



29 April 2026

*To: The Independent Board Committee and the Independent Shareholders of  
Beijing Capital Jiaye Property Services Co., Limited*

Dear Sirs,

**DISCLOSABLE AND CONNECTED TRANSACTION  
REGARDING RELOCATION COMPENSATION  
FOR BEIJING URBAN CONSTRUCTION XINGFA GAS STATION**

**INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the entering into of the Relocation Compensation Agreement and the transactions contemplated thereunder (collectively, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 29 April 2026 (the “**Circular**”), of which this letter of advice forms part. Unless the context requires otherwise, capitalised terms used in this letter of advice shall have the same meanings as defined in the Circular.

Reference is made to the announcement of the Company dated 27 March 2026 (the “**Announcement**”) in relation to, among other things, the Transactions.

To carry out Beijing Haidian District CCP Committee and District Government’s unified planning of urban village reconstruction projects, in June 2025, Beijing Haidian District Government appointed Haicheng Xingtai to take charge of the relocation and evacuation of Xingfa Gas Station operating areas subordinate to BUCGP, among others. The operation at Xingfa Gas Station’s site will be terminated and the buildings, structures and equipment, etc. above the ground will be relocated and vacated. In this relation, on 27 March 2026, the Company, BUCGP and Haicheng Xingtai (as the implementing entity/relocator), among others, enter into the Relocation Compensation Agreement, pursuant to which Haicheng Xingtai agrees

that the Group will be compensated by means of monetary compensation in the aggregate amount of RMB57.81 million (the “**Compensation**”) for the losses arising from the termination of operating rights of Xingfa Gas Station and the relocation and evacuation of its buildings, structures and equipment, etc. above the ground. The amount of Compensation is determined by all parties to the Relocation Compensation Agreement upon arm’s length negotiation, among others, by reference to the valuation report (the “**Valuation Report**”) as at the valuation benchmark date of 3 June 2025 issued by the independent third-party valuer engaged by the Group, pursuant to which, the losses arising from relocation and evacuation of Xingfa Gas Station operating rights, buildings, structures and equipment are valued at RMB57.81 million in aggregate.

### **Listing Rules implications**

As one or more of the percentage ratios applicable to the Compensation to be made to the Group under the Relocation Compensation Agreement pursuant to Rule 14.07 of the Listing Rules is higher than 5% but lower than 25%, the transaction contemplated under the Relocation Compensation Agreement constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules, and shall be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BUCG is the ultimate controlling Shareholder of the Company as at the Latest Practicable Date, so BUCG and its associates (including Haicheng Xingtai) are connected persons of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transaction contemplated under the Relocation Compensation Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Compensation to be made to the Group under the Relocation Compensation Agreement exceed 5%, the transaction contemplated under the Relocation Compensation Agreement shall be subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### **THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising of all independent non-executive Directors has been established to consider the Relocation Compensation Agreement, and provide advice to the Independent Shareholders. We, Red Solar Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

## OUR INDEPENDENCE

During the past two years immediately preceding the date of the Announcement and up to the Latest Practicable Date, other than this engagement of us as the Independent Financial Adviser, no other engagement nor relationship has been formed between us and the Group, the other party(ies) to the Transactions, or close associate or core connected person of any of them. As at the Latest Practicable Date, we did not have any interest in the Group, the other party(ies) to the Transactions, close associate or core connected person of any of them, or any other parties that could reasonably be regarded as relevant to our independence. Apart from the normal advisory fee payable to us by the Company in connection with our engagement as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Group, the other party(ies) to the Transactions, or close associate or core connected person of any of them.

- Based on the above, we considered ourselves independent to act as the Independent Financial Adviser in respect of the Transactions pursuant to Rule 13.84 of the Listing Rules.

## BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the information and facts supplied, opinions expressed, statements and representations made to us by the Company and its representatives (including but not limited to those contained or referred to in the Announcement and the Circular). We have reviewed documents including but not limited to (i) the Announcement; (ii) the Circular and the Letter from the Board contained therein; (iii) the Relocation Compensation Agreement; (iv) the annual report of the Company for the year ended 31 December 2024 (the “**2024 Annual Report**”); (v) the annual results announcement of the Company for the year ended 31 December 2025 (the “**2025 Annual Results Announcement**”); (vi); and (vii) relevant supporting documents provided by the Company to formulate our opinion and recommendation. We have assumed that the information and facts supplied, opinions expressed, statements and representations made to us by the Company were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the General Meeting. We have also assumed that all statements of belief, opinions, expectation and intention made by the Company in the Circular were reasonably made after due enquiry and careful consideration. Where applicable, we have also conducted our own desktop search and we are not aware of material deviation between our search results and the information and facts supplied, opinions expressed, statements and representations made to us by the Company. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to suspect that any material fact or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company and its representatives, which have been provided to us.

We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us up to the Latest Practicable Date, which could be subject to subsequent developments and changes from time to time. Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been carefully extracted. We have not, however, conducted any independent in-depth investigation nor verification of such information.

