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北京北辰實業股份有限公司
BEIJING NORTH STAR COMPANY LIMITED

(A sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 588)

CONTINUING CONNECTED TRANSACTIONS
ENTRUSTED OPERATION AND MANAGEMENT CONTRACTS

The Company's subsidiary, North Star Commercial Management (as the entrusted manager) and BNSIGC (as the owner) will shortly enter into the Chenyun Property Entrusted Operation and Management Contract and the YVAEX Entrusted Operation and Management Contract, respectively, pursuant to which BNSIGC will engage North Star Commercial Management to provide entrusted management services in relation to the operation and management of Chenyun Property and YVAEX, respectively, and pay management fees.

LISTING RULES IMPLICATIONS

As at the date of this announcement, BNSIGC holds 1,161,000,031 A Shares of the Company, representing approximately 34.48% of the issued shares of the Company, and is the controlling shareholder of the Company. Therefore, BNSIGC is a connected person of the Company. Accordingly, the Entrusted Operation and Management Contracts and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratio(s) (consideration ratio) in respect of the annual caps under the two Entrusted Operation and Management Contracts, on an aggregated basis, exceed(s) 0.1% but is (are) less than 5%, the Entrusted Operation and Management Contracts are subject to the reporting and announcement requirements but are exempt from the circular and shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

In addition, as the term of the Entrusted Operation and Management Contracts exceeds three years, pursuant to Rule 14A.52 of the Hong Kong Listing Rules, the Company has appointed an independent financial adviser to review the Entrusted Operation and Management Contracts and to confirm that it is a normal business practice for contracts of this type to be of such duration. Please refer to the section headed "Opinions of the Independent Financial Adviser" in this announcement for further details.

1. CHENYUN PROPERTY ENTRUSTED OPERATION AND MANAGEMENT CONTRACT

North Star Commercial Management, a subsidiary of the Company, and BNSIGC will shortly enter into the Chenyun Property Entrusted Operation and Management Contract in relation to the operation and management of the companies, assets and employees of BNSIGC under entrusted management. The principal terms of the Chenyun Property Entrusted Operation and Management Contract are summarised as follows:

Parties: (i) BNSIGC, as the owner

(ii) North Star Commercial Management, as the entrusted manager

Scope of entrustment: The scope of entrusted operation and management includes the companies, assets and employees of BNSIGC under entrusted management.

The companies under entrusted management include: Beijing North Star Industrial Group Limited Liabilities Company Chenyun Property Management Center, Beijing North Star Industrial Group Limited Liabilities Company Yuanchenxin Property Management Center (“**Yuanchenxin Property Management Center**”), Beijing North Star Industrial Group Limited Liability Company Beijing Theatre and Beijing North Star Industrial Group Limited Liability Company Yuanchenxin International Hotel.

The assets under entrusted management include:

The main assets currently managed by Chenyun Property are: all properties located at the address of Building 1, Area 1; Building 4, Area 2; Building 12 (1-4/F), Area 2; 101, 1st Floor, Building 20, Area 2 (3 sets); Building 6, Area 3; Beijing Theatre, Building 10, Area 3 and the annex building; Building 1, Area 4, Anhuili, Chaoyang District, Beijing; Building 14, Anyuanbeili, Chaoyang District, Beijing; relevant properties located at Blocks J and K, No. 8 Bei Si Huan Zhong Road, Chaoyang District, Beijing; the property at 2102, Block E, No. 8, Bei Chen Zhong Road, Chaoyang District, Beijing and the property at 708, Block G, No. 8, Bei Chen Zhong Road, Chaoyang District, Beijing.

The main assets currently managed by Yuanchenxin Property Management Center are: the properties of Block F, Block E1, Block E2 and Block E3, Yuanchenxin Tower, No. 12, Yumin Road, Madian, Chaoyang District, Beijing.

Term of entrustment: Five years from the date of signing of the Chenyun Property Entrusted Operation and Management Contract.

Management fee:

The monthly management fee (inclusive of tax) shall be charged according to the following rates on the operating income of the project (as shown in the table below), and shall be counted commencing from the first operating income sum obtained from the date of signing of the the Chenyun Property Entrusted Operation and Management Contract (inclusive of the date of signing). Both parties shall pay their respective tax levies liable under the PRC laws and regulations.

	2023 (from the commencement date)	2024	2025	2026	2027
Annual management fee rate	3%	2.9%	2.7%	2.5%	2.5%
Monthly management fee rate	0.250%	0.242%	0.225%	0.208%	0.208%

North Star Commercial Management undertakes that if the parties’ agreed cost and expense ratio exceeds one percentage point, the actual management fees that should be received by North Star Commercial Management for the year will be reduced by 3% accordingly. The cost and expense ratio adjustment deviation at most shall not exceed ten percentage points.

