales Services Framework Agreement
Number of carparks to be sold	202	321	219	241
Average service fee per carpark (RMB'000)	116.12	97.71	56.16	41.21
Service fee under Model II (RMB'000)	23,456	31,366	12,298	9,932

We noted from the feasibility report prepared by an independent valuer that in the communities where the carparks are proposed to be transferred in 2023, the communities are either has the total number of carparks fell short of the number of vehicles held by the residents, or there is no free parking spaces around the community. Given the potential demand, the Group considered it is feasible to sell the carparks in accordance with its sales plan over the period from 2023 to 2026. In respect of the estimated selling price of the carparks to be transferred in 2023, we noted that the Group plans to adopt the selling price proposed by the independent valuer in the feasibility report with reference to the historical selling price of the carparks in the same community, the opinion from the community residents as well as conditions of the carparks, which we consider to be fair and reasonable. In respect of the carparks proposed to be transferred to the Group in each of 2024 to 2026, we noted that the Group had estimated the selling price in a prudent approach with a decreasing profit margin as compared to 2023. Based on the above, we consider the service fee annual caps under Model II to be fair and reasonable.

4. Internal control policies of the Group

In order to protect the interests of the Shareholders, the Group has adopted the following internal control policies to regulate the respective individual transactions to be conducted within the framework of the Revised Framework Agreements and the 2024 Non-exempt Framework Agreements:

(i) before entering into specific agreements, the Company's authorised departments will review and evaluate the terms and conditions of transactions to ensure consistency with relevant framework agreements for continuing connected transactions, taking into account the current market conditions and quotes provided by the Independent Third Parties for similar services with comparable scale under normal transaction conditions at that time;

(ii) the security operations department and financial department of the Company tracks, monitors, and verifies the progress of continuing connected transactions on a monthly basis; and

(iii) the audit committee of the Board conducts continuously strict reviews of continuing connected transactions to ensure the integrity and effectiveness of the internal control measures in respect of continuing connected transactions.

In assessing whether the above internal control procedures are put in place and effectively implemented, we have reviewed the relevant documentation regarding the approval of the agreements entered between the Group and BUCG and its associates and noted that the transactions contemplated thereunder were properly authorised and monitored. In addition, as discussed in the section headed "3. The 2024 Non-exempt Framework Agreements" above, based on our review of the sample contracts between the Group and BUCG and its associates or Tiannuo Property as well as the sample contracts between the Group and the Independent Third Parties for similar transactions entered into during 2021 to 2023, we noted that the terms for transactions contemplated under the 2024 Non-exempt Framework Agreements are equal to or no more favourable to BUCG and its associates or Tiannuo Property than the terms for similar transactions between the Group and the Independent Third Parties. As such, we consider the Group's internal controls to be effective to ensure that price charged for a specific transaction is fair and reasonable and is in accordance with prevailing fee level in the market. Having considered the above, in particular (i) the above internal control procedures which include the Company's regular review to keep abreast of the prevailing fee level in the market to ensure the adherence of the pricing policy for the Transactions; and (ii) the clear segregation of duties of executing and monitoring the Transactions by designating different personnel or teams for the assessment, review and approval of the Transactions and the ongoing monitoring thereof, we concur with the Directors that appropriate and adequate internal control procedures are in place to ensure that the transactions contemplated under the Revised Framework Agreements and the 2024 Non-exempt Framework Agreements will be appropriately monitored by the Company to ensure that services fees charged to the Company are on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

5. Reporting requirements and conditions of the Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Transactions are subject to the following annual review requirements:

(i) the independent non-executive Directors must review the Transactions and confirm in the annual report and accounts that the Transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

(ii) the Company must engage its auditors to report on the Transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Transactions:

(a) have not been approved by the Board;

(b) 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;

(c) were not entered into, in all material respects, in accordance with the relevant agreement governing the Transactions; and

(d) have exceeded the proposed annual caps;

(iii) the Company must allow, and ensure that the counter-parties to the Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Transactions as set out in paragraph (ii); and

(iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

In light of the reporting requirements attached to the Transactions, in particular, (i) the restriction of the value of the Transactions by way of the proposed annual caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the Transactions and the proposed annual caps not being exceeded, we are of the view that appropriate measures have been in place to monitor the conduct of the Transactions and assist in safeguarding the interests of the Independent Shareholders.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the Transactions are conducted in the ordinary and usual course of the Group; and (ii) the terms of the Transactions (including the Revised Annual Caps and the Proposed Annual Caps) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Transactions (including the Revised Annual Caps and the Proposed Annual Caps).

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO. He has over ten years of experience in the corporate finance industry.

CHAPTER I. DEFINITION

In this Scheme, the following words and expressions shall have the following meanings:

"Company"	also referred to as "Listed Company" or "Beijing Jiaye", Beijing Capital Jiaye Property Services Co., Limited.
"Beijing SASAC"	the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.
"BUCG"	Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司).
"General Meeting(s)"	the general meeting(s) of the Company.
"Board"	the board of Directors of the Company.
"Supervisory Committee"	the supervisory committee of the Company.
"Scheme"	also referred to as the Share Appreciation Rights Scheme, is the Share Appreciation Rights Incentive Scheme of Beijing Capital Jiaye Property Services Co., Limited.
"Incentive Instrument(s)"	the Share Appreciation Rights under the Scheme with H Shares of the Company as the underlying Shares.
"Incentive Recipient(s)"	executive Directors, senior management, and core management backbone of the Company who are eligible to participate in the Scheme.
"Share(s)"	also referred to as "ordinary share(s)", are the Company's overseas-listed foreign shares (H shares), which are listed on the main board of the Hong Kong Stock Exchange and denominated in Hong Kong dollars.
"Share Appreciation Right(s)"	referred to as SARs, are rights granted by the Company to Incentive Recipients to receive earnings drawn from the increase in price of a given number of Shares over a certain period of time and under certain conditions in accordance with the Scheme. The Incentive Recipients do not have the ownership of these Shares, nor the rights as Shareholders of the Company, including but not limited to voting rights, placing rights, and dividend rights. Share Appreciation Rights shall not be transferred or used for security and debt repayment.

"Grant Conditions"	the conditions which shall be satisfied by the Company and Incentive Recipients for granting Share Appreciation Rights under the Scheme.
"Grant Date"	the date on which the Company grants Share Appreciation Rights to the Incentive Recipients upon satisfaction of the Grant Conditions of Share Appreciation Rights in accordance with the Scheme. The Grant Date shall be determined by the Board. The Grant Date shall be a Trading Day. The date of the initial grant is, in principle, the same as the date on which the Scheme is considered and approved at the General Meeting.
"Exercise"	the acquisition of cash earnings resulting from the increase in the Company's share price at a predetermined Exercise Price and condition during a specified time period under the Scheme by the Incentive Recipients.
"Exercise Date"	the date on which the Incentive Recipients exercise the right, as granted by Share Appreciation Rights, to receive the cash earnings according to the Exercise conditions stipulated in the Scheme. The exercise date may be any Trading Day within the Validity Period of Share Appreciation Rights.
"Exercise Price"	the price used to calculate the return on Share Appreciation Rights, as predetermined by the Company when the Company grants Share Appreciation Rights to the Incentive Recipients.
"Fair Value"	the expected market value calculated using the Black-Scholes option pricing model, that is, the price of the market expectation or Share Appreciation Rights that could bring returns in the future.
"Exercise Restriction Period"	the period during which Exercise limitations or restrictions are imposed under the Scheme, commencing from the Grant Date of Share Appreciation Rights and ending on the Exercise Date.
"Validity Period of Share Appreciation Rights"	the validity period of the Share Appreciation Rights, which is a period of six years commencing from the Grant Date of Share Appreciation Rights. At the expiration of the validity period of Share Appreciation Rights, all unexercised Share Appreciation Rights shall expire.

"Latest Year"	the period from the Grant Date to 366 days prior to it.
"Latest Three Years"	the period from the Grant Date to 1,096 days prior to it.
"Fair Market Price"	unless otherwise defined in the Scheme, the fair market price of the Company's tradable shares on a particular Trading Day means the closing price of the Company's shares on the Hong Kong Stock Exchange on that day.
"Trading Day(s)"	the date on which securities are traded on the Hong Kong Stock Exchange.
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited.
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time.
"Articles of Association"	the articles of association of Beijing Capital Jiaye Property Services Co., Limited, as amended from time to time.
"China" or "PRC"	the People's Republic of China, including the Hong Kong Special Administrative Region, Macao Special Administrative Region, and Taiwan.
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC.
"RMB"	Renminbi, the lawful currency of the PRC.
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong.

CHAPTER II. BASIS AND PURPOSE OF FORMULATION

Article I The Scheme is prepared in accordance with the Trial Measures for the Implementation of Share Incentives by State-controlled Listed Companies (Overseas) (《國有控股上市公司(境外)實施股權激勵試行辦法》), the Notice on Issues Concerning the Regulation of the Implementation of Share Incentive System by State-controlled Listed Companies (《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》), the Notice on the Printing and Issuance of Guidelines on the Implementation of Share Incentives by Listed Companies Controlled by Central Enterprises (《關於印發<中央企業控股上市公司實施股權激勵工作指引>的通知》), the Guiding Opinions on the Regulation of the Implementation of Share Incentives and Dividend Incentives by Municipal Enterprises (《關於市管企業規範實施股權和分紅激勵工作的指導意見》), the Listing Rules and other relevant laws, administrative regulations and regulatory documents, and the relevant provisions of the Articles of Association.