The Directors have collectively and individually accepted full responsibility for the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in the 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 in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion in respect of the Transactions, we have considered the following principal factors and reasons:

### **1. Background of and reasons for the Transactions**

#### ***(a) Background information of the Company and 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.

The following table sets out key consolidated financial information of the Group for each of the two years ended 31 December 2025 (“FY2024” and “FY2025”, respectively), as extracted from the 2024 Annual Report and 2025 Annual Results Announcement:

	<b>For FY2025</b>	<b>For FY2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	2,292,046	1,983,611
<b>Gross profit</b>	318,364	354,141
<b>Profit for the year</b>	51,596	84,629

	<b>As at</b> <b>31 December</b> <b>2025</b> <i>RMB'000</i>	<b>As at</b> <b>31 December</b> <b>2024</b> <i>RMB'000</i>
Total non-current assets	512,583	451,948
Total current assets	2,044,340	2,089,496
Total current liabilities	1,533,084	1,517,166
<b>Net current assets</b>	<b>511,256</b>	<b>572,330</b>
<b>Total assets less current liabilities</b>	<b>1,023,839</b>	<b>1,024,278</b>
Total non-current liabilities	104,713	124,772
<b>Net assets/Total equity</b>	<b>919,126</b>	<b>899,506</b>

*Comparison of performance between FY2024 and FY2025*

The Group's revenue increased by approximately 15.5% from approximately RMB1,983.6 million in FY2024 to approximately RMB2,292.0 million in FY2025. This growth was driven by expansion across all three major service lines of the Group. In particular, the Group's revenue from (i) property management services increased from approximately RMB1,398.7 million in FY2024 to approximately RMB1,591.4 million in FY2025; (ii) value-added services to non-property owners increased from approximately RMB253.6 million in FY2024 to approximately RMB308.8 million in FY2025; and (iii) community value-added services increased from approximately RMB331.4 million in FY2024 to approximately RMB391.8 million in FY2025. Such increases are consistent with the modest growth in the Group's area under management from approximately 45.9 million sq.m. as at 31 December 2024 to approximately 49.0 million sq.m. as at 31 December 2025.

Despite the revenue growth, the Group's gross profit and net profit deteriorated between FY2024 and FY2025. The Group's gross profit fell by approximately 10.1% from approximately RMB354.1 million in FY2024 to approximately RMB318.4 million in FY2025, as its cost of sales rose by approximately 21.1% from approximately RMB1,629.5 million to approximately RMB1,973.7 million between the same years, outpacing revenue growth. The Group's profit from operations declined by approximately 43.6% from approximately RMB101.3 million in FY2024 to approximately RMB57.1 million in FY2025, primarily due to (i) the gross profit reduction; and (ii) a significant increase in its other expense from approximately RMB0.4 million in FY2024 to approximately RMB20.0 million in FY2025, which primarily included impairment losses on property, plant and equipment and right-of-use assets of approximately RMB16.8 million. As a result of the above and other fluctuations in the Group's profit and loss items, the Group's profit for the year fell by approximately 39.0% from approximately RMB84.6 million in FY2024 to approximately RMB51.6 million in FY2025.

### *Comparison of financial positions*

Total equity rose modestly from approximately RMB899.5 million as at 31 December 2024 to approximately RMB919.1 million as at 31 December 2025. Cash and cash equivalents declined by approximately RMB162.8 million to approximately RMB720.2 million as at 31 December 2025, but the Group also maintained liquidity through time deposits of approximately RMB500.0 million with original maturity over three months and of approximately RMB100.0 million with original maturity over one year. Net current assets remained relatively stable at approximately RMB511.3 million as at 31 December 2025 when compared to approximately RMB572.3 million as at 31 December 2024.

### *Prospects*

It is set out in the 2025 Annual Results Announcement that the Group will adhere to the development philosophy of “stabilising growth, improving quality and efficiency, strengthening services, and building the brand”.

In particular, we noted that the Group remained anchored on the strategic objective of becoming a “leading city operator and premier lifestyle service provider in Beijing with a national reputation”. It is mentioned that the Group will closely align with the development direction of “core property + value added businesses”, with focuses on premium non-residential business sectors, such as universities and colleges, hospitals, transportation hubs and government office buildings. The Group plans to seize the opportunities of urban renewal, cultivate operational service capabilities, and develop and expand its asset management business. It intends to establish a presence in the IFM market to provide customers with comprehensive service solutions, and expand into new business tracks such as community value-added services and healthcare and wellness, thereby creating a second growth curve.

It is also set out that the Group will increase investment in technology and implement the Special IT Planning for the “15th Five-Year Plan” period, including but not limited to building a smart property management platform covering the entire business process, deepening the application of data within its integrated systems, and piloting AI technologies in scenarios including intelligent customer service, safety inspections, and energy consumption analysis, with aims to comprehensively enhance management effectiveness and decision-making efficiency.

Apart from the above, the Group’s development strategies also include shaping the brand through enhancing service quality to meet customer needs and improve customer satisfaction, enhancing efficiency and effectiveness through lean operations, and fostering development through organisational reforms and innovations.

Overall, the Group intends to continue leveraging its existing advantages to drive a profound transformation from “scale expansion” to “value creation”, and comprehensively promote the high-quality development of it.