The above management fee was determined after arm’s length negotiations between BNSIGC and North Star Commercial Management with reference to the target management scope, the comparatively more additional resources required to be invested in the early stage, the management cost plus the target revenue estimate and the level of fees charged in the industry. The operating income reflected in the respective operating accounts of the companies under entrusted management will be used as the basis for calculation of the management fee charged by North Star Commercial Management. North Star Commercial Management shall not use the funds in the respective operating accounts of the companies under entrusted management in any form.

Payment:

North Star Commercial Management shall finish the financial statements for the previous month prior to the 10th day of each month (if it is a holiday, it shall be postponed to the second working day thereafter), and report the operating income, operating expenses and management fees of the previous month to BNSIGC. North Star Commercial Management will report the operating income in the financial statements of the entrusted project company to BNSIGC. Upon confirmation by BNSIGC, the companies under entrusted management will pay the management fee to North Star Commercial Management in RMB by way of bank remittance.

Annual Caps

The annual caps for the transactions contemplated under the Chenyun Property Entrusted Operation and Management Contract for the effective period under the Chenyun Property Entrusted Operation and Management Contract are estimated as follows:

	<i>Unit: RMB0' 000</i>				
	2023	2024	2025	2026	2027
Annual Cap	291.06	289.80	269.81	254.68	257.10

The above annual caps were determined with reference to the operating income level of Chenyun Property over the past years (excluding the impact of the pandemic) and the operating target for the next five years as well as the management fee rate, assuming the level of cost and expense agreed by both parties are maintained.

2. YVAEX ENTRUSTED OPERATION AND MANAGEMENT CONTRACT

North Star Commercial Management, a subsidiary of the Company, and BNSIGC will shortly enter into the YVAEX Entrusted Operation and Management Contract in relation to the operation and management of YVAEX and its assets. The principal terms of the YVAEX Entrusted Operation and Management Contract are summarised as follows:

- Parties:
- (i) BNSIGC, as the owner
 - (ii) North Star Commercial Management, as the entrusted manager
- Scope of entrustment: The scope of entrusted operation and management includes YVAEX and its assets and employees.
- The major assets currently under management by YVAEX are: the sites, the integrated hall, the complex and its ancillary facilities located at No. 70 Litang Road, Changping District, Beijing.
- Term of entrustment: Five years from the date of signing of the YVAEX Entrusted Operation and Management Contract.
- Management fee: The monthly management fee (inclusive of tax) shall be charged based on the following rates on the operating income of the project (as shown in the table below) and shall be counted commencing from the first operating income sum obtained from the date of signing of the YVAEX Entrusted Operation and Management Contract (inclusive of the date of signing). Both parties shall pay their respective tax levies liable under the PRC laws and regulations.

	2023 (from the commencement date)	2024	2025	2026	2027
Annual management fee rate	3%	2.9%	2.7%	2.5%	2.5%
Monthly management fee rate	0.250%	0.242%	0.225%	0.208%	0.208%

North Star Commercial Management undertakes that if the parties' agreed cost and expense ratio exceeds one percentage point, the actual management fees that should be received by North Star Commercial Management for the year will be reduced by 3% accordingly. The cost and expense ratio adjustment deviation at most shall not exceed ten percentage points.

The above management fee was determined after arm's length negotiations between BNSIGC and North Star Commercial Management with reference to the target management scope, the comparatively more additional resources required to be invested in the early stage, the management cost plus the target revenue estimate and the level of fees charged in the industry. The operating income reflected in the operating account of YVAEX will be used as the basis for calculation of the management fee charged by North Star Commercial Management. North Star Commercial Management shall not use the funds in the operating account of YVAEX in any form.

Payment:

North Star Commercial Management shall finish the financial statements for the previous month prior to the 10th day of each month (if it is a holiday, it shall be postponed to the second working day thereafter), and report the operating income, operating expenses and management fees of the previous month to BNSIGC. North Star Commercial Management will report the operating income in the financial statements of the entrusted project company to BNSIGC. Upon confirmation by BNSIGC, YVAEX will pay the management fee to North Star Commercial Management in RMB by way of bank remittance.