Article II The purpose of the Scheme is to establish a long-term incentive mechanism that is closely linked to the Company's performance and long-term strategy, so as to improve the overall compensation structure and create a competitive advantage in human resources for the long-term sustainability of the performance of the Company. The Company expects to:

(I) Boost confidence in the capital market and maintain the Company's market value;

(II) Perfect the management system and mechanism to attract outstanding talents;

(III) Keep the employees motivated and enhance corporate competitiveness.

Article III Share Appreciation Rights refer to the rights granted by the Listed Company to Incentive Recipients to receive earnings drawn from the increase in price of a given number of shares over a certain period of time and under certain conditions. The Incentive Recipients do not have the ownership of these Shares, nor the rights as Shareholders of the Company, including but not limited to voting rights and placing rights. Share Appreciation Rights shall not be transferred or used for security and debt repayment.

CHAPTER III. DETERMINATION OF INCENTIVE RECIPIENTS

Article IV Principles for determining Incentive Recipients

(I) In principle, Incentive Recipients include the Directors and senior management of the Company and management and technical backbones who have a direct impact on the operating performance and sustainable development of the Listed Company.

(II) The grant of Share Appreciation Rights to any Director, chief executive or any connected person of any of them (as defined in the Listing Rules) under the Scheme requires the consent of the Company's independent non-executive Directors.

(III) After being proposed by the Remuneration and Evaluation Committee, the scope of Incentive Recipients shall be considered, determined and interpreted by the Board.

According to the actual situation of the Company, the scope of granting Share Appreciation Rights covers a total of 33 Incentive Recipients who play a prominent role in the medium- and long-term development of the Company (including executive Directors, senior management, and core management backbone of the Company, accounting for 1.58% of the total number of employees in the Company). Among the Incentive Recipients, 27 were granted for the first time and Share Appreciation Rights were reserved for the remaining six ones.

The reserved interests shall be granted to the specified Incentive Recipients within 12 months after the Share incentive scheme has been considered and approved by the General Meeting, and in principle, they shall not be granted repeatedly to the Incentive Recipients who have been granted under the Scheme. If the Incentive Recipients are not specified and granted within 12 months, the reserved interests shall lapse.

Article V Selection Criteria of Incentive Recipients

The Company has established a selection model for Incentive Recipients to quantitatively evaluate the Company's leaders at all levels and core backbone employees in five dimensions, including rank, education background, job, performance appraisal and market contribution, to ensure the fairness, scientificity and reasonableness of the determination of Incentive Recipients. In terms of market contribution, special consideration is given to core backbone employees who have greater contribution to the overall performance and long-term development of the Company. The selection model is, when designed, weighted more heavily toward employees in key positions such as marketing and operations. The specific weights are assigned in the following table:

Model weight	Rank	Education background	Title	Performance appraisal	Market contribution	Total
Weight	40%	10%	10%	10%	30%	100%

Score of Incentive Recipients = Rank score (40%) + Education background score (10%) + Title score (10%) + Performance appraisal score (10%) + Market contribution score (30%); those with scores higher than 80 (inclusive) are included in the incentive.

The criteria apply to the selection of personnel for whom incentives were reserved.

Article VI Limitations on the grant of Share Appreciation Rights to specific persons

(I) Employees who are not employed by the Listed Company or its subsidiaries, do not sign an employment contract with the Listed Company or its subsidiaries, or do not have an employment relationship with the Listed Company or its subsidiaries are not eligible to participate in the Scheme;

(II) On the Grant Date of Share Appreciation Rights, no person who holds 5% or more of the voting rights of the Company shall participate in the Scheme without the approval of the General Meeting;

(III) Cadres filed with the Organization Department of CPC Beijing Municipal Committee and the Supervisors, non-executive Directors and independent Directors of the Company do not participate in the Scheme;

(IV) Employees who have been punished by the competent securities regulatory bodies for major violations of laws and regulations in the Latest Three Years, or who have been publicly condemned or declared unsuitable by the competent securities regulatory bodies shall not participate in the Scheme;

(V) Employees who have taken advantage of their power to accept bribes or other illegal incomes or have embezzled the Company's property in the Latest Three Years shall not participate in the Scheme;

(VI) Employees who have taken advantage of their positions to seek business opportunities that shall belong to the Company for themselves or others, or run a business similar to that of the Company for themselves or for someone else in the Latest Three Years shall not participate in the Scheme;

(VII) Employees who have disclosed the Company's secrets without authorization in the Latest Three Years shall not participate in the Scheme;

(VIII) Employees who have violated laws, administrative regulations or the Articles of Association while performing their duties at the Company and thereby caused significant losses to the Company in the Latest Three Years shall not participate in the Scheme;

(IX) Employees who were rated incompetent (with a score of less than 70) in performance appraisal or Party construction appraisal in 2022 shall not participate in the Scheme;

(X) Persons who are disqualified, by provisions of relevant laws, regulations or regulatory documents or otherwise, from becoming Incentive Recipients;

(XI) Other circumstances where the Board has determined not to be qualified as Incentive Recipients.

CHAPTER IV. TOTAL NUMBER OF GRANT AND ALLOCATION

Article VII Share Appreciation Rights do not involve actual Shares and are paid directly by the Company for the difference between the market price of the Company's Shares at the time of Exercise and the Exercise Price.

Article VIII Limitation on the total number of Share Appreciation Rights to be granted

Pursuant to regulatory provisions, the total number of underlying shares involved in all share incentive schemes of the listed company within the validity period shall not exceed 10% of the total Share capital of the Company in aggregate. Small and medium-sized listed companies may appropriately increase the proportion of the number of interests granted during the first-time implementation of the share incentive scheme in the total amount of share capital, which in principle shall be controlled to be less than 3%. The analysis of the specific amount of grant is detailed in the next article.

Article IX Number of grant of Share Appreciation Rights

The total number of Share Appreciation Rights of the Company granted under this Scheme is 4.22 million Shares, representing approximately 2.88% of the total Shares of the Company. The following table shows the details of the allocation:

Incentive Recipients and Positions	Number of Incentive Recipients	Number of the Share Appreciation Rights to Be Granted (0'000 Shares)	Approximate Percentage to the Total Number of the Share Appreciation Rights to Be Granted	Approximate Percentage to the Total Issued Share Capital
Yang Jun Executive Director, general manager and deputy secretary to the Party committee	1	20	4.74%	0.14%
Luo Zhou Executive Director and deputy general manager	1	17	4.03%	0.12%
Yao Xin Executive Director and deputy general manager	1	17	4.03%	0.12%
Other senior management	7	98	23.22%	0.67%
Core backbone employees	17	190	45.02%	1.3%
Total of initial grant	27	342	81.04%	2.33%
Total of reserved grant	6	80	18.96%	0.55%
Total	33	422	100.00%	2.88%

Note: The gains from the Share incentives expected to be received by Incentive Recipients shall not exceed 40% of their total remuneration (including expected gains from Share Appreciation Rights) at the grant of the Share Appreciation Rights.

Article X The number of underlying Shares of the Company in respect of which any Incentive Recipient has been granted interests (both exercised and unexercised) under the Share incentive scheme in full force and effect shall not exceed, in aggregate, 1% of the total Share capital of the Company.

CHAPTER V. NUMBER OF SHARE APPRECIATION RIGHTS

Article XI In accordance with the relevant regulatory rules, the Exercise Price of Share Appreciation Rights granted will be determined based on the Fair Market Price and shall not be less than the highest of the following four prices:

(I) The closing price of the H Shares as stated in the Hong Kong Stock Exchange's daily quotation sheet as at the Grant Date;

(II) The average closing price of the H Shares as stated in the Hong Kong Stock Exchange's daily quotation sheet for five consecutive Trading Days prior to the Grant Date;

(III) The nominal value of the H Shares of the Company, being RMB1; and

(IV) 70% of net assets per Share of the Company at the end of 2021.

Article XII Share Appreciation Rights shall be granted upon satisfaction of all the following performance conditions:

(I) None of the following circumstances has occurred to the Company:

1. failure to engage an accounting firm to conduct the audit in accordance with the prescribed procedures and requirements;

2. significant objections to the results or annual financial report of the Company raised by the state-owned assets supervision and administration authority, the Supervisory Committee or the audit department;

3. penalties imposed by securities regulatory authorities and other competent departments as a result of material non-compliance with regulations;

4. issuance of an audit report containing an adverse opinion or a disclaimer of opinion by a certified public accountant in the financial report or internal control evaluation for the latest accounting year;

5. failure to distribute profits in accordance with laws and regulations, Articles of Association or public undertakings during the Latest Three Years;

6. prohibition from implementation of equity-based incentives by laws and regulations; and

7. other circumstances as determined by competent securities regulatory bodies.

(II) Operating performance conditions for the Company to grant Share Appreciation Rights

Combining the operating trend and operating cycle of the industry, based on the average results of the Company disclosed in the past three years and the average results of peers in the same industry (or the 50th percentile of benchmarking enterprises), the Board has reasonably set the operating performance conditions. With 2022 as the base year for grant, the specific operating performance conditions for the Company to grant Share Appreciation Rights are as follows:

1. The first category reflects comprehensive indicators such as Shareholder returns and corporate value creation:

   The return on net assets attributable to owners of the parent after deduction of non-recurring profits and losses of the Company for 2022 shall not be lower than 13.5% or the 50th percentile of the benchmarking enterprises.