***(b) Reasons for and benefits of the Transactions***

As set out in the Letter from the Board, the background and primary reason of the Transactions is that the Beijing Haidian District Government, to carry out Beijing Haidian District CCP Committee and District Government’s unified planning of urban village reconstruction projects, appointed Haicheng Xingtai in June 2025 to take charge of the relocation and evacuation of Xingfa Gas Station operating areas subordinate to BUCGP, among others. The Relocation Compensation Agreement provides for the manner of relocation compensation, the deadline of relocation and evacuation, the conditions and default liability among other core matters, aiming to ensure the compliant, stable and order progress of relocation and evacuation, determine the boundaries of responsibilities and obligations of all parties, reduce the legal and compliance risks, safeguard the legitimate rights and interests of the Company and the Shareholders as a whole, as well as to actively cooperate and facilitate the implementation of the requirements of Beijing new general rules and Haidian District CCP Committee and District Government’s unified planning of urban village reconstruction projects to promote the high quality development of the city.

In this relation, we have conducted our own desktop search to further explore the background of the Transactions. We first noted that the office of the Beijing Haidian District Government (i.e. Haidian District People’s Government of Beijing Municipality) published “Report on the Implementation of the 2025 National Economic and Social Development Plan and the 2026 National Economic and Social Development Plan of Haidian District<sup>1</sup>” (關於海澱區2025年國民經濟和社會發展計劃執行情況與2026年國民經濟和社會發展計劃的報告<sup>2</sup>) on 26 January 2026, in which it is set out that (i) during 2025, to accelerate the upgrading of functionality and quality of urban area, among other measures taken, the Beijing Haidian District Government (a) facilitated various state-owned land urban village reconstruction projects in the municipality, including some held by BUCG, to become the first batch obtaining planning qualification; (b) put forth seven other urban village reconstruction projects; and (c) formulated urban renewal guidelines, implementation guidelines and carried out overall planning for the district’s urban renewal work from the perspectives of top-level design, implementation procedures, and project planning; and (ii) in 2026, among other measures to be implemented, the Beijing Haidian District Government will continue carrying out high quality urban renewal, such as to basically complete the relocation and evacuation for various state-owned land urban village reconstruction projects, including but not limited to some held by BUCG, and to plan and advance the preparation of reconstruction paths and schemes in an orderly manner for various areas in the district. Furthermore, we have obtained and reviewed the official announcement about the relocation and evacuation of all properties on the land piece which comprised the Xingfa Gas Station and its vicinity, in which Haicheng Xingtai is shown to be the entity in charge. We also noted that multiple local news sources in Beijing have either discussed the Beijing Haidian District Government’s urban village reconstruction schemes in 2025 to 2026 or reported the relocation and evacuation measures in the Xisanqi area where the Xingfa Gas Station locates. Based on the above, we agreed that (i) it is Beijing

<sup>1</sup> English name is translated for reference only

<sup>2</sup> [https://zyk.bjhd.gov.cn/zwdt/zcwj/202602/t20260206\\_4805099.shtml](https://zyk.bjhd.gov.cn/zwdt/zcwj/202602/t20260206_4805099.shtml)

Haidian District CCP Committee and Beijing Haidian District Government's unified plan to carry out urban village reconstruction projects in various areas in the district, including the Xisanqi area where the Xingfa Gas Station locates; and (ii) Haicheng Xingtai is in charge of the relocation and evacuation of Xingfa Gas Station operating areas subordinate to BUCGP, among others. In light of the above, we considered it fair and reasonable for the Group to (i) cooperate with the Beijing Haidian District Government's urban village reconstruction schemes and relocate and evacuate the Xingfa Gas Station operating areas; and (ii) enter into the Relocation Compensation Agreement to ensure a proper manner of relocation compensation and relevant arrangements, and carry out the transactions contemplated thereunder.

We have also considered that the Transactions including the Compensation provide greater flexibility to the Group in reallocating its resources. It is discussed in the 2025 Annual Results Announcement that it is the Group's intention to develop and expand its asset management business, establish a presence in the IFM market to provide customers with comprehensive service solutions, and expand into new business tracks such as community value-added services and healthcare and wellness. It is also the Group's intention to increase investment in technology, such as building a smart property management platform covering the entire business process, deepening the application of data within its integrated systems, and piloting AI technologies in various scenarios with aims to comprehensively enhance management effectiveness and decision-making efficiency. The Group may need to commit certain resources or incur certain expenses in pursuit of the above goals. The Transactions allow the Group to realise its investments in the Xingfa Gas Station and reallocate the resources for other purposes. While the Group currently intends to use the amount of Compensation as its general working capital, particularly for administrative expenses, the Compensation still adds to the Group's liquidity and provides the Group with greater flexibility in resources allocation. As such, we considered the Transactions to be in the interests of the Company and the Independent Shareholders as a whole.