Annual Caps

The annual caps for the transactions contemplated under the YVAEX Entrusted Operation and Management Contract for the effective period under the YVAEX Entrusted Operation and Management Contract are estimated as follows:

	<i>Unit: RMB0' 000</i>				
	2023	2024	2025	2026	2027
Annual Cap	317.31	326.83	304.29	287.22	289.95

The above annual caps were determined with reference to the operating income level of YVAEX over the past years (excluding the impact of the pandemic) and the operating target for the next five years as well as the management fee rate, assuming the level of cost and expense agreed by both parties are maintained.

3. REASONS FOR AND BENEFITS OF ENTERING INTO THE ENTRUSTED OPERATION AND MANAGEMENT CONTRACTS

With its experience in professionalised operation and management of office buildings, apartments and commercial properties in the industry, North Star Commercial Management's entrusted management of the commercial property projects of BNSIGC by entering into the Entrusted Operation and Management Contracts will further integrate resources, improve comprehensive management efficiency, strengthen the overall profitability of the Company, enhance the brand influence of the Company and accelerate the development of a new state of mutual support, complementing strengths and synergistic development of the real estate, convention and exhibition and commercial property segments of the Company.

The Board has agreed on the terms of the Entrusted Operation and Management Contracts on 1 February 2023 and the Entrusted Operation and Management Contracts will shortly be entered into. The Directors (including the independent non-executive Directors) have confirmed that the terms of the Entrusted Operation and Management Contracts (including the annual caps and the term of the contracts) are fair and reasonable, the Entrusted Operation and Management Contracts and the transactions contemplated thereunder are on normal commercial terms 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.

As Mr. Li Wei-Dong, Ms. Li Yun and Mr. Yang Hua-Sen, being Directors, are also directors of BNSIGC, and Ms. Zhang Wen-Lei and Mr. Guo Chuan are also directors and supervisors of subsidiaries of BNSIGC, respectively, they have all abstained from voting on the approval of the Entrusted Operation and Management Contracts at the Board meeting. Save as disclosed above, none of the Directors is deemed to have any material interest in the Entrusted Operation and Management Contracts.

4. LISTING RULES IMPLICATIONS

As at the date of this announcement, BNSIGC holds 1,161,000,031 A Shares of the Company, representing approximately 34.48% of the issued shares of the Company, and is the controlling shareholder of the Company. Therefore, BNSIGC is a connected person of the Company. Accordingly, the Entrusted Operation and Management Contracts and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratio(s) (consideration ratio) in respect of the annual caps under the two Entrusted Operation and Management Contracts, on an aggregated basis, exceed(s) 0.1% but is (are) less than 5%, the Entrusted Operation and Management Contracts are subject to the reporting and announcement requirements but are exempt from the circular and shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

5. OPINIONS OF THE INDEPENDENT FINANCIAL ADVISER

In addition, as the term of the Entrusted Operation and Management Contracts exceeds three years, pursuant to Rule 14A.52 of the Hong Kong Listing Rules, the Company has appointed Altus Capital as the independent financial adviser to explain why the Entrusted Operation and Management Contracts require a duration longer than three years and to confirm that it is a normal business practice for entrusted operation and management contracts of this type to be of such duration.

In formulating its opinion pursuant to Rule 14A.52 of the Listing Rules, Altus Capital has taken into account the following principal factors:

(a) Scope of entrustment and resources required to be invested

- (i) According to information provided by management of the Company, the assets under entrusted management pursuant to the Chenyun Property Entrusted Operation and Management Contract represent comprehensive assets with a total properties area of more than 70,000 sq.m., of which the main business includes the leasing of commercial properties and office buildings and the operation of Beijing Theatre. The operation scope of Beijing Theatre includes a 900-member luxury theatre, a 144-seat multi-functional theatre and five modern movie theatres. It is a comprehensive theatre for performances, variety shows and movies. Its business scope includes (a) performance business, with more than 300 performances such as musicals, plays, kids dramas, concerts and variety shows on an annual basis, and undertaking the units of “Beijing Film Screenings (北京展映)” of the Beijing International Film Festival by joining the “China Film Stellar Theater Chain (中影星美院綫)” and the “Nationwide Alliance of Arthouse Cinemas (全國藝術電影聯盟)” to continuously promote the diversification of screening types; (b) the film business, with nearly ten thousand screenings of various types of movies all year round; and (c) innovative businesses, including the original self-made drama series “Adventures of Chenchen” (《辰辰大冒險》) of Beijing Theatre, two episodes of which are “Adventures of Chenchen: The Water Adventure” (《辰辰大冒險之水中奇緣》) (2019) and “Adventures of Chenchen: The Ice Hockey Boy” (《辰辰大冒險之冰球少年》) (2021), respectively. The national tour of the drama series was completed. At the same time, a series of activities of the Beijing Theatre Drama Festival (2017-2020) were held; and
- (ii) The total gross floor area of the assets under entrusted management pursuant to the YVAEX Entrusted Operation and Management Contract is more than 100,000 sq.m., of which the rentable area is more than 70,000 sq.m. It is principally engaged in comprehensive supporting services such as leasing of venue for new and second-hand vehicles, provision of second-hand vehicle transfer and inspection, and one-stop vehicle formalities, providing automobile manufacturers, merchants and consumers with an all-round convenient vehicle consumption place, and undertaking the administrative function of handling various vehicle formalities for consumers at the Beijing Traffic Management Bureau.

