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JINMAO PROPERTY SERVICES CO., LIMITED

金茂物業服務發展股份有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00816)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE RENEWAL OF THE EXISTING FRAMEWORK AGREEMENTS

BACKGROUND

References are made to the section headed “Connected Transactions” of the Prospectus, the announcement of the Company dated 25 October 2022 and the circular of the Company dated 23 November 2022 in relation to, among other things, the continuing connected transactions of the Group with Jinmao Connected Persons contemplated under the Existing Framework Agreements.

As the term of the Existing Framework Agreements will expire on 31 December 2023 and the Group intends to continue to enter into the transactions of similar nature after that date, the Company entered into the New Framework Agreements with China Jinmao for a term from 1 January 2024 to 31 December 2026 on 26 October 2023. Most of the terms of the New Framework Agreements are substantially the same as those of the Existing Framework Agreements.

IMPLICATIONS OF THE LISTING RULES

China Jinmao is the controlling shareholder of the Company, holding approximately 67.28% of the total number of issued shares of the Company as at the date of this announcement, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under each of the New Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratios in respect of the annual caps for continuing connected transactions contemplated under each of the New Framework Agreements are more than 5%, the transactions contemplated under each of the New Framework Agreements are subject to the reporting, announcement, annual review, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company will convene the EGM to seek approval from the Independent Shareholders in respect of the transactions contemplated under the New Framework Agreements. The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the New Framework Agreements. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, details of the New Framework Agreements, a letter of recommendation from the Independent Board Committee, a letter of advice from the Independent Financial Adviser, and a notice to convene the EGM will be dispatched to the Shareholders of the Company. As the Company requires additional time to prepare and finalize certain information for inclusion in the circular, it will dispatch the circular to the Shareholders on or before 30 November 2023.

I. BACKGROUND

References are made to the section headed “Connected Transactions” of the Prospectus, the announcement of the Company dated 25 October 2022 and the circular of the Company dated 23 November 2022 in relation to, among other things, the continuing connected transactions of the Group with Jinmao Connected Persons contemplated under the Existing Framework Agreements.

As the term of the Existing Framework Agreements will expire on 31 December 2023 and the Group intends to continue to enter into the transactions of similar nature after that date, the Company entered into the New Framework Agreements with China Jinmao for a term from 1 January 2024 to 31 December 2026 on 26 October 2023. Most of the terms of the New Framework Agreements are substantially the same as those of the Existing Framework Agreements.

II. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

(A) CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

PRINCIPAL TERMS OF THE NEW PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

Date

26 October 2023

Parties

- (i) The Company
- (ii) China Jinmao

Nature of transactions

Pursuant to the New Property Management Services Framework Agreement, the Company (for itself and on behalf of the Group) agreed to provide (i) property management services to the Jinmao Connected Persons, in respect of property units developed by the Jinmao Connected Persons which have been sold but not yet been delivered to the buyers of such property units, and properties owned, used or operated by the Jinmao Connected Persons, and (ii) those services provided to property owners and residents who have paid their property management fees to the Group by redeeming the reward points they earned through the reward program developed by China Jinmao (the “**Property Management Services**”).

With respect to item (ii) of the Property Management Services, China Jinmao has developed a reward program whereby the customers of Jinmao Group can earn reward points for money spent on transactions with Jinmao Group, such as purchasing properties developed by Jinmao Group and booking hotel rooms owned by Jinmao Group, and redeem the reward points to pay all or part of the fees for their selected products or services, which may include the property management fees payable to the Group. For the fees for the property management services to be provided by the Group which are to be paid by property owners and residents by redeeming the reward points, China Jinmao or its designated subsidiaries will reimburse the equivalent amount of such property management fees to the Group in cash.

Pricing

The fees payable by the Jinmao Connected Persons to the Group in respect of the Property Management Services under the New Property Management Services Framework Agreement shall be determined on arm’s length basis with reference to the following:

- (i) the size and location of the relevant properties;
- (ii) the scope and standards of the Property Management Services;
- (iii) the expected operational costs (including, among others, labor costs, material costs and administrative costs) of the Group in relation to the provision of the Property Management Services; and
- (iv) the fees charged by other property management service providers for similar services in respect of similar types of properties in the market. The fees charged by the Group to the Jinmao Connected Persons shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by the Group to the Jinmao Connected Persons shall not be less favorable to the Group than the terms offered by the Group to independent customers for the same or similar type and scope of property management services.