After taking into account all the above, and also our analysis of the terms and conditions of the Relocation Compensation Agreement including the amount of Compensation, details of which are set out below in this letter, we considered that the entering into of the Relocation Compensation Agreement, although not in the usual and ordinary course of business of the Company, is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

## 2. The Relocation Compensation Agreement

### (a) *Principal terms of the Relocation Compensation Agreement*

Date	:	27 March 2026
Parties	:	(1) Haicheng Xingtai (implementing entity/relocator); (2) BUCG; (3) BUC5CG; (4) the Company; and (5) BUCGP
Subject matter	:	<b>Compensation and Payment Arrangements</b>

Haicheng Xingtai shall pay the Compensation to the Group (i.e. the Company and BUCGP) according to the following arrangements, in aggregate amount of RMB57.81 million:

- (a) *The first installment:* Within 20 days from the effective date of the Relocation Compensation Agreement and certain conditions for the first installment of payment are met (e.g. the relocatee has vacated all houses it used within the scope of relocation in accordance with the timeframe stipulated under the agreement, and delivered them to Haicheng Xingtai or other dismantling firm it has appointed), Haicheng Xingtai shall pay 80% of the total Compensation to the Group, in aggregate amount of RMB46.248 million, including RMB11.896 million payable to the Company, and RMB34.352 million payable to BUCGP for the first installment.

- (b) *The second installment:* Within 20 days from the effective date of the Relocation Compensation Agreement and certain conditions for the second installment of payment are met (e.g. the Company and BUCGP have completed the delivery of relocated houses, met the requirements for progress, safety and stability, obtained the recognition of Haicheng Xingtai, the land lots are evacuated and the ground are clean and clear), Haicheng Xingtai shall pay the remaining 20% of the total Compensation to the Group, in the aggregate amount of RMB11.562 million, including RMB2.974 million payable to the Company, and RMB8.588 million payable to BUCGP. If BUCG and BUC5CG fail to issue a supporting document to Haicheng Xingtai, or the Company and BUCGP fail to complete the progress, safety and stability efforts according to the BUCG's requirements, then BUCG shall file an application to Haicheng Xingtai, for making the payment of the second installment to BUCG instead of the Group, and the amount stated in the application shall be deducted from the Compensation.

Haicheng Xingtai shall transfer the agreed amount of Compensation under the Relocation Compensation Agreement by bank transfer to the respective designated bank accounts of the Company and BUCGP.

#### **Delivery and Handover**

After signing the Relocation Compensation Agreement, the relocatee shall timely and autonomously meet the conditions for delivery of relocated houses at its own expenses, for example, the relevant houses (including Xingfa Gas Station's site) should be evacuated at the time of handover, and the permanent buildings, temporary buildings, structures and auxiliaries pertaining to the houses should maintain their original functionality and status.

The relocatee shall evacuate the houses prior to the specified time agreed by the parties, and deliver the evacuated houses to Haicheng Xingtai or other dismantling firm appointed by the relocatee, and work with Haicheng Xingtai or its appointed dismantling firm to finish the handover procedure.

Conditions precedent : The Relocation Compensation Agreement shall be entered into from the date the respective legal representatives or authorised signatories of all parties signed and affixed their official seals or special seals for contract, and shall become effective only after the Group has obtained all necessary approvals and/or completed all necessary procedures required by relevant laws and regulations (including, pursuant to the Listing Rules, the Company having obtained Independent Shareholders' approval at the General Meeting in respect of the transaction contemplated under the Relocation Compensation Agreement).

***(b) Our discussion on the principal terms of the Relocation Compensation Agreement***

*The Compensation and basis of determination*

We understood that the Compensation in the aggregate amount of RMB57.81 million has been determined by all parties to the Relocation Compensation Agreement upon arm's length negotiation, among others, by reference to the Valuation Report, pursuant to which, the losses arising from relocation and evacuation of Xingfa Gas Station operating rights, buildings, structures and equipment are valued at RMB57.81 million in aggregate. To assess the fairness and reasonableness of such basis, we have first examined the Valuation Report and the independent third-party valuer issuing it.

*The independent third-party valuer and the Valuation Report*

We noted that the Valuation Report is issued by Beijing Zhongtianhua Asset Appraisal Company (the "Valuer"). According to its website<sup>3</sup>, the Valuer originated from China Certified Accountants and Financial Management, a directly subordinate institution of the Ministry of Finance of the PRC established in 1982 and the first institution in China to obtain the relevant practising qualifications and to engage in asset appraisal business with the asset appraisal qualification certificate number 00001. The Valuer was spun off from China Certified Accountants and Financial Management in 1999, and its major partners have been practising for over 25 years. The Valuer holds various qualifications and certificates, including but not limited to the asset appraisal qualification certificate issued by the Ministry of Finance of the PRC and the quality management system certificate issued under the management system administered by China National Accreditation Service for Conformity Assessment. We also noted that Mr. Sun Yanjun ("Mr. Sun") is the person-in-charge and signor of the Valuation Report. We have conducted an interview with Mr. Sun, and we understood that he is a qualified asset appraiser and an official practicing member of the China Appraisal Society. We have also obtained (i) the track record of the Valuer and Mr. Sun, and noted that they covered various types of projects, including but not limited to asset and property valuation projects, for various state-owned enterprises and listed companies in the PRC and Hong Kong; (ii) confirmation

<sup>3</sup> <http://www.caa-bj.com.cn/sy>

from Mr. Sun that to his best knowledge and belief, the Valuer, Mr. Sun and their team members involved in the preparation of the Valuation Report are independent from the Group and BUCG; and (iii) the engagement letter between the Company and the Valuer in relation to the Valuation Report, reviewed the terms of engagement therein, and considered that the scope of work is appropriate to form the opinion required to be given and there is no limitation on the scope of work which might adversely affect the degree of assurance given by the Valuer in the Valuation Report. Based on the above, we casted no doubt on the expertise and independence of the Valuer and Mr. Sun and on the appropriateness of their terms of engagement and scope of work with the Company in relation to the Valuation Report.