2. The second category reflects growth indicators such as the Company's profitability and market value:

   (1) The growth rate of the Company's operating revenue for 2022 shall not be lower than 23% or the 50th percentile of the benchmarking enterprises.

   (2) The net profit growth rate attributable to owners of the parent after deduction of non-recurring profits and losses of the Company for 2022 shall not be lower than 24% or the 50th percentile of the benchmarking enterprises.

3. The third category reflects the quality of earnings:

(1) The revenue from property value-added services of the Company for 2022 shall not be less than RMB500 million.

(2) The comprehensive corporate collection rate of the Company for 2022 shall not be less than 92%.

Notes:

1. If the Company carries out financing through the non-public offering of Shares, the impact on the return on net assets caused by factors such as changes in net assets resulting from the financing is reasonably excluded.

2. The revenue from property value-added services includes value-added services to non-property owners and community value-added services.

3. Comprehensive corporate collection rate = Actual collection for the period/Contractual amount for the period.

4. Costs arising from the Share Appreciation Rights Scheme will be charged to management fees.

After all of the above Grant Conditions are met, the Company grants Share Appreciation Rights to the Incentive Recipients, and if one of the conditions is not met, the Scheme will be terminated.

The Grant Conditions of the reserved Share Appreciation Rights are the same as those of the initial grant.

(III) Selection of benchmarking enterprises:

In accordance with the industry classification of the Hong Kong Stock Exchange "Property and Construction – Property – Property Service and Management", listed companies with similar level of return, asset size, revenue size and profitability are selected as the sample of benchmarking enterprises, and the following is the list of benchmarking enterprises:

SN	Stock Code	Securities Abbreviation	SN	Stock code	Securities Abbreviation
1	1153.HK	Jiayuan Services	2	1971.HK	Rsun Services
3	1417.HK	Riverine China	4	2107.HK	First Service Holdings
5	1502.HK	Financial Street Property	6	2152.HK	Suxin Service
7	1538.HK	Zhong Ao Home	8	6958.HK	Zhenro Services
9	1895.HK	Xinyuan Property	10	9916.HK	Xinye
11	1941.HK	Ye Xing Group	12	2376.HK	Lushang Life Services
13	6626.HK	Yuexiu Services	14	6049.HK	Poly Property
15	6677.HK	Sino-Ocean Group			

In case of extreme values of industry samples such as major changes in the main business and business model or material deviation, the extreme values shall be reported to BUCG and Beijing SASAC for approval, following which the Board shall adjust the samples appropriately during the annual assessment.

(IV) None of the following circumstances has occurred to the Incentive Recipients:

1. the financial accountability audit indicating ineffective performance of functions, gross negligence or malfeasance in office;

2. the Party construction appraisal result of the Incentive Recipients being rated as "unqualified";

3. violating the relevant national laws and regulations and the Articles of Association;

4. during his/her term of office, violating relevant laws and regulations and receiving punishment(s) for misconducts such as demanding and accepting bribes, engaging in embezzlement and theft, leaking trade and technical secrets of the Company, or conducting related party transactions that damage the Company's interests, reputation and have a significantly negative impact on the Company's image;

5. non-performance or improper performance of duties causing significant asset losses and other severe and adverse consequences to the Company;

6. having been identified as an inappropriate candidate by competent securities regulatory bodies in the Latest Year;

7. having been imposed with administrative penalties or prohibited from market entry by competent securities regulatory bodies in the Latest Year due to the material violation of laws and regulations;

8. having been prohibited from acting as a director or senior management member of a company by relevant laws and regulations;

9. having been prohibited from participating in any equity-based incentives of listed companies by laws and regulations; and

10. other circumstances as determined by competent securities regulatory bodies.

Article XIII Performance Audit

Performance benchmarking shall be carried out using financial results audited by a third party at the time of grant.

CHAPTER VI. EXERCISE OF SHARE APPRECIATION RIGHTS

Article XIV The Scheme shall be valid for a maximum of 72 months from the date of approval by the General Meeting to the date of completion of the Exercise of all Share Appreciation Rights. Upon the expiry of the Validity Period of Share Appreciation Rights, all unexercised Share Appreciation Rights shall lapse and be forfeited by the Company in a centralized manner.

Article XV The Share Appreciation Rights granted under the Scheme shall be subject to the Exercise Restriction Period of 24 months from the Grant Date, during which the Share Appreciation Rights shall not be exercised by the Incentive Recipients. Upon the satisfaction of the relevant performance conditions, the Share Appreciation Rights of H Shares granted under the Scheme shall be exercised in batches according to the following arrangement:

(I) Initial grant

Exercise Arrangement	Exercise Time	Number of Exercisable Share Appreciation Rights as a Percentage of the Number of Share Appreciation Rights Granted
The first Exercise period	From the first Trading Day after 24 months from the date of the initial grant to the last Trading Day within 36 months from the date of the initial grant	34%
The second Exercise period	From the first Trading Day after 36 months from the date of the initial grant to the last Trading Day within 48 months from the date of the initial grant	33%
The third Exercise period	From the first Trading Day after 48 months from the date of the initial grant to the last Trading Day within 60 months from the date of the initial grant	33%

(II) Reserved grant

Exercise Arrangement	Exercise Time	Number of Exercisable Share Appreciation Rights as a Percentage of the Number of Share Appreciation Rights Granted
The first Exercise period	From the first Trading Day after 24 months from the date of the reserved grant to the last Trading Day within 36 months from the date of the reserved grant	34%
The second Exercise period	From the first Trading Day after 36 months from the date of the reserved grant to the last Trading Day within 48 months from the date of the reserved grant	33%
The third Exercise period	From the first Trading Day after 48 months from the date of the reserved grant to the last Trading Day within 60 months from the date of the reserved grant	33%

Article XVI The following conditions must be satisfied simultaneously for the Exercise of the Share Appreciation Rights granted to the Incentive Recipients:

(I) None of the following circumstances has occurred to the Company:

1. failure to engage an accounting firm to conduct the audit in accordance with the prescribed procedures and requirements;

2. significant objections to the results or annual financial report of the Company raised by the state-owned assets supervision and administration authority, the Supervisory Committee or the audit department;

3. penalties imposed by securities regulatory authorities and other competent departments as a result of material non-compliance with regulations;

4. issuance of an audit report containing an adverse opinion or a disclaimer of opinion by a certified public accountant in the financial report or internal control evaluation for the latest accounting year;

5. failure to distribute profits in accordance with laws and regulations, Articles of Association or public undertakings during the Latest Three Years;

6. prohibition from implementation of equity-based incentives by laws and regulations; and

7. any other circumstances as determined by competent securities regulatory bodies.

(II) Performance conditions for the Company to grant the Exercise of Share Appreciation Rights

1. The first category reflecting comprehensive indicators such as Shareholder returns and corporate value creation:

   The return on net assets attributable to owners of the parent after deduction of non-recurring profits and losses of the Company from 2024 to 2026 shall be no less than 15%, 16% and 17%, respectively, and no less than the 75th percentile of the benchmarking enterprises.

2. The second category reflecting growth indicators such as the Company's profitability and market value:

   The year-on-year growth rate of the Company's operating revenue for each year from 2024 to 2026 shall be no less than 25%, and no less than the 75th percentile of the benchmarking enterprises.

   The year-on-year growth rate of net profit attributable to owners of the parent after deduction of non-recurring profits and losses of the Company from 2024 to 2026 shall be no less than 26%, and no less than the 75th percentile of the benchmarking enterprises.

3. The third category reflecting the quality of earnings:

   (1) The revenue from the property value-added services of the Company from 2024 to 2026 shall not be less than RMB700 million, RMB850 million and RMB1,020 million, respectively.

(2) The comprehensive corporate collection rate of the Company from 2024 to 2026 shall not be lower than 93%, 94% and 94%, respectively.

Notes:

1. If the Company carries out financing through the non-public offering of Shares, the impact on the return on net assets caused by factors such as changes in net assets resulting from the financing is reasonably excluded.

2. The revenue from property value-added services includes value-added services to non-property owners and community value-added services.

3. Comprehensive corporate collection rate = Actual collection for the period/Contractual amount for the period.

4. Costs arising from the Share Appreciation Rights Scheme will be charged to management fees.

Benchmarking enterprises are the same as paragraph (III) of Article XII of the Scheme.

The Exercise conditions of the reserved Share Appreciation Rights are the same as those of the initial Exercise.

(III) None of the following circumstances has occurred to the Incentive Recipients:

1. the financial accountability audit indicating ineffective performance of functions, gross negligence or malfeasance in office;

2. the Party construction appraisal result of the Incentive Recipients being rated as “unqualified”;

3. violating the relevant national laws and regulations and the Articles of Association;

4. during his/her term of office, violating relevant laws and regulations and receiving punishment(s) for misconducts such as demanding and accepting bribes, engaging in embezzlement and theft, leaking trade and technical secrets of the Company, or conducting related party transactions that damage the Company’s interests, reputation and have a significantly negative impact on the Company’s image;

5. non-performance or improper performance of duties causing significant asset losses and other severe and adverse consequences to the Company;

6. having been identified as an inappropriate candidate by competent securities regulatory bodies within the past year;

7. having been imposed with administrative penalties or prohibited from market entry by competent securities regulatory bodies in the Latest Year due to the material violation of laws and regulations;

8. having been prohibited from acting as a director or senior management member of a company by relevant laws and regulations;

9. having been prohibited from participating in any equity-based incentives of listed companies by laws and regulations; and

10. other circumstances as determined by competent securities regulatory bodies.

