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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)

VOLUNTARY ANNOUNCEMENT
ANNOUNCEMENT IN RELATION TO THE UNDERTAKINGS
MADE TO THE COMPANY BY THE CONTROLLING
SHAREHOLDER,
BEIJING NORTH STAR INDUSTRIAL GROUP LIMITED
LIABILITIES COMPANY

On 2 February 2021, a consortium jointly formed by BNS Group, the controlling shareholder of the Company, Beijing Construction Engineering and CCSEB won the bid for the NCIEC Phase II Project by way of public tender. Due to the large capital demand for the Project and the relatively long payback period, the Company decided not to participate in the bidding of the Project at the meeting of the Board convened on 13 January 2021.

In accordance with the relevant laws and regulations, and on the basis of the Agreement of Foregoing Competition and Interest Conflicts entered into with the Company on 8 August 2003, BNS Group issued a Letter of Undertakings in relation to the avoidance of any potential horizontal competition to the Company on 2 February 2021.

This announcement is made voluntarily by Beijing North Star Company Limited (the “**Company**” or “**BNS**”) to provide latest updates on the Company for shareholders and potential investors of the Company.

I. BASIC INFORMATION OF NCIEC PHASE II PROJECT

On 2 February 2021, a consortium jointly formed by Beijing North Star Industrial Group Limited Liabilities Company (“**BNS Group**”), the controlling shareholder of the Company, Beijing Construction Engineering Group Co., Ltd. (“**Beijing Construction Engineering**”) and China Construction Second Engineering Bureau Ltd. (“**CCSEB**”) obtained the state-owned construction land use rights of A21 book exhibition land at Plot SY00-0023-6002, New China International Exhibition Center (NCIEC) Phase II Project in Block 23, Shunyi New Town, Beijing (the “**NCIEC Phase II Project**” or the “**Project**”) at a price of RMB3.54 billion by the way of public tender, and proposed to jointly contribute capital in the establishment of a project company, with each of the three parties accounting for one-third of the equity interest in the project company (the “**Project Company**”). The Project is located at Block 23, Shunyi New Town, Beijing with an expected total land use area and an expected total aboveground construction area of 637,413.74 square metres and 438,500 square metres, respectively. The nature of the construction land is A21 book exhibition land, which will be fully self-owned upon completion of the construction.

II. UNDERTAKINGS TO AVOID ANY POTENTIAL HORIZONTAL COMPETITION

Prior to the listing of the A shares of the Company, on 8 August 2003, in order to avoid any potential horizontal competition with the Company, BNS Group, the controlling shareholder of the Company, entered into the Agreement of Foregoing Competition and Interest Conflicts with the Company. The controlling shareholder has made undertakings to forego competition and to make relevant arrangements, Article 3 of which undertakes and stipulates that: “Save for the projects, business or properties in the schedule of the agreement, BNS Group shall not, through its own action, or through the subsidiaries, associated companies and sino-foreign enterprises under its control, or through any enterprises directly or indirectly under its control, engage in any business activities which may constitute competition with the business of BNS from the execution of the agreement”. Article 4 undertakes and stipulates that: “If it faces or obtains any investment opportunity related to operation of BNS, BNS Group shall give priority to BNS to choose to participate in such investment. In the event that BNS is temporarily unable to take the opportunity in the project investment due to operating reasons, BNS Group shall, in the future period, prioritize the transfer of its equity interests obtained from such investment to BNS in accordance with the requirements of BNS based on the asset appraised value determined by an independent asset evaluation authority. Such asset valuation authority will be jointly designated by both parties. The aforementioned equity transfer includes, but not limited to, BNS obtaining the equity interests of such enterprises through equity interest purchase, placement of shares or other means.”

Since the execution of the above agreement, BNS Group has been actively fulfilling the above undertakings, and has not violated the aforementioned undertakings.

Due to the large capital demand for the NCIEC Phase II Project and the relatively long payback period, the Company decided not to participate in the bidding of the Project at the meeting of the board of directors (the “**Board**”) convened on 13 January 2021.

In light of the above condition, in order to protect the convention and exhibition business advantages of the Company, BNS Group, as the controlling shareholder of the Company, decided to participate in bidding of the NCIEC Phase II Project and investing in the relevant construction. In the meantime, in order to resolve any potential horizontal competition with the Company arising from the Project, and adequately protect the interests of public investors of the Company, BNS Group issued a Letter of Undertakings in relation with the avoidance of any potential horizontal competition with the Company on 2 February 2021 on the basis of performing the Agreement of Foregoing Competition and Interest Conflicts entered into on 8 August 2003. The contents of the undertakings are as follows:

1. When the Project is put into operation, the Project Company will entrust BNS or the subsidiaries designated by BNS to provide entrusted operating management services, and make payment for respective operating management fees. The operating management fees will be determined based on the market fair price and will be subject to the relevant agreement or contract to be duly entered into in the future.
2. After participating in the Project, BNS Group will make preferential transfer of equity interests of the Project to BNS in accordance with the appraised value determined by an independent asset valuation authority in due course. The method of transfer of equity interests will include, but will not be limited to, the acquisition of equity interests that BNS Group held in the Project Company by BNS through equity interest purchase, placement of shares or other means. Such asset valuation authority will be jointly designated by BNS Group and BNS. BNS Group undertakes to negotiate with BNS and determine the transaction price and terms on the principles of equality, justice, fairness and reasonableness, so as to ensure that the legitimate rights and interests of BNS and the public shareholders will not be harmed.
3. BNS Group will clearly state the above undertakings in the cooperation agreement or arrangement to be entered into among BNS Group, Beijing Construction Engineering and CCSEB, so as to ensure the implementation of the undertakings.

In summary, the implementation of the Project will be conducive to supporting the business development of the Company.

III. RECOMMENDATIONS FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors of the Company conduct careful review on BNS Group's participation in the NCIEC Phase II Project and relevant matters of the Letter of Undertakings in relation to the avoidance of any potential horizontal competition issued to the Company thereunder, and consider that:

1. Participation in the investment and construction of the Project by BNS Group, the controlling shareholder of the Company, will be conducive to the adequate protection of convention and exhibition business advantages of the Company.
2. The undertakings made by BNS Group are in compliance with the provisions of the Agreement of Foregoing Competition and Interest Conflicts entered into between BNS Group and the Company on 8 August 2003 and relevant laws and regulations, which could effectively resolve any potential horizontal competition which may exist between BNS Group and the Company. There will not be impairment on the interests of the Company and public minority shareholders.

IV. IMPACT ON THE COMPANY

The undertakings made by BNS Group are conducive to the convention and exhibition business advantages of the Company, thereby improving the market competitiveness and sustainable development of the Company in the future. Meanwhile, the undertakings could effectively resolve any potential horizontal competition which may exist between BNS Group and the Company, protecting the interests of the Company and public investors, and would not cause adverse impact on the Company. Going forward, BNS Group will fully support the business development of BNS as always, and perform each of the undertakings to BNS in a practical manner.

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

Beijing, the PRC, 2 February 2021

As at the date of this announcement, the Board of the Company comprises eight directors, of whom five are executive directors, namely, Mr. LI Wei-Dong, Ms. LI Yun, Mr. CHEN De-Qi, Ms. ZHANG Wen-Lei and Mr. GUO Chuan and three are independent non-executive directors, namely, Mr. FU Yiu-Man, Mr. WU Ge and Mr. GAN Pei-Zhong.