We noted that the Valuation Report has been prepared in accordance with a number of PRC laws and regulations, including but not limited to Regulations on Expropriation of and Compensation for Houses on State-owned Land and Measures for the Appraisal of House Expropriation on State-owned Land, which are considered appropriate. We then noted that the Valuer has considered three valuation methods for valuing the losses arising from relocation and evacuation of Xingfa Gas Station operating rights, buildings, structures and equipment, being the cost approach, market approach and income approach. As reflected in the Valuation Report, (i) the cost approach is a valuation method in which, under current conditions, the total cost required to repurchase or reconstruct the valuation subject in a brand-new condition is calculated, and then the physical depreciation, functional obsolescence, and economic obsolescence of the valuation subject are deducted from this total cost. The resulting amount is taken as the current value of the valuation subject; (ii) the market approach is a valuation method that determines the value of the valuation subject by comparing it with comparable transaction cases; and (iii) the income approach is a valuation method that determines the value of the valuation subject by forecasting its future expected returns and converting them into present value. Its basic principle is to discount the expected future returns of the asset under appraisal using an appropriate discount rate to arrive at the valuation conclusion. The Valuer has considered that (i) as there was no entire gas station sale case available in the vicinity of Xingfa Gas Station, so the conditions for applying the market approach are not met and therefore the market approach is not adopted; (ii) the cost approach is not suitable because it cannot reasonably reflect the value of Xingfa Gas Station's operating rights, and so the cost approach is also not adopted; and (iii) as the future expected income of Xingfa Gas Station can be reasonably forecasted and converted into present value based on reasonable parameters, the income approach is adopted in the Valuation Report. In light of the Valuer's aforesaid considerations, (i) we have attempted to conduct desktop search for entire gas station sale cases in the vicinity of Xingfa Gas Station, and neither can we identify any; (ii) we agreed with the Valuer that the cost approach cannot reflect the value of Xingfa Gas Station's operating rights as it primarily reflects the cost required to repurchase or reconstruct Xingfa Gas Station only; and (iii) we noted that the future expected income of Xingfa Gas Station has been forecasted and converted into present value based on reasonable parameters, which we have further analyzed their fairness and reasonableness below. Therefore, we agreed with the Valuer that the income approach is the most suitable approach and it is fair and reasonable to adopt it in the Valuation Report. We have also reviewed the assumptions adopted in the Valuation Report, and we are not aware of any unfair and unreasonable assumptions being adopted.

We also noted that the Valuer performed reasonable, step-by-step procedures in preparation the Valuation Report, including but not limited to (i) defining preliminary matters such as the purpose, subject, scope, and base date of the valuation service and accepting the engagement; (ii) developing a work plan, establishing a project task force, conducting on-site investigations to fully understand the current status, ownership, and operational conditions of the Xingfa Gas Station, followed by further due diligence; (iii) collecting and organizing valuation data, including those obtained by the Valuer from third-party market sources; (iv) evaluation, estimation, and issuance of the Valuation Report; and (v) organizing and archiving relevant files of the Valuation Report.

We then obtained and reviewed the Valuer's underlying calculations in arriving at the appraised amount of aggregate losses arising from relocation and evacuation of Xingfa Gas Station operating rights, buildings, structures and equipment. The calculations can be broadly divided into three major components: (i) the expected future rental incomes of the Xingfa Gas Station from 4 June 2025 to 3 June 2045, being a total of 20 years from the base date of the Valuation Report, which is the maximum term for operational contracts allowed under The Civil Code of the People's Republic of China. We considered it fair and reasonable to adopt such maximum term in the Valuation Report because it assumed that, except as limited by laws in the aforesaid manner, the Group is capable of carrying out its lease business of the Xingfa Gas Station for the longest term possible, which is in the interest of the Company and the Independent Shareholders as a whole for the purpose of the Valuation Report; (ii) the expected future costs of the Xingfa Gas Station during the same period; and (iii) discounting the difference between the above at a discount rate equal to risk-free rate plus risk premium.

We considered it fair and reasonable to adopt the expected future rental incomes of the Xingfa Gas Station as the income stream in such calculations, as the Group is indeed currently leasing out the Xingfa Gas Station for rental incomes. We further noted that the Valuer adopted the exact expected rental income of the Group under the current lease of the Xingfa Gas Station as the income stream for its current lease term (i.e. up to 18 September 2027) in its calculation of the expected future rental incomes of the Xingfa Gas Station, which we considered fair and reasonable. Then for the expected future rental incomes of the Xingfa Gas Station from 19 September 2027 to 3 June 2045, we noted that the Valuer (i) searched and identified three gas station leasing cases in the vicinity of the Xingfa Gas Station which were transacted during 2023 to 2024, all with a lease period of five years, and gathered information about such cases and the subject gas stations such as the respective annual lease price, location, proximity conditions, convenience level of entrance, traffic conditions, and scale and density of the gas stations; (ii) compared the three subject gas stations with the Xingfa Gas Station by each of the factors above (other than annual lease price), and applied an annual lease price adjustment factor by each of such factors on each of the three subject gas stations if there is difference between the three subject gas stations and the Xingfa Gas Station on the respective factor; (iii) after taking into account all the annual lease price adjustment factors above, obtained an overall adjusted annual lease price of each of the three subject gas stations; and (iv) averaged the overall adjusted annual lease prices of the three subject gas stations, and adopted it as the base theoretical annual rental income of the Xingfa Gas Station, starting 19 September 2027. Based on such base theoretical annual rental income of the Xingfa Gas Station starting 19