(IV) If the grantee's performance appraisal score of the previous year is 70 or above, the Exercise of the right shall be based on the Company's performance and the relevant provisions of the Exercise schedule, and the Exercise ratio shall be determined according to the individual evaluation score. If the performance appraisal score of the grantee in the previous year did not reach 70 points or the grantee failed to pass the Party construction appraisal, the Company will cancel the current Exercise limit of the Appreciation Rights of the Incentive Recipient in accordance with the provisions of the Share Appreciation Rights Scheme, and the Appreciation Rights will be canceled by the Company.

Individual performance appraisal scores	80 and above	70-79	Below 70
Exercise proportion	100%	80%	0

Individual's actual Exercise amount for the year = Exercise ratio × Individual's planned Exercise amount for the year

Article XVII Pursuant to the Scheme, during the Exercise validity period of the Share Appreciation Rights, the granted Share Appreciation Rights may be exercised on a date other than the trading restriction period (or other applicable trading restriction period) of the relevant securities as stipulated by the Hong Kong Stock Exchange. At the same time, the time of Exercise also needs to comply with the relevant regulations of the Company. The granting time of Share Appreciation Rights should also follow the above principles.

Article XVIII After the Share Appreciation Rights meets the Exercise conditions, the Incentive Recipients may propose to exercise on an effective exercise date (or during an exercise window period), and the Company will confirm the Exercise according to the following process:

(I) The Share Appreciation Rights shall be exercised during the centralized window period. In principle, the Company shall set up an exercise window period in April, June, September and December each year, and each window period shall have 5 Trading Days. The Board shall have the right to set an additional exercise window period where it deems necessary. After the Share Appreciation Rights meets the Exercise conditions, the Company will organize Incentive Recipients to Exercise on an effective exercise date (or during an exercise window period). The exercise date (or exercise window period) must be the Trading Day of the stock exchange;

(II) The Share Appreciation Rights shall be exercised during the annual window period, and may not be exercised during the issuance of sensitive information and annual reports, interim reports and the convening of General Meetings. In the event of a material event that may affect the change of share price, the Board will re-determine the exercise date (or exercise window period);

(III) The Company receives a written notice signed by the grantee of the Share Appreciation Rights or his/her legal representative or Personal Representative and delivered by them, stating the number of Share Appreciation Rights to be exercised. The date on which the notice is sent is the Exercise Date, and therefore the notice must be sent on the Trading Day of the stock exchange;

(IV) The number of Share Appreciation Rights to be exercised must be less than or equal to the number of those exercised on the certificate of Share Appreciation Rights of the grantee of the Share Appreciation Rights. If the number of units of Share Appreciation Rights requested to be exercised exceeds the number of those exercised on the grantee's certificate of Share Appreciation Rights, the relevant management department for share appreciation rights of the Company or the third-party share appreciation rights management agency entrusted by the Company shall have the right to adjust the number of Share Appreciation Rights requested to be exercised to the number of those exercised on its certificate;

(V) If the underlying closing price of the Share Appreciation Rights on the date of request for Exercise is greater than the Exercise Price of the Appreciation Rights, the Fair Market Price at the time of Exercise shall be the closing price on the Trading Day. The Company shall issue a written notice confirming the completion of the Exercise to the exerciser within 2 weeks after the Exercise period. In addition, after individual income tax is withheld and paid by the Company, it shall be paid to the Incentive Recipients in one lump sum, which shall be completed within 12 months after the Exercise Date.

Article XIX Proceeds from the Exercise of Share Appreciation Rights

(I) Proceeds from the Exercise = number of Share Appreciation Rights exercised × (Fair Market Price of the underlying share on the Exercise Date – Exercise Price of Share Appreciation Rights);

In principle, the proceeds from the Exercise of Share Appreciation Rights shall be uniformly paid to the exercisers in RMB after the Company withholds and pays individual income tax on behalf of the exercisers. The exchange rate shall be converted according to the mid-price of cash trading between RMB and HKD at the foreign exchange rate published by the People's Bank of China within the territory of China on the Exercise Date.

(II) For the Share Appreciation Rights granted to the Directors and senior management of the Company, the cash proceeds obtained from the Exercise of the rights shall be transferred into the account opened by the listed company for the Incentive Recipients, and no less than 20% of the cash proceeds in the account shall be withdrawn until the expiry of the term of office (or tenure) after the passing of the appraisal. In the event that a Director or a senior management member of the Company fails to pass the appraisal of his/her term of office, or his/her business performance is inaccurate, resulting in the loss of state-owned assets, dereliction of duty in operation and management, or the existence of major violations of discipline, the cash proceeds in his/her account shall be returned to the Company without compensation.

CHAPTER VII. ADJUSTMENT OF SHARE APPRECIATION RIGHTS

Article XX Method for adjustment of number of Share Appreciation Rights

In the event of conversion of capital reserves, distribution of bonus shares, stock subdivision, rights issue or share consolidation of the Company prior to an Exercise, the number of Share Appreciation Rights shall be adjusted accordingly, and the method of adjustment shall be as follows:

(I) In case of conversion of capital reserves into share capital, distribution of bonus shares and stock subdivision

$$Q=Q0\times(1+n)$$

Where: Q0 is the number of Share Appreciation Rights before adjustment; n is the proportion of conversion of capital reserves into share capital, distribution of bonus shares and stock subdivision per Share (that is, the number of shares per Share increased after conversion of capital reserves into share capital, distribution of bonus shares and stock subdivision; Q is the number of Share Appreciation Rights after adjustment.

(II) Rights issue

$Q=Q0\times P1\times(1+n)/(P1+P2\times n)$

Where: Q0 is the number of Share Appreciation Rights before adjustment; P1 is the closing price on the equity registration date; P2 is the price of rights issue; n is the proportion of rights issue (that is, the ratio of the number of shares for rights issue to the total share capital of the Company prior to the rights issue); Q is the number of Share Appreciation Rights after adjustment.

(III) Share consolidation

$Q=Q0\times n$

Where: Q0 is the number of Share Appreciation Rights before adjustment; n is the proportion of share consolidation (that is, 1 Company Share is consolidated to n shares); Q is the number of Share Appreciation Rights after adjustment.

(IV) Dividend distribution or additional issue

The number of Share Appreciation Rights will not be adjusted in the event of dividend distribution or additional issue by the Company.

Article XXI Method for adjustment of Exercise Price of Share Appreciation Rights

In the event of any dividend distribution, conversion of capital reserves into share capital, distribution of bonus shares, stock subdivision, rights issue or share consolidation of the Company prior to an Exercise, the Exercise Price shall be correspondingly adjusted. The adjustment method is as follows:

(I) In case of conversion of capital reserves into share capital, distribution of bonus shares and stock subdivision

$P=P0\div(1+n)$

Where: P0 is the Exercise Price before adjustment; n is the proportion of conversion of capital reserves into share capital, distribution of bonus shares and stock subdivision per Share; P is the Exercise Price after adjustment.

(II) Rights issue

$P=P0\times(P1+P2\times n)/[P1\times(1+n)]$

Where: P0 is the Exercise Price before adjustment; P1 is the closing price on the equity registration date; P2 is the price of rights issue; n is the proportion of rights issue (that is, the ratio of the number of shares for rights issue to the total share capital of the stock company prior to the rights issue); P is the Exercise Price after adjustment.

(III) Share consolidation

P=P0÷n

Where: P0 is the Exercise Price before adjustment; n is the proportion of share consolidation; P is the Exercise Price after adjustment.

(IV) Dividend distribution

P=P0-V

Where: P0 is the Exercise Price before adjustment; V is the distribution amount per share; P is the Exercise Price after adjustment.

(V) Additional issue

The Exercise Price of Share Appreciation Rights will not be adjusted in the event of additional issue by the Company.

CHAPTER VIII. HANDLING OF SPECIAL CASES

Article XXII Where the Incentive Recipient rescinds or terminates the labor relationship with the Company due to objective reasons such as job transfer, dismissal, retirement, death or loss of civil capacity:

(I) The Share Appreciation Rights that have met the Exercise conditions shall be exercised within 6 months from the date of termination of labor relationship, and the unexercised portion of the rights beyond 6 months shall be null and void;

(II) The Share Appreciation Rights that have not met the Exercise conditions shall not be exercised in principle from the date of dissolution or termination of labor relationship.

Article XXIII In the event that the Company's performance appraisal fails to meet the standard, the Incentive Recipient resigns, or the labor relationship is terminated for personal reasons, the unexercised rights and interests shall no longer be exercised and shall be automatically invalidated.

Article XXIV Where the Incentive Recipient becomes an independent Director, Supervisor, etc., which does not meet the identity of the Incentive Recipient of Share Appreciation Rights:

(I) The Share Appreciation Rights that have met the Exercise conditions shall be exercised within 6 months from the date of change of identity, and the unexercised portion of the rights that exceeds 6 months shall be null and void;

(II) The Share Appreciation Rights that have not met the Exercise conditions shall not be exercised in principle from the date of change of identity.

Article XXV If the performance appraisal of the Incentive Recipient fails to meet the standard or Party construction appraisal result of the Incentive Recipients being rated as "unqualified", the unexercised rights and interests of the current period will not be exercised and will be automatically invalidated.