Given the relatively large scale of the entrusted scope under the Entrusted Operation and Management Contracts as abovementioned, and the wide variety of assets required for operation, including office buildings, commercial properties, Beijing Theatre and one-stop automobile trading market, the Group needs to invest additional resources in the early stage, such as formulating and implementing targeted operation strategies for various assets, and investing resources in the engagement and training of relevant talents for management of the entrusted scope. Due to the relatively large size of assets involved in the entrusted operation and management services, the time cost required by the Group in the early stage is also relatively high. Therefore, the establishment of a longer term of the Entrusted Operation and Management Contracts can ensure that the Group has sufficient time to recover the precipitation costs involved and gain reasonable profits each year within a reasonable period. Hence, a relatively longer term of the Entrusted Operation and Management Contracts is reasonable.

(b) Conducive to extending the period of revenue to be generated for the Business of the Group

The Group is principally engaged in (i) property development; (ii) investment in properties and hotels, mainly comprising operating apartments, office buildings, convention centers and hotels; and (iii) other segments, mainly comprising property management and restaurants. The Group's revenue is mainly derived from property development, which accounted for over 90% in 2021. The current scale of the Group's property management/entrusted operation business (the "**Business**") is relatively small. In the first half of 2022, the Group continued to strengthen the integration of resources with high quality, focused on improving the quality and efficiency of operation and management, and continued to drive the synergic development of real estate, convention and exhibition (including hotels) and commercial property segments. It is planned that in the future, North Star Commercial Management will empower property operation and management with intelligent technology by establishing a unified operation and management center model, so as to create a new strategic support point for the Group.

The establishment of a longer term of the Entrusted Operation and Management Contracts will facilitate the extension of the term for receiving revenue for the Business, and help the Group to continuously accumulate experience in relation to the Business and formulate corresponding long-term strategies, which is beneficial to the diversified development of the Group. A longer term of the Entrusted Operation and Management Contracts will enable the Group to build up and enhance its business capability in the Business, particularly in view of the large scope of entrustment of the project and the wide variety of assets involved, thereby increasing the number of customers and sources of revenue of the Group in the future. In view of the above, setting a relatively longer term of the Entrusted Operation and Management Contracts is conducive to extending the revenue period of the Business and facilitating the long-term development of the Group and the Business.

Having considered (i) the scope of entrustment and the resources required to be invested in the early stage; and (ii) a longer term would facilitate the extension of the Group's revenue period for the Business, it is necessary for the term of the entrusted operation contracts to exceed three years.

In addition to the above factors, in considering whether it is a normal business practice for contracts of a similar nature to the Entrusted Operation and Management Contracts to have such a long duration, Altus Capital has also investigated and reviewed comparable transactions involving the provision of entrusted operation and management services/property management services of commercial nature in the past two years (the “**Comparable Transactions**”).

The Comparable Transactions were selected based on the following criteria: (a) one of the parties (or its direct or indirect holding company) to the transactions (i) is listed on the Main Board of the Stock Exchange; and (ii) is principally engaged in entrusted operation and management services or property management services; and (b) the principal terms of the transactions are publicly disclosed on the website of the Stock Exchange. The term of the Entrusted Operation and Management Contracts is five years, while the term of 17 Comparable Transactions ranges from one to 20 years.

Based on the above, Altus Capital is of the view that a term of longer than three years is required for the Entrusted Operation and Management Contracts and it is a normal business practice for this type of entrusted operation and management contracts to be of such duration.

6. GENERAL INFORMATION

The Company is principally engaged in real estate development, convention and exhibition (including hotels) and commercial properties.