September 2027, the Valuer has then taken into account (i) the traffic and scarcity of gas resources in the vicinity of the Xingfa Gas Station, and added an annual lease price growth rate of 5% biennially thereto; and (ii) that the Xingfa Gas Station may be vacant for a period of time if, after a lease term of five years which is the market average, the lessee refuses to renew or extend the lease and the Group needs to identify another lessee. Therefore, based on its knowledge on the market conditions, the Valuer assumed that the Xingfa Gas Station will be tendered for lease once every 5 years from 2028 onwards, with a vacancy rate of 10% taken into account for each 5-year period. In light of the above, we have first considered the fairness and reasonableness of adopting the average overall adjusted annual lease prices of the three gas stations lease cases as the base theoretical annual rental income of the Xingfa Gas Station starting 19 September 2027 instead of adopting the annual lease price of the Xingfa Gas Station under its current lease. Taking into account that (i) a sample size of three gas stations lease cases is more representative of the overall market conditions than only the annual lease price of the Xingfa Gas Station under its current lease, being a single source of data; and (ii) while one of the three gas stations was leased out in the same month as the Xingfa Gas Station, being September 2023, the remaining two gas stations were leased out in April and June 2024 respectively subsequently, which represented more up-to-date market transactions than the Xingfa Gas Station itself, we were of the view that it is fair and reasonable to adopt the average overall adjusted annual lease prices of the three gas stations lease cases as the base theoretical annual rental income of the Xingfa Gas Station starting 19 September 2027. We have also (i) obtained the Valuer's files and information of the three gas station leasing cases in the vicinity of the Xingfa Gas Station, and confirmed that their information is correctly adopted in the Valuation Report; (ii) conducted our own desktop search, to our best endeavour, for information about the three gas stations and their lease cases, including their tender result announcements (where applicable), photos (where applicable), locations and geographical features in their proximity shown on maps, such as whether they are next to main road, and what and how many landmarks are in their proximity which could reflect their traffic levels. Based on the files and information provided by the Valuer and our desktop search results combined, we assessed the location, proximity conditions, convenience level of entrance, traffic conditions, and scale and density of the gas stations of the three subject gas stations, and we did not doubt the annual lease price adjustment factors the Valuer applied to each of them in arriving at their overall adjusted annual lease price; (iii) considered it fair and reasonable for the Valuer to apply a biennial annual lease price growth rate of 5% and vacancy rate of 10% for each 5-year period from 2028 onwards to the base future rental incomes of the Xingfa Gas Station to simulate the real-world market conditions. Based on all the above, we considered that the expected future rental incomes of the Xingfa Gas Station from 4 June 2025 to 3 June 2045, as a component of the calculation of the appraised amount of aggregate losses arising from relocation and evacuation of Xingfa Gas Station operating rights, buildings, structures and equipment, has been determined fairly and reasonably and on normal commercial terms.

We have then examined the expected future costs of the Xingfa Gas Station during the same period as adopted in the Valuation Report. We noted that during the current lease term of the Xingfa Gas Station (i.e. up to 18 September 2027), the expected costs primarily consisted of land use tax, other taxes and surcharges applicable such as urban maintenance and construction tax, education and local education surcharges and stamp duty, and land use costs.

It is consistent with our understanding from the Group as the current lessee of the Xingfa Gas Station is responsible for operating and management fees such as license fees and annual inspection fees. Subsequent to the current lease term of the Xingfa Gas Station, as there is no guarantee that the then lessee will be responsible for the operating and management fees such as license fees and annual inspection fees, such fees are included in the expected future costs of the Xingfa Gas Station from 19 September 2027 to 3 June 2045, but we noted that the expected operating and management fees themselves are not material. The Valuer has also considered that there may be increments to the land use costs of the Xingfa Gas Station in the future, and applied a 20% growth rate thereto for every three years. We understood from the Valuer that such estimated growth rate of land use costs applicable to the Xingfa Gas Station has been arrived at based on their estimation on the market conditions and relevant government policies. We have conducted our own desktop search and noted that it is Beijing's plan to cap its population and restrict land supply in pursuit of its position as the national political center, cultural center, international communication center, and technological advancement center. New land auctions in Beijing are becoming increasingly rare, and land supply is scarce. We have also attempted to identify market references of the land use costs trend in Beijing. While we were unable to identify any direct and specific reference to the land use costs in Beijing, we noted from the website of China Index Holdings Ltd<sup>4</sup> that data of industrial land market transactions in Beijing was available. China Index Holdings Ltd, formerly known as China Index Academy, is a large Chinese institute with over 30 years of history primarily engaging in researching and analyzing Chinese real estate data, building up and commercializing relevant databases, as well as commercializing relevant products such as Chinese real estate market indices. Considering its background, history and reputation in the Chinese real estate data market, we considered China Index Holdings Ltd to be a reliable source of such data. We also considered that the data of industrial land market transactions, particularly their transaction prices, is indicative of and could provide insight for understanding the land use costs trend in Beijing because the former is generally positively correlated with the latter, as it is logical that the higher the price at which a land is transacted, the higher the cost of the acquirer using the land itself / the price that the acquirer would like to charge for renting out the land, which in both cases reflect the concept of land use costs. We noted that the average price per planned building area (in square meters) of industrial land market transactions in Beijing rose from RMB1,035 in 2022 to RMB1,499 in 2024, being a period of three complete years prior to the base date of the Valuation Report, representing a growth rate of approximately 44.8% over such three years. Nevertheless, the same slightly decreased to RMB1,481 for January to June 2025, which may suggest that the growth is moderating. After balancing the growth in the average price per planned building area of industrial land market transactions in Beijing from 2022 to 2024 and its slowing down from January to June 2025, we considered that the 20% growth rate for every three years applied to the land use costs of the Xingfa Gas Station in the future by the Valuer is moderate and reasonable. Coupled with Beijing's aforesaid plan to cap its population and restrict land supply in pursuit of its city planning goals, and that we were not aware of factors suggesting otherwise that the land supply in Beijing will become more abundant and that land use costs will not become higher in the