Article XXVI The unexercised Share Appreciation Rights of the Incentive Recipients shall no longer be exercised and shall automatically lapse if one of the following circumstances occurs:

(I) the financial accountability audit indicating ineffective performance of functions, gross negligence or malfeasance in office;

(II) during his/her term of office, violating relevant laws and regulations and receiving punishment(s) for misconducts such as demanding and accepting bribes, engaging in embezzlement and theft, leaking trade and technical secrets of the Company, or conducting related party transactions that damage the Company's interests, reputation and have a significantly negative impact on the Company's image;

(III) non-performance or improper performance of duties causing significant asset losses and other severe and adverse consequences to the Company;

(IV) any violation of national laws and regulations, professional ethics, negligence or malfeasance in office, etc., which seriously harms the interests or reputation of the Company and causes direct or indirect economic losses to the Company;

(V) being dismissed for violating the Company's rules and regulations, violating the Company's employee reward and punishment management and other related regulations, or seriously violating discipline;

(VI) being investigated for criminal liability for criminal behaviors; and

(VII) violating relevant laws and regulations or provisions of the Company's Articles of Association, causing undue damage to the Company.

Article XXVII In case of other circumstances not specified, the Board shall identify and determine the handling method.

Article XXVIII Change of control of the Company

"Change of control" means the occurrence of any of the following circumstances:

(I) a change in the actual controller of the Company;

(II) the term of office of the Board has not expired, and the General Meeting has voted to replace half or more of the members of the Board.

In the event of a change of control, all Share Appreciation Rights granted but not yet exercised shall remain valid, but the Exercise shall not be accelerated.

Article XXIX In the event of merger or division of the Company, the Incentive Scheme shall be implemented normally.

Article XXX Settlement of disputes between the Company and the Incentive Recipients

Any dispute or controversy between the Company and the Incentive Recipients arising from the implementation of the Incentive Scheme and/or the Equity Incentive Agreement signed by both parties or related to the Incentive Scheme and/or the Equity Incentive Agreement shall be resolved by both parties through negotiation and communication, or through the mediation of the Remuneration and Evaluation Committee under the Board. If the parties fail to resolve the dispute or controversy by the above means within 60 days from the date of occurrence of the dispute or controversy or no such dispute or controversy has been resolved by the above means, either party shall have the right to file a lawsuit with the People's Court with jurisdiction in the place where the Company is located for settlement.

Article XXXI Continuation and change of the Share Appreciation Rights Scheme under the return to the A-share market

If the Company returns to the A-share market from the H-share market during the validity period of the Share Appreciation Rights Scheme, the Share Appreciation Rights Scheme shall be dealt with in the following manner:

If the Company returns to the A-share market in the future, provided that the shares in the H-share market remain outstanding, it will not affect the Share Appreciation Rights Scheme that has already been implemented in the H-share market. Therefore, in the case of H+A, the Scheme will remain unchanged and continue to be implemented. However, if the Company plans to implement new equity incentives in the A-share market, the Company will do so after the completion of the implementation of the current H-share Share Appreciation Rights Scheme or the corresponding termination of the H-share market Share Appreciation Rights Scheme.

Prior to the termination of the Share Appreciation Rights Scheme, for the portion of the Share Appreciation Rights that have met the Exercise conditions but have not been exercised, the rights may be exercised centrally, and the settlement price shall be determined by the market price on the date of the announcement by the Board; the other unexercised Share Appreciation Rights shall be null and void. The Company shall be required to centrally exercise the Share Appreciation Rights at the determined settlement price within 20 Trading Days after the announcement is made.

Article XXXII Force majeure factors

(I) If it is impossible to act or refrain from acting in accordance with the provisions of each period of time under the Scheme due to force majeure factors, the calculation of the period of time shall be suspended at the time of the occurrence of the force majeure factors, and the continuous calculation of the period of time shall be resumed on the basis of the period prior to the suspension when those force majeure factors have disappeared until the expiration of such period of time.

(II) The scope of force majeure factors is determined with reference to the provisions of the Civil Code of the People's Republic of China and other laws and regulations.

CHAPTER IX. TRANSFER OF SHARE APPRECIATION RIGHTS

Article XXXIII The incentive shall belong to the Incentive Recipients and shall not be transferred. The grantee shall have no right to sell, transfer, guarantee, charge, pledge, or settle the appreciation rights as repayment of debt, or to impose a liability or interest in favor of a third party, or enter into any agreement to carry out any of the above acts, nor shall he/she have the right to contribute to or jeopardize the interests of any third party directly or indirectly related to the appreciation rights. In the event that the grantee of the Share Appreciation Rights Incentive violates any of the foregoing provisions, the Share Appreciation Rights transferred to him/her shall automatically lapse and the Company shall have the right to cancel any other equity incentives held by him/her to the extent that they have not yet been exercised.

Article XXXIV Transfer under special circumstances

Share Appreciation Rights may only be exercised personally by the grantee during his/her lifetime. However, the Share Appreciation Right may be transferred after the grantee's death under the following circumstances:

(I) transferable in accordance with the grantee's will or the provisions of the Civil Code of the People's Republic of China;

(II) being transferred to the eligible successor as stipulated in the relevant laws and regulations of the PRC in compliance with the relevant provisions of the Share Appreciation Rights Scheme; and

(III) the transferred Share Appreciation Rights in such case are exercised in accordance with the provisions of Articles XVIII, XIX and XXII of the Scheme.

CHAPTER X. ACCOUNTING COST ANALYSIS

Article XXXV Accounting treatment of Share Appreciation Rights

On each balance sheet date during the Exercise Restriction Period, the services acquired in the current period shall be recognized as costs or expenses and corresponding liabilities in accordance with the amount of the Fair Value of the liabilities assumed by the Company. If, on the balance sheet date, subsequent information indicates that the Fair Value of the liabilities assumed by the Company in the current period is different from previous estimates, adjustments shall be made and adjusted to the actual feasible level on the exercise date.

Article XXXVI Accounting costs

(I) Valuation of Share Appreciation Rights: The Black-Scholes option pricing model is used to evaluate Share Appreciation Rights when they are granted.

(II) The cost of Share Appreciation Rights granted is determined based on the unit Share Appreciation Rights as well as the total amount granted. Adjustments shall be made after the close of business on the Grant Date by the Board following the General Meeting.

Article XXXVII Estimated impact of the implementation of the Share Appreciation Rights Scheme on the business performance for each period

The cost of Share Appreciation Rights granted under the grant scheme shall be amortized over the Exercise Restriction Period from the Grant Date to the Exercise Date. Therefore, the amortization of the cost of Share Appreciation Rights will have an impact on the business performance of the Company. In addition, since the Share Appreciation Rights are used as an incentive tool and the actual payment is made in cash rather than in the share of the Company, the Fair Value of the Share Appreciation Rights may be reassessed at the balance sheet date of each fiscal year based on the information of the share price at that time and the information of other valuation elements, and the amount of the amortization of the accounting cost may be adjusted based on the results of the reassessment.

CHAPTER XI. MANAGEMENT OF SHARE APPRECIATION RIGHTS

Article XXXVIII Management of Share Appreciation Rights

Under the Scheme, the relevant departments within the Company or specialized agencies to be set up shall be responsible for the management of the Share Appreciation Rights Scheme, while the Company will, as needed, introduce a third-party Share Appreciation Rights management agency with management qualifications and entrust it to manage the daily matters of the Share Appreciation Rights.

CHAPTER XII. RIGHTS AND OBLIGATIONS OF THE COMPANY AND THE INCENTIVE RECIPIENTS

Article XXXIX Rights and obligations of the Company

(I) The Company shall have the right to require the Incentive Recipient to work for the Company in accordance with the requirements of the position for which he/she is employed. If the Incentive Recipient is unable to perform the job position for which he/she is employed, or if his/her performance appraisal for the previous year has not reached 70 points or he/she has failed to pass the Party construction appraisal, the Incentive Recipient may be canceled for the Share Appreciation Rights that are not yet exercisable upon the proposal of the Remuneration and Evaluation Committee under the Board, as well as the approval of the Board;

(II) If the Incentive Recipient violates the duty of loyalty as stipulated in the Listing Rules and the Articles of Association, or damages the Company's interests or reputation by violating the law, breaching professional ethics, leaking Company secrets, or negligence or malfeasance in office, the unexercised Share Appreciation Rights will be canceled, and the Board shall have the right to recover all or a portion of the proceeds gained from the Exercise of the rights in any of the following circumstances;

1. the financial accountability audit indicating ineffective performance of functions, gross negligence or malfeasance in office;

2. violating the relevant national laws and regulations and the articles of association of the enterprise;

3. any violation of laws and disciplinary actions such as embezzlement and bribery during the tenure of office, and has been punished;

4. the implementation of related party transactions harms the interests of the enterprise; and

5. non-performance or improper performance of duties causing significant asset losses and other severe and adverse consequences to the enterprise.

(III) The Company shall withhold and pay on behalf of the Incentive Recipients the personal income tax and other taxes in accordance with the provisions of national tax laws and regulations; and

(IV) Other relevant rights and obligations as stipulated by laws and regulations.

Article XL Rights and obligations of the Incentive Recipients

(I) The Incentive Recipients shall be diligent and conscientious, abide by professional ethics, and make due contributions to the development of the Company according to the position requirements;

(II) The Incentive Recipients shall have the right and shall exercise their rights in accordance with the provisions of the Scheme and comply with the relevant obligations under the Scheme;

(III) The Share Appreciation Rights granted to the Incentive Recipients shall not be transferred, used for guarantee or used to repay debts;

(IV) The cash proceeds obtained from the Exercise of the Share Appreciation Rights are personal income, and the exercisers of the Share Appreciation Rights must pay the relevant taxes on the cash proceeds from the Exercise of the rights in accordance with the law; the legal heirs of the Incentive Recipients shall pay the inheritance tax and other taxes in accordance with the provisions of the relevant laws and regulations applicable to them; and

(V) Other relevant rights and obligations as stipulated by laws and regulations.