North Star Commercial Management is principally engaged in commercial complex management services; property management; leasing of non-residential properties; convention and exhibition services; organisation of cultural and art exchange activities; car park services; fitness and leisure activities; chess and poker room services; operation of sports facilities (excluding high-risk sports); billiards; leasing of sports equipment; office services; information consulting services (excluding licensed information consulting services); social and economic consulting services; professional cleaning, washing and sterilising services; labour services (excluding labour dispatch); sales of general merchandise; sales of knitwear products; retail of arts and crafts and collectibles (other than ivory and its products); retail of motorcycles and spare parts; sales of automobiles; sales of new energy vehicles; second-hand car dealership; second-hand car brokerage; sales of glasses (excluding contact lenses); leasing services (excluding licensed leasing services); ticketing agency services; advertisement production; advertising design and agency; advertising publication. (Except for projects subject to approval by laws, operating activities can be conducted independently with business license in accordance with the laws) Permitted items: accommodation service; catering services; beauty services; hair care services; sales of food; retail of tobacco products; performance venue operation; performance brokerage; film exhibition; auction business.

BNSIGC is a state-owned enterprise, which is principally engaged in real estate development, convention and exhibition as well as operation and management of ancillary properties, etc.

YVAEX is principally engaged in hosting the Beichen Yayun Village Automotive Exchange Market; listed goods: automobiles (including used motor vehicles); sales of automobiles, motorcycles, automobile and motorcycle accessories, mechanical and electrical equipment, hardware and electrical equipment, electronic products; automobile after-sales services; undertaking automobile exhibition and convention; vehicle maintenance; organising corporate cultural exchange activities; motor vehicle public carpark services; economic and trade consultation; advertising design, production, agency and publication; asset valuation; auction (excluding cultural relics); internet information services; catering services.

Chenyun Property is principally engaged in property management (including office leasing); fitness services; labour services; undertaking exhibition and convention activities; typing services; building cleaning services; conference services; home decoration; information consulting (excluding intermediary services); sales of hardware and electrical equipment, machinery and equipment, general merchandise, arts and crafts, refrigeration and air-conditioning equipment; lease of flowers; installation and maintenance of refrigeration and air-conditioning equipment.

7. DEFINITIONS

“A Shares”	domestic ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange (stock code: 601588);
“Altus Capital”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser pursuant to Rule 14A.52 of the Listing Rules;
“applicable percentage ratio(s)”	the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules;
“BNSIGC”	Beijing North Star Industrial Group Limited Liabilities Company (北京北辰實業集團有限責任公司), a company incorporated in the PRC with limited liability, which holds approximately 34.48% equity interest in the Company as at the date of this announcement and is the controlling shareholder of the Company;
“Board”	the board of Directors of the Company;
“Chenyun Property”	Beijing North Star Industrial Group Limited Liabilities Company Chenyun Property Management Center (北京北辰實業集團有限責任公司辰運物業管理中心), a branch of BNSIGC;

“Chenyun Property Entrusted Operation and Management Contract”	the entrusted operation and management contract to be entered into recently between BNSIGC (as the owner) and North Star Commercial Management (a subsidiary of the Company, as the entrusted manager) in relation to the operation and management of the companies, assets and employees of BNSIGC under entrusted management;
“Company”	Beijing North Star Company Limited (北京北辰實業股份有限公司), a sino-foreign joint venture joint stock limited liability company incorporated in the PRC, whose A Shares and H shares are listed and traded on the Shanghai Stock Exchange and the Stock Exchange respectively;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“consideration ratio”	the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Entrusted Operation and Management Contracts”	the Chenyun Property Entrusted Operation and Management Contract and the YVAEX Entrusted Operation and Management Contract;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“North Star Commercial Management”	Beijing North Star Commercial Management Co., Ltd. (北京北辰商業管理有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company;
“PRC” or “China”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“YVAEX”	Beijing Beichen Yayun Village Automotive Exchange Market Center (北京北辰亞運村汽車交易市場有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of BNSIGC;

“YVAEX Entrusted
Operation and
Management Contract”

the entrusted operation and management contract to be entered into recently between BNSIGC (as the owner) and North Star Commercial Management (a subsidiary of the Company, as the entrusted manager) in relation to the operation and management of YVAEX; and

“%”

per cent.

By order of the Board
BEIJING NORTH STAR COMPANY LIMITED
GUO Chuan
Executive Director and Company Secretary

Beijing, the PRC, 2 February 2023

As at the date of this announcement, the Board comprises eight Directors, of which Mr. LI Wei-Dong, Ms. LI Yun, Mr. YANG Hua-Sen, Ms. ZHANG Wen-Lei and Mr. GUO Chuan are executive directors and Dr. CHOW Wing-Kin, Anthony, Mr. GAN Pei-Zhong and Mr. CHEN De-Qiu are independent non-executive directors.

In case of inconsistency between the Chinese and English versions of this announcement, the Chinese version shall prevail.