---

<sup>4</sup> <https://www.cih-index.com/report/list/f2022041315362473387-s2022050716584650078-p1-oaddtime-ddesc/>

future, we considered that the expected future costs of the Xingfa Gas Station from 4 June 2025 to 3 June 2045, as a component of the calculation in the Valuation Report, were also determined fairly and reasonably and on normal commercial terms.

Then for each year during 4 June 2025 to 3 June 2045, the Valuer obtained the difference between the expected rental income and expected cost as the net rental income of the Xingfa Gas Station for the respective year, and discounted such net rental incomes to present values at a discount rate. The discount rate, which is applied equally across each year during 4 June 2025 to 3 June 2045, is 6.40% comprising risk-free rate of 1.90% and risk premium of 4.50%. We understood that the Valuer has made reference to the prevailing yield rates on China's 20-year government bonds when determining the risk-free rate of 1.90%. We agreed that the yield rates on China's 20-year government bonds are fair and reasonable references when determining risk-free rates. We have also conducted our desktop search and noted that in June 2025, the month of the base date of the Valuation Report, the yield rates on China's 20-year government bonds ranged from 1.870% to 1.980%. The risk-free rate of 1.90% adopted by the Valuer in the Valuation Report is within the range of the yield rates on China's 20-year government bonds in June 2025, and we considered it fair and reasonable. For the risk premium, we understood that the Valuer considered various risk components in determining it so as to reflect the additional return an investor requires for taking on risks above the risk-free rate. Such risk components included refined oil retail licensing risk, safety & environmental compliance risk, market risks brought by energy transition to electric vehicle, location & traffic pattern risk, supply & pricing margin risk, and other operating risks. The Valuer applied specific risk premium to each of such risk components, which summed up to the total risk premium of 4.50%. While we have conducted our own desktop search and noted that there is no authoritative source of reference of an appropriate risk premium for operating gas stations in Beijing, we understood that the Valuer has followed the "Asset Appraisal Practicing Standard – Enterprise Value" of the China Appraisal Society when determining the aforesaid risk premium of 4.50%, one of the requirements being to consider and sum individual risk components. We have checked the Valuer's calculation and confirmed with Mr. Sun during our interview that the Valuer indeed considered each risk components in arriving at the risk premium of 4.50%. As such, we considered that the risk premium of 4.50% has also been determined on a fair and reasonable basis. Based on all the above, we considered the discount rate of 6.40% adopted in the Valuer's calculation fair and reasonable.

By aggregating the present values of the net rental incomes of the Xingfa Gas Station during 4 June 2025 to 3 June 2045, the Valuer has arrived at the sum of approximately RMB57.81 million, which reflected the appraised losses of the Group arising from relocation and evacuation of Xingfa Gas Station operating rights, buildings, structures and equipment. As we have analyzed the Valuation Report, including the underlying calculations, and considered them fair and reasonable and on normal commercial terms, details of which have been discussed above, we considered that the appraised losses of the Group arising from relocation and evacuation of Xingfa Gas Station of approximately RMB57.81 million in aggregate is also fair and reasonable and on normal commercial terms.

The Compensation is equal to the appraised losses of the Group arising from relocation and evacuation of Xingfa Gas Station of approximately RMB57.81 million in aggregate. It reflected that the Group's appraised losses arising from relocating and evacuating Xingfa Gas Station are sufficiently covered by the Compensation. Therefore, we considered that the Compensation, being the principal term of the Relocation Compensation Agreement, is fair and reasonable, on normal commercial terms, and in the interests of the Company and the Independent Shareholders as a whole.