CHAPTER XIII. MANAGEMENT, AMENDMENT AND TERMINATION OF THE SCHEME

Article XLI The internal management bodies of the Scheme are as follows:

(I) As the authority of the Company, the General Meeting shall be responsible for reviewing and approving the implementation, modification and termination of the Scheme.

(II) The Board shall be the executive management body of the Scheme and shall be responsible for the management and implementation of the Scheme within the scope of authorization by the General Meeting.

(III) The independent Directors shall express their independent opinions as to whether the Share Appreciation Rights Scheme is conducive to the sustainable development of the Company and whether it is detrimental to the interests of the Company and all Shareholders.

(IV) The Supervisory Committee shall be the supervisory body of the Scheme and shall be responsible for supervising the implementation of the Scheme.

Article XLII As the authority of the Company, the General Meeting is responsible for reviewing and approving the Scheme. The General Meeting authorizes the Board to take charge of the implementation and management of the Scheme, specifically as follows:

(I) The General Meeting authorizes the Board to grant Share Appreciation Rights to the Incentive Recipients when both the Company and the Incentive Recipients meet the Grant Conditions, and to handle all matters necessary for the granting of Share Appreciation Rights.

(II) The General Meeting authorizes the Board to review and confirm whether the Company and the Incentive Recipients meet the Exercise conditions and handle all the matters necessary for the Exercise by the Incentive Recipients.

(III) The General Meeting authorizes the Board to adjust the number of Share Appreciation Rights and the Exercise Price in accordance with the provisions of the Scheme in the event of dividend distribution, distribution of bonus shares, conversion of capital reserves into share capital, rights issue, merger, share exchange and other circumstances specified in the Scheme.

(IV) The General Meeting authorizes the Board to process the Share Appreciation Rights that have been granted to the Incentive Recipient and have or have not been exercised according to the provisions of the Scheme when the Company or the Incentive Recipient has any special circumstances such as demission, retirement or death as stipulated in the Scheme.

(V) The General Meeting authorizes the Board to decide whether to recover the proceeds from the exercise of the Share Appreciation Rights granted to the Incentive Recipients in accordance with the provisions of the Scheme.

(VI) The General Meeting authorizes the Board to perform other necessary management of the Scheme.

Article XLIII Revision of the Scheme

The Board may, subject to compliance with the above conditions, revise the Scheme when it deems necessary and file the same with the Beijing SASAC and the relevant securities regulatory authorities in accordance with the laws and regulations. In the event that there are differences between the terms of the Scheme and the requirements of the relevant laws, regulations, agreements or the Hong Kong Stock Exchange, or there are modifications to the requirements of the relevant laws, regulations, agreements or the relevant securities regulatory authorities such as the Hong Kong Stock Exchange, the latter shall prevail. If certain modifications to the Scheme as required by the laws, regulations, agreements or the requirements of the Hong Kong Stock Exchange require the approval from the General Meeting, the Beijing SASAC or the relevant securities regulatory authorities such as the Hong Kong Stock Exchange, the Board's modifications to the Scheme shall be subject to such approvals.

Article XLIV Termination of the Scheme

The Scheme shall be automatically terminated upon the expiration of six years from the date on which the Scheme is considered and approved by the General Meeting.

During the term of the Scheme, the Board may, if it deems necessary, submit a resolution to the General Meeting to terminate the Scheme earlier. If the General Meeting decides to terminate the Scheme early, the Company will not grant any Share Appreciation Rights under the Scheme. Unless otherwise specified, the Share Appreciation Rights granted prior to the termination of the Scheme shall continue to be valid and remain exercisable in accordance with the provisions of the Scheme.

CHAPTER XIV. INFORMATION DISCLOSURE

Article XLV The Company will disclose the implementation of the Scheme during the period in its periodic reports, including:

(I) the scope of Incentive Recipients during the reporting period;

(II) the number of Share Appreciation Rights granted, exercised and lapsed during the reporting period;

(III) the cumulative number of Share Appreciation Rights granted but not yet exercised as at the end of the reporting period;

(IV) any adjustments made to the number of Share Appreciation Rights and the Exercise Price during the reporting period, as well as the latest number of Share Appreciation Rights and the Exercise Price after such adjustments;

(V) the names and positions of the Directors and senior management of the Company, as well as the successive grants of Share Appreciation Rights and the Exercise of such rights during the reporting period;

(VI) the accounting treatment of the Share Appreciation Rights Incentive; and

(VII) other information to be disclosed in the periodic report.

Article XLVI The Company shall disclose the following information on the day of occurrence or before the start of the next trading session:

(I) When the Scheme is approved by the Board and when the Scheme is subsequently modified;

(II) When the Company undergoes an acquisition, merger, or division that results in changes to the Share Appreciation Rights Scheme.

CHAPTER XV. SUPPLEMENTARY PROVISIONS

Article XLVII The Scheme shall be considered by the Board and, after being reviewed and approved by the Beijing SASAC, submitted to the General Meeting, which shall become effective upon its approval, and the General Meeting shall authorize the Board to consider each grant proposal, and to formulate and modify the administrative measures.

Article XLVIII The final interpretation of the Scheme shall be vested in the Board.

1. SUMMARY OF FINANCIAL INFORMATION

Details of the financial information of the Group for each of the three years ended December 31, 2020, 2021 and 2022 and for each of the periods of six months ended June 30, 2022 and 2023 are disclosed in the Prospectus, the annual reports of the Company for the two years ended December 31, 2021 and 2022, and the interim reports of the Company for each of the periods of six months ended June 30, 2022 and 2023, respectively. These reports together with the relevant notes have been disclosed in the following documents which are also published and available on the websites of the Stock Exchange (https://www.hkexnews.hk) and the Company (http://www.bcjps.com):

The Prospectus of the Company published on October 29, 2021 (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1029/2021102900097.pdf) (pages I-4 to I-70);

The annual report of the Company for the year ended December 31, 2021 published on April 27, 2022 (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042700983.pdf) (pages 69 to 151);

The annual report of the Company for the year ended December 31, 2022 published on April 18, 2023 (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0418/2023041800349.pdf) (pages 84 to 167);

The interim report of the Company for the six months ended June 30, 2022 published on September 22, 2022 (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0922/2022092200399.pdf) (page 25 to 50); and

The interim report of the Company for the six months ended June 30, 2023 published on September 6, 2023 (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0906/2023090600397.pdf) (page 23 to 48).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on October 31, 2023, being the most recent practicable date for the purpose of ascertaining certain information contained in this statement of indebtedness prior to the printing of this circular, the Group had the following indebtedness:

	As at October 31 2023
	RMB'000
Lease liabilities	
– Unsecured and unguaranteed	4,933

Upon the application of IFRS 16, we recognized a corresponding lease liability for our right-of-use assets in respect of all leases unless they qualify for low value or short-term leases.

Save as disclosed above, as at the close of business on October 31, 2023, the Group did not have any bank borrowings or any unutilised banking facilities, or outstanding guarantees in respect of payment obligations of any related parties or third parties, debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, borrowings or indebtedness in the nature of borrowing (including bank overdrafts and acceptance liabilities), acceptance credits, hire purchase commitments, mortgages and charges, contingent liabilities or guarantees.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, taking into account the financial impact of the transactions under the 2024 BUCG Property Leasing Framework Agreement in relation to the Group leasing properties from BUCG and its associates and the financial impact of the transactions under the Carpark Space Leasing and Sales Services Framework Agreement in relation to the acquisition of right-of-use assets, and taking into account the financial resources available to the Group, including but not limited to the expected cash flow from the Group's operations and the cash and bank balances available to the Group, the Group has sufficient working capital for its business operations for at least twelve months from the date of this circular.

The Company has obtained confirmation from its auditors, KPMG, in respect of the above statement as required under Rule 14.66(12) of the Listing Rules.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group will further strengthen our confidence in development, adhere to development as the first priority, promote the scale of property management and corporate efficiency to a new level, and continuously achieve new breakthroughs in operating results. Based on the whole industry chain and full life cycle of urban construction and operation and to meet the people's growing needs for a better life, we will expand the value chain of property services, continuously enrich value-added service products and create high-value property, integrate into community management and city operations, and gain insight into new service projects from new scenarios to continuously improve the Company's innovation and growth. We will adhere to the bottom-line thinking, coordinate development and safety, and strive to improve the ability of enterprise risk prevention and mitigation. We will adhere to the quality-oriented principle, strengthen the service concept of "care, attention and warmth", and continue to enhance the influence of Beijing service brand. The Company will adhere to the Party building to guide and cultivate the root, continue to strengthen the Party building, and provide a strong guarantee for the high-quality development of the Company.

Under the guidance of the capital development strategy of the new era and the strategy of BUCG Group, the Group will fully explore the first-mover advantage as a listed property management platform for state-owned enterprises in the capital, continuously improve the core competitiveness of the enterprise, and make unremitting efforts to build a "a provider of China's best-in-class urban and lifestyle services" with high-quality, professional and high-quality development.