For the services to be provided to property owners and residents who will pay their property management fees to the Group by redeeming the reward points, the Jinmao Group will reimburse the equivalent amount of such property management fees to the Group in cash on a dollar-to-dollar basis.

Payment

The relevant member of the Group shall enter into a specific agreement with the relevant member of the Jinmao Connected Persons pursuant to the New Property Management Services Framework Agreement in respect of each transaction regarding the provision of Property Management Services. Subject to the terms and conditions of the New Property Management Services Framework Agreement, the specific agreement shall set forth the details of the specific services, the price and basis of determination of the services, the method of payment, and the specific duration of the services.

Term

Subject to obtaining the approval from the Independent Shareholders at the EGM, the New Property Management Services Framework Agreement shall take effect from 1 January 2024 and expire on 31 December 2026, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under the Listing Rules and all other applicable law and regulations.

ANNUAL CAPS

Historical transaction amounts

The total transaction amounts for the provision of the Property Management Services charged by the Group to the Jinmao Connected Persons for the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 are set forth below:

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2022 RMB'000	Six months ended 30 June 2023 RMB'000
Amount of fees charged by the Group for the provision of Property Management Services	104,246	146,845	61,447

Proposed annual caps and factors taken into account in determining annual caps

It is estimated that the maximum annual amounts of fees chargeable by the Group and payable by the Jinmao Connected Persons in relation to the Property Management Services for the three years ending 31 December 2024, 2025 and 2026 will not, in aggregate, exceed the amounts set out in the table below:

	Year ending 31 December		
	2024 RMB'000	2025 RMB'000	2026 RMB'000
Maximum aggregate annual amount of fees charged by the Group for the provision of Property Management Services	280,000	320,000	350,000

The following factors were considered in arriving at the above annual caps:

- (i) the historical transaction amounts in respect of the Property Management Services, and the growth trend in the transaction amount over the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 which aligns with the business expansion of the Group as evidenced by the rapid growth of its contracted GFA and GFA under management in recent years. As at 30 June 2023, the Group's contracted GFA was approximately 94.5 million sq.m., and GFA under management was approximately 71.0 million sq.m., representing an increase of approximately 35.8% and approximately 56.0%, respectively, as compared to those of 30 June 2022. In particular, since 2022, the Group has started to provide Property Management Services for more office buildings operated by Jinmao Group, which has further increased the amount of transactions with the Jinmao Connected Persons;
- (ii) the estimated revenue to be recognised by the Group based on the existing signed contracts with the Jinmao Connected Persons on the provision of Property Management Services. As at 30 June 2023, the Group was contracted to manage 101 properties developed by the Jinmao Connected Persons which were yet to be delivered with a total contracted GFA of approximately 11.22 million sq.m.;
- (iii) the estimated GFA to be delivered by the Jinmao Connected Persons in the three years ending 31 December 2026, taking into consideration the properties under development and land bank held by the Jinmao Connected Persons as at 31 December 2022 as well as their business plan, in particular, the saleable/leasable GFA of approximately 98.5 million sq.m. which were yet to be delivered by Jinmao Group as disclosed in the annual report of China Jinmao for the year ended 31 December 2022 and their estimated delivery schedule;
- (iv) the scope of the Property Management Services which includes those services provided to property owners and residents who have paid their property management fees to the Group by redeeming the reward points they earned through the reward program launched by China Jinmao. In estimating the amount of such fees to be paid by the Jinmao Connected Persons for services provided to property owners and residents, the Group has made reference to its revenue generated from the property management services provided to the independent third parties for the six months ended 30 June 2023 of approximately RMB688,393,000, and, having taken into account historical reimbursement amounts pursuant to the reward program, assumed that approximately 2% of the property management fees payable by the independent