*The payment terms under the Relocation Compensation Agreement*

The first installment of the Compensation, being 80% of it, shall be paid to the Group within 20 days from the effective date of the Relocation Compensation Agreement and certain conditions are met (e.g. the relocatee has vacated all houses it used within the scope of relocation in accordance with the timeframe stipulated under the agreement, and delivered them to Haicheng Xingtai or other dismantling firm it has appointed). The second installment of the Compensation, being the remaining 20% of it, shall be paid to the Group within 20 days from the effective date of the Relocation Compensation Agreement and certain other conditions are met (e.g. the Company and BUCGP have completed the delivery of relocated houses, met the requirements for progress, safety and stability, obtained the recognition of Haicheng Xingtai, the land lots are evacuated and the ground are clean and clear), and if BUCG and BUC5CG fail to issue a supporting document to Haicheng Xingtai, or the Company and BUCGP fail to complete the progress, safety and stability efforts according to the BUCG's requirements, then BUCG shall file an application to Haicheng Xingtai, for making the payment of the second installment to BUCG instead of the Group, and the amount stated in the application shall be deducted from the Compensation.

While we considered it fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole for the Group receiving 80%, which is a substantial part, of the Compensation as the first installment upon a reasonable period and certain reasonable evacuation conditions are met, we have enquired the Company about the second installment, particularly the provision that BUCG may file an application to Haicheng Xingtai for making the payment of the second installment to BUCG instead of the Group under certain circumstances. We understood that the primary reasons for this provision were (i) while BUCG is the Company's ultimate controlling Shareholder, it is also the holder of the state-owned land use right of the relevant land parcel and is obliged to direct and coordinate the relocation and evacuation work thereon; (ii) BUC5CG, as the manager of the relevant land parcel and the registered owner of certain above-ground buildings (including, without limitation, other above-ground structures) on the relevant land parcel, and as entrusted by BUCG, is also responsible for, among other things, coordinating and supervising the overall progress of the relocation and demolition, cooperating in the relocation process, completing the deregistration procedures in respect of title documents, and issuing opinions in relation to safety and stability matters; (iii) the Group is required to implement the agreed terms of the Relocation Compensation Agreement and complete, on schedule, the various tasks at each relocation and evacuation milestone, while ensuring that no safety and stability incidents occur; and (iv) if the Group failed to do so (i.e. the Company and BUCGP fail to complete the progress, safety and

stability efforts according to the BUCG's requirements), rendering BUCG and BUC5CG unable to issue a supporting document to Haicheng Xingtai that the agreed terms of the Relocation Compensation Agreement has been fully implemented, BUCG and BUC5CG will be obliged to manage, address and/or rectify such failure. Considering that (i) to a large extent, such provision is applicable only if the Group fails to comply with certain evacuation conditions which are generally reasonable and straightforward; and (ii) as set out in the Letter from the Board, BUCGP had already ceased the operations of at Xingfa Gas Station's site and had properly negotiated and settled the relocation and evacuation compensation arrangements, with no safety and stability matters arisen, and the Group is also closely carrying out the overall relocation and evacuation work in accordance with the agreed requirements, so the Board considered the risk of the second installment of the Compensation being paid to BUCG to be considerably low, we were of the view that the terms of the second installment, including the aforesaid provision, were fair and reasonable and on normal commercial terms, so do the overall payment terms under the Relocation Compensation Agreement.

### **3. Financial impacts of the Transactions and the use of proceeds**

As set out in the Letter from the Board, it is expected that the Group may record unaudited net gain of approximately RMB48.1714 million from the transaction contemplated under the Relocation Compensation Agreement. This is estimated as the total compensation of RMB57.81 million to be received by the Group under the Relocation Compensation Agreement, less the appraised value of the constructed assets to be relocated and vacated of RMB3.6386 million and the estimated direct expenses of approximately RMB6 million relating to the relocation and evacuation. The above estimated net gain does not take into account any PRC corporate income tax. The actual amount of gain will depend on the appraisal value of the constructed assets to be relocated and vacated on the date of completion, the actual direct costs and expenses to be incurred in the relocation and evacuation (such as legal and professional fees) and the final PRC taxation, subject to review and audit of the Group's auditors, and it may differ from the above amount.

The Group intends to use the amount of Compensation as its general working capital. Specifically, all such proceeds from the Compensation will be used for administrative expenses. While the relevant operations at Xingfa Gas Station's site shall cease upon completion of the relocation and evacuation, it is not expected to have a material impact on the business and financial status of the Group as it still operates its principal businesses of property management services, value-added services to non-property owners, and community value-added services. As discussed in the section headed "1. Background of and reasons for the Transactions – (b) Reasons for and benefits of the Transactions", the Transactions allow the Group to realise its investments in the Xingfa Gas Station, and the Compensation adds to the Group's liquidity and provides the Group with greater flexibility in resources allocation, including for its pursuit of future development goals. We considered it to be in the interests of the Company and the Independent Shareholders as a whole.


## RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the opinion that the Relocation Compensation Agreement and the transactions contemplated thereunder, although not in the ordinary and usual course of business of the Group, are (i) on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the General Meeting to approve the Relocation Compensation Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,

For and on behalf of

**RED SOLAR CAPITAL LIMITED**

A handwritten signature in black ink, appearing to be 'Leo Chan', written over a vertical line that descends from the company name above.

**Leo Chan**

*Managing Director*

*Mr. Leo Chan is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 12 years of experience in corporate finance industry.*