5. FINANCIAL EFFECTS OF THE MAJOR TRANSACTIONS ON THE GROUP

In accordance with IFRS 16, the Group applies different accounting treatments for different amounts in the 2024 BUCG Property Leasing Framework Agreement. Rentals from short-term leases and low-value leases where the Group is the lessee shall be recognized as rental expenses over the lease term. Other leases where the Group is the lessee shall be recognized as right-of-use assets at the lease commencement date. The impact of the Group leasing properties from BUCG and its associates under the 2024 BUCG Property Leasing Framework Agreement on the earnings, assets and liabilities of the Group is primarily that the Group will recognize the right-of-use assets and lease liabilities for leases other than short-term leases and low-value leases, and the total assets and total liabilities will increase accordingly. The depreciation charge and financing charge of the Group's right-of-use assets will increase for leases that are recognized as right-of-use assets, and the Group's rental costs will increase for leases that are not recognized as right-of-use assets.

The accounting treatment of the transactions under the Carpark Space Leasing and Sales Services Framework Agreement in relation to the acquisition of rights-of-use model is that the Group will recognize the acquired rights-of-use of the carpark spaces as the right-of-use assets and will provide for depreciation within the term of the contract. The rental income will be recognized during the rental period of the carpark spaces, and the right-of-use assets will be disposed of and service income will be recognized when the carpark spaces are sold. Its impact on the Group's earnings, assets and liabilities is primarily that the Group will increase the recognition of right-of-use assets and lease liabilities based on the carpark space leasing and sales services provided by it, resulting in a corresponding increase in the total assets and total liabilities of the Group. At the same time, this framework agreement will further expand the Group's asset management business, enhance asset sales and management capabilities, and improve the Group's profitability.

The Company believes that the financial impact of the transactions under the 2024 BUCG Property Leasing Framework Agreement in relation to the Group leasing properties from BUCG and its associates and the transactions under the Carpark Space Leasing and Sales Services Framework Agreement in relation to the acquisition of right-of-use assets will not have any material impact on the earnings, assets and liabilities of the Group.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors', Supervisors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its associated corporations

As at the Latest Practicable Date, none of the Directors, Supervisors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept by the Company; or (c) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

Ms. Jiang Xin and Mr. Mao Lei, directors of the Company, currently hold positions in BUCG and BUCID, respectively. Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors or proposed Directors or Supervisors of the Company was also a director, supervisor or employee of a company which had an interest or short position in the shares or underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, to the knowledge of the Directors, the following persons (other than the Directors, Supervisors and chief executives of the Company) had any interests or short positions in the Shares and underlying Shares which are required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were interested in 5% or more of any class of the then issued share capital of the Company, or were substantial shareholders of the Company:

Name of Shareholder	Class of Shares	Capacity	Number of Shares/underlying Shares held (shares)(Note 1)	Percentage of shareholding in the relevant class of Shares (%)(Note 2)	Percentage of shareholding in the total Shares (%)(Note 3)
Beijing Urban Construction Group Co., Ltd.(Note 4)	Domestic Shares	Beneficial owner	38,779,865(L)	35.25	26.44
		Interest held by a controlled corporation	69,973,674(L)	63.61	47.71
Beijing Urban Construction Investment & Development Co., Ltd.(Note 4)	Domestic Shares	Beneficial owner	49,092,189(L)	44.63	33.47
Beijing Uni.-Construction Group Co., Ltd.(Note 4)	Domestic Shares	Beneficial owner	20,881,485(L)	18.98	14.24
Hua An Fund Management Co., Ltd. (on behalf of Hua An Fund – Jinying QDII Single Asset Management Plan and Hua An Fund – Jinxi QDII Single Asset Management Plan)(Note 5)	H Shares	Asset manager	7,438,400(L)	20.29	5.07
Beijing Urban Construction Sixth Group Co., Ltd.(Note 5)	H Shares	Principal	3,719,200(L)	10.14	2.54
Beijing Urban Construction Great Wall Construction Group Co., Ltd. (北京城建長城建設集團有限公司)(Note 5)	H Shares	Principal	3,719,200(L)	10.14	2.54
QILU FORWARD INTERNATIONAL CO., LIMITED(Note 6)	H Shares	Beneficial owner	5,002,800(L)	13.64	3.41
HWABAO TRUST CO., LTD(Note 7)	H Shares	Trustee	3,686,000(L)	10.05	2.51
Beijing Urban Construction North Group Co., Ltd.(Note 7)	H Shares	Principal	3,686,000(L)	10.05	2.51
Hu Junsheng (胡軍省)(Note 8)	H Shares	Interest held by a controlled corporation	3,617,600(L)	9.87	2.47

Name of Shareholder	Class of Shares	Capacity	Number of Shares/underlying Shares held (shares)(Note 1)	Percentage of shareholding in the relevant class of Shares (%)(Note 2)	Percentage of shareholding in the total Shares (%)(Note 3)
Caitong Fund Caitong Overseas No.130 (QDII) Single Asset Management Plan(Note 8)	H Shares	Trustee	3,617,600(L)	9.87	2.47
Caitong Securities Co., Ltd.(Note 9)	H Shares	Interest held by a controlled corporation	3,617,600(L)	9.87	2.47
Glodon Company Limited (廣聯達科技股份有限公司)(Note 10)	H Shares	Interest held by a controlled corporation	5,132,400(L)	14.00	3.50

Notes:

1. The letter "L" denotes the person's long position in the shares.

2. Calculated based on the Company's 110,000,000 domestic shares or 36,667,200 H shares in issue as at the Latest Practicable Date.

3. Calculated based on the total number of 146,667,200 shares of the Company in issue as at the Latest Practicable Date.

4. 41.86% of the shares of BUCID are held by BUCG; BUCC is directly and wholly owned by BUCG.

5. Based on the disclosure of interests form submitted by Hua An Fund Management Co., Ltd. on November 12, 2021 in respect of the relevant event that occurred on November 10, 2021, Hua An Fund Management Co., Ltd. is the asset manager of two QDII asset management plan products including (1) Hua An Fund – Jinying QDII Single Asset Management Plan and (2) Hua An Fund – Jinxi QDII Single Asset Management Plan. Based on the disclosure of interests form submitted by Beijing Urban Construction Sixth Group Co., Ltd. on November 11, 2021 in respect of the relevant event that occurred on November 10, 2021, Beijing Urban Construction Sixth Group Co., Ltd. is the principal of the above-mentioned Hua An Fund – Jinxi QDII Single Asset Management Plan. Based on the disclosure of interests form submitted by Beijing Urban Construction Great Wall Construction Group Co. Ltd. on November 12, 2021 in respect of the relevant event that occurred on November 10, 2021, Beijing Urban Construction Great Wall Construction Group Co. Ltd. is the principal of the above-mentioned Hua An Fund – Jinying QDII Single Asset Management Plan.

6. Based on the disclosure of interests form submitted by Lushang Group (Hongkong) Co., Limited on November 19, 2021 in respect of the relevant event that occurred on November 10, 2021, Lushang Group (Hongkong) Co., Limited holds 5,002,800 H shares of the Company as a beneficial owner. Confirmed by Lushang Group (Hongkong) Co., Limited, the beneficial owner of the above-mentioned H share interest has been changed to QILU FORWARD INTERNATIONAL CO., LIMITED on September 5, 2023.

7. Based on the disclosure of interests form submitted by Beijing Urban Construction North Group Co., Ltd. on November 12, 2021 and HWABAO TRUST CO., LTD on November 18, 2021 in respect of the relevant event that occurred on November 10, 2021, Beijing Urban Construction North Group Co., Ltd. holds 3,686,000 H shares of the Company (as an asset principal) through the investment product – Hwabao Overseas Market Investment II (45-15 QDII Single Fund Trust) of HWABAO TRUST CO., LTD (as a trustee).

8. Based on the disclosure of interests form submitted by Hu Junsheng on November 15, 2021 and Caitong Fund Caitong Overseas 130 (QDII) Single Asset Management Plan on November 12, 2021 in respect of the relevant event that occurred on November 10, 2021, these shares were held through Beijing Urban Construction Far East Construction Investment Group Co., Ltd. Beijing Urban Construction Far East Construction Investment Group Co., Ltd. is 55% owned by Beishi Investment Group Co., Ltd., which is 51.35% owned by Hu Junsheng. Beijing Urban Construction Far East Construction Investment Group Co., Ltd. (as an asset principal) holds 3,617,600 H shares of the Company through Caitong Fund Caitong Overseas 130 (QDII) Single Asset Management Plan.

9. Based on the disclosure of interests form submitted by Caitong Securities Co., Ltd. on November 12, 2021 in respect of the relevant event that occurred on November 10, 2021, these shares were held through Caitong Fund Management Co., Ltd. Caitong Fund Management Co., Ltd. is 40% owned by Caitong Securities Co., Ltd.

10. Based on the disclosure of interests form submitted by Glodon Company Limited on November 12, 2021 in respect of the relevant event that occurred on November 10, 2021, these shares were held through its direct wholly-owned subsidiary Glodon (Hong Kong) Software Limited. Diao Zhizhong indirectly controls 16% of the equity of Glodon Company Limited.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of each Director, no other person (other than the Directors, Supervisors and chief executives of the Company, whose interests are set out in the section headed "Directors', Supervisors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above) had an interest or short position in the shares or underlying shares (as the case may be) of the Company which are required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or was otherwise a substantial shareholder (as defined in the Listing Rules) of the Company.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, to the knowledge of the Directors, there has been no material adverse change in the financial or trading position of the Group since December 31, 2022, being the date to which the latest published audited accounts of the Company were made up.

