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According to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the announcement and shareholders' approval requirements before the annual cap is exceeded.

Services

The Group provides management services to Binjiang Real Estate Group for their unsold residential and non-residential property units. Under the relevant PRC rules and regulations, the property developers are responsible for property management fee for unsold property units that have not been delivered. Therefore, before the relevant property units are sold, Binjiang Real Estate Group will continue to be responsible for the management fees. The term of the property management services ends when the relevant property unit is sold as the new property owners will be responsible for the payment of property management fees after delivery of the relevant properties.

Term

For the period commencing on the Listing Date and expiring on December 31, 2020.

Pricing policy

The actual fees for property management services charged for each transaction takes into account a number of factors, including (i) the size, location and positioning of the properties to be sold; (ii) budgeted operational costs (including but not limited to labor costs, materials costs and administrative costs); (iii) scope and quality of the services proposed; (iv) revenue model and targeted profit margins; (v) local government's pricing guidance/regulations on property management fees (where applicable); and (vi) evaluation of competitors' pricing. Such fees are in line with the market price of the independent property management firms who provide similar property management services in the PRC.

REVISION OF ANNUAL CAP

During a recent review by the Board on the existing continuing connected transactions of the Group, the Directors found that the transaction amount under the Property Management Services Agreement is approaching the existing annual cap of RMB16,000,000 for the financial year ending December 31, 2020.

The Group has been providing the property management services to Binjiang Real Estate Group. The expansion of business of Binjiang Real Estate Group has resulted in an increased demand for our property management services by Binjiang Real Estate Group. As such, the transaction amounts for the financial year ending December 31, 2020 are expected to be higher than the original level as determined at the time of entry of the Property Management Services Agreement.

On October 9, 2020, the Company entered into the Property Management Services Supplemental Agreement with Binjiang Real Estate, pursuant to which the annual cap of the property management services for the financial year ending December 31, 2020 was revised from RMB16,000,000 to RMB30,000,000.

Save for the revised annual cap described above, the other provisions of the Property Management Services Agreement shall remain the same and in full force and effect.

The Board confirms that as at the date of this announcement, the transaction amount for the property management services has not exceeded the original annual cap for the year ending December 31, 2020.

Historical transaction amounts and annual caps

The tables below set out (i) the actual transaction amounts for the year ended December 31, 2019 and the unaudited actual transaction amounts for the nine months ended September 30, 2020 and (ii) the original annual cap under the Property Management Services Agreement and the revised annual cap for the year ending 31 December 2020:

| | For the year ended December 31, 2019 (RMB'000) | For the nine months ended September 30, 2020 (unaudited) (RMB'000) |
|--|---|---|
| Actual transaction amounts (approximately) | <u>14,500</u> | <u>14,380</u> |
| | | For the year ending December 31, 2020 (RMB'000) |
| Original annual cap | | 16,000 |
| Revised annual cap | | <u>30,000</u> |

The revised annual cap is determined with reference to the following factors:

- (a) the unaudited actual transaction amounts under the Property Management Services Agreement for the nine months ended September 30, 2020;
- (b) the estimated total amount of management fees to be received by the Group based on signed contracts in relation to the current property units that the Group has been engaged by Binjiang Real Estate Group as property management service provider; and
- (c) the estimated total amount of management fees to be received by the Group in relation to the projected new property projects that the Group may be engaged by Binjiang Real Estate Group for property management services for the remaining year ended December 31, 2020.

Reasons for and benefits of revision of the annual cap

The Group is principally engaged in property management services with a focus on high-

The relevant personnel and management of the Group will also conduct regular checks to review and assess whether the transactions contemplated under the Property Management Services Supplemental Agreement are conducted in accordance with the terms of the Property Management Services Agreement and in accordance with the pricing policy.

INFORMATION ABOUT THE PARTIES

The Group is a reputable property management service provider in China with a focus on high-end properties.

Binjiang Real Estate, a limited liability company established in the PRC, the shares of which are listed on the Shenzhen Small & Medium Enterprise Board of Stock Exchange (stock code: 002244) with its principal business in real estate development. Based on the 2020 interim report of Binjiang Real Estate, Binjiang Real Estate is owned as to 42.95% by Binjiang Holdings which is controlled by Mr. Qi, and 11.51% by Mr. Qi. The remaining shareholders of Binjiang Real Estate each holds less than 10% interest in it.

LISTING RULES IMPLICATIONS

Binjiang Real Estate is controlled by Mr. Qi, one of the controlling Shareholders of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Property Management Services Supplemental Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the announcement and shareholders' approval requirements before the annual cap is exceeded.

Based on the revised annual cap under the Property Management Services Supplemental Agreement, as the highest of the applicable percentage ratios (as defined under the Listing Rules) are less than 5%, the entry of the Property Management Services Supplemental Agreement and the respective transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements, but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

Mr. Mo Jianhua, a non-executive Director, is a shareholder of Binjiang Real Estate, and has therefore abstained from voting on the Board resolution approving the Property Management Services Supplemental Agreement. Save as aforementioned, none of the other Directors have a material interest in the transactions contemplated under the Property Management Services Supplemental Agreement and no other Director has abstained from voting.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

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| “Binjiang Holdings” | Hangzhou Binjiang Investment Holdings Co., Ltd.* (杭州濱江投資控股有限公司), a limited liability established in the PRC on October 8, 2006. It is controlled by Mr. Qi, one of the controlling Shareholders of the Company, and is therefore a connected person of the Company |
| “Binjiang Real Estate” | Hangzhou Binjiang Real Estate Group Co., Ltd.* (杭州濱江房產集團股份有限公司), a limited liability company established in the PRC on August 22, 1996, the shares of which are listed on the Shenzhen Small & Medium Enterprise Board of Stock Exchange (stock code: 002244). It is controlled by Mr. Qi, one of the controlling Shareholders of the Company, and is therefore a connected person of the Company |
| “Binjiang Real Estate Group” | Binjiang Real Estate and its subsidiaries |
| “Board” | the board of Directors |
| “China” or “PRC” | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Director(s)” | director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Qi” | Mr. Qi Jinxing (戚金興), one of the controlling Shareholders of the Company |

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|---|---|
| “Property Management Services Agreement” | the property management services agreement entered into between the Company and Binjiang Real Estate dated December 20, 2018 |
| “Property Management Services Supplemental Agreement” | the supplemental agreement dated October 9, 2020 and entered into between the Company and Binjiang Real Estate, which amended and supplemented the Property Management Services Agreement |
| “Prospectus” | the prospectus of the Company dated February 28, 2019 |
| “RMB” | Renminbi, the lawful currency of the People’s Republic of China |
| “Shareholders” | holders of Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent. |

By order of the Board
Binjiang Service Group Co. Ltd.
Zhu Lidong
Chairman and Executive Director

Hangzhou, the PRC
October 9, 2020

As at the date of this announcement, the Board comprises Mr. Zhu Lidong and Ms. Zhong Ruoqin as executive Directors; Mr. Mo Jianhua and Mr. Cai Xin as non-executive Directors; Mr. Ding Jiangang, Mr. Li Kunjun and Ms. Cai Haijing as independent non-executive Directors.

* *For identification purpose only*