4. QUALIFICATION AND CONSENT OF EXPERT

Rainbow Capital has given and has not withdrawn its written consent to the issue of the circular with the inclusion of its opinion and references to its name in the form and context in which it appears. The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification	Date of Conclusion or Opinions
Rainbow Capital	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO	November 30, 2023

As at the Latest Practicable Date, Rainbow Capital was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, Rainbow Capital did not have any direct or indirect interest in any assets which have been, since December 31, 2022 (being the date to which the latest published audited accounts of the Company were made up), 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. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors and Supervisors had entered or was proposing to enter into any service contract with the Company or any other member of the Group, which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' AND SUPERVISORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors, Supervisors or proposed Directors or Supervisors had any direct or indirect interest in any assets which have been, since December 31, 2022 (being the date to which the latest published audited accounts of the Company were made up), 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. As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in any business which competes or may compete with the business of the Group.

8. LITIGATION

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

9. MATERIAL CONTRACTS

No contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the issue of this circular which are or may be material to members of the Group.

10. OTHER INFORMATION

(1) The registered office of the Company is located at Room 301, 3rd Floor, Building 34, Fahuananli, Dongcheng District, Beijing, PRC.

(2) The headquarters and principal place of business in the PRC of the Company is at 8/F, Building A, Chengjian Plaza, 18 North Taipingzhuang Road, Haidian District, Beijing, PRC.

(3) The principal place of business of the Company in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

(4) 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.

(5) Ms. Mok Ming Wai and Mr. Chen Shuang are the joint company secretaries of the Company. Ms. Mok Ming Wai is a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Mr. Chen Shuang is the deputy general manager and secretary to the Board of the Company.

(6) This circular is prepared in both English and Chinese, unless otherwise stated, the English text of this circular shall prevail over the Chinese text in case of inconsistency.

11. ONLINE DISPLAY OF DOCUMENTS

Copies of the following documents will be published on the websites of the Stock Exchange (https://www.hkexnews.hk) and the Company (http://www.bcjps.com) for a period of 14 days from the date (both days inclusive) of this circular:

(1) the Letter from the Independent Board Committee, the text of which is set out in this circular;

(2) the Letter from the Independent Financial Adviser issued by Rainbow Capital, the text of which is set out in this circular;

(3) the written consent of Rainbow Capital as referred to in the section headed "Qualification and Consent of Expert" in this appendix;

(4) the 2021 Agreements for Continuing Connected Transactions;

(5) the 2024 Agreements for Continuing Connected Transactions; and

(6) the Carpark Space Leasing and Sales Services Framework Agreement.

Beijing Capital Jiaye Property Services Co., Limited
北京京城佳業物業股份有限公司

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

(Stock Code: 2210)

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023

NOTICE IS HEREBY GIVEN THAT the first extraordinary general meeting of 2023 (the "**EGM**") of Beijing Capital Jiaye Property Services Co., Limited (the "**Company**") will be held at Conference Room 2, 3/F, Chengjian Plaza, 18 North Taipingzhuang Road, Haidian District, Beijing, the PRC at 1:30 p.m. on Tuesday, December 19, 2023 for the purpose of considering and, if thought fit, approving the following resolutions by the Shareholders of the Company:

ORDINARY RESOLUTIONS

1. To consider and approve the adoption of the Share Appreciation Rights Incentive Scheme and the authorization to the Board to deal with matters relating to the Share Appreciation Rights Incentive Scheme.

2. To consider and approve the change of shareholder representative Supervisor.

3. To consider and approve each item of the revised annual caps for the following continuing connected transactions:

   3.1 To consider and approve the revised annual cap for the transactions under the 2021 Property Management Services Framework Agreement for the year ending December 31, 2023;

   3.2 To consider and approve the revised annual caps for the transactions in relation to the Group leasing properties from BUCG and its associates under the 2021 BUCG Property Leasing Framework Agreement for the year ending December 31, 2023;

   3.3 To consider and approve the revised annual cap for the transactions under the 2021 Engineering and Laboring Services Framework Agreement for the year ending December 31, 2023; and

   3.4 The Board and/or its authorised person be and is hereby authorised for and on behalf of the Company to do all such acts and things and sign, agree, ratify or execute all such documents as he/she/it in his/her/its discretion considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the above revision of annual caps.

4. To consider and approve each item of the following renewal and entering into of the continuing connected transactions:

   4.1 To consider and approve the 2024 Property Management Services Framework Agreement and its annual caps for the three years ending December 31, 2026;

   4.2 To consider and approve the 2024 BUCG Commercial Operational Services and Value-Added Services Framework Agreement and its annual caps for the three years ending December 31, 2026;

   4.3 To consider and approve the 2024 Tiannuo Property Commercial Operational Services and Value-Added Services Framework Agreement and its annual caps for the three years ending December 31, 2026;

   4.4 To consider and approve the 2024 BUCG Property Leasing Framework Agreement and its annual caps for the three years ending December 31, 2026;

   4.5 To consider and approve the 2024 Property Ancillary Services Framework Agreement and its annual caps for the three years ending December 31, 2026;

   4.6 To consider and approve the 2024 Engineering and Laboring Services Framework Agreement and its annual caps for the three years ending December 31, 2026;

   4.7 To consider and approve the Carpark Space Leasing and Sales Services Framework Agreement and its annual caps for each of the periods from the effective date to December 31, 2023, for the two years ending December 31, 2025 and for the period from January 1, 2026 to the termination date, respectively; and

   4.8 The Board and/or its authorised person be and is hereby authorised for and on behalf of the Company to do all such acts and things and sign, agree, ratify or execute all such documents as he/she/it in his/her/its discretion considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the above framework agreements and the transactions contemplated thereunder.

By order of the Board of Directors
Beijing Capital Jiaye Property Services Co., Limited
Zhang Weize
Chairman

Beijing, the PRC
November 30, 2023

As at the date of this notice, the Board consists of Mr. Zhang Weize, Mr. Yang Jun, Mr. Luo Zhou and Mr. Yao Xin as executive Directors, Ms. Jiang Xin and Mr. Mao Lei as non-executive Directors, and Mr. Cheng Peng, Mr. Kong Weiping and Mr. Kong Chi Mo as independent non-executive Directors.

Notes:

(a) Unless specifically indicated, details of the resolutions are set out in the circular of the Company dated November 30, 2023. Terms used therein shall have the same meanings as defined in the circular.

(b) Individual Shareholders who wish to attend the meeting in person shall produce their identity cards or other effective document or proof of identity and stock account cards. Proxies of individual Shareholders shall produce their effective proof of identity and form of proxy. A corporate Shareholder should attend the meeting by its legal representative or proxy appointed by the legal representative. A legal representative who wishes to attend the meeting should produce his/her identity card or other valid documents evidencing his/her capacity as a legal representative. If appointed to attend the meeting, the proxy should produce his/her identity card and an authorization instrument duly signed by the legal representative of the corporate Shareholder.

(c) Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or more person(s) (if the Shareholder holds two or more issued Shares), whether (each of) such person is a Shareholder of the Company or not, as his/her/its proxy or proxies to attend and vote on his/her/its behalf at the EGM.

The instrument appointing a proxy must be signed by the Shareholder or his/her attorney duly authorized in writing. For a corporate Shareholder, the proxy instrument must be affixed with the common seal or signed by its director or attorney duly authorized in writing.

If the power of attorney of the proxy is signed by the authorized person of the appointer under a power of attorney or other authorization document(s) given by the appointer, such power of attorney or other authorization document(s) shall be notarized and served at the same time as the power of attorney. To be valid, the form of proxy, together with a notarially certified copy of the power of attorney or other authorization document(s), must be delivered to the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders), or to the Office of the Board of the Company at 8/F, Building A, Chengjian Plaza, 18 North Taipingzhuang Road, Haidian District, Beijing, the PRC (for Domestic Shareholders) not later than 24 hours before the designated time for the holding of the EGM (being before 1:30 p.m. on Monday, December 18, 2023) or any adjournment thereof (as the case may be).

In case of registered joint holders of any Shares, any one of the registered joint holders can vote on such Shares at the EGM in person or by proxy as if he/she is the only holder entitled to vote. If more than one registered joint holders attend the EGM in person or by proxy, only the vote of the person whose name appears first in the register of members of the Company relating to such Shares (in person or by proxy) will be accepted as the sole and exclusive vote of the joint holders.

After the completion and return of the form of proxy and the power of attorney, you can attend and vote in person at the EGM or any adjournment thereof should you so wish. In this case, the power of attorney will be deemed to have been revoked.

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the resolutions to be proposed at the EGM will be voted on by poll. Results of the poll voting will be posted onto the website of the Company (www.bcjps.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) upon the conclusion of the EGM.

(d) For determining eligibility to attend and vote at the EGM (and at any adjournment thereof), the register of members of the Company will be closed from Saturday, December 16, 2023 to Tuesday, December 19, 2023, both days inclusive, during which period no transfer of Shares will be registered. To be eligible for attending and voting at the EGM, all share transfer documents accompanied by the relevant share certificates and other appropriate documents must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders), or the Company's Office of the Board at 8/F, Building A, Chengjian Plaza, 18 North Taipingzhuang Road, Haidian District, Beijing, the PRC (for Domestic Shareholders) not later than 4:30 p.m. on Friday, December 15, 2023 for registration. Shareholders whose names appear on the register of members of the Company on Tuesday, December 19, 2023 shall be entitled to attend and vote at the EGM.

(e) Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.

Shareholders may contact the Office of the Board of the Company at telephone (+86 10 6209 1667) for any enquiries in respect of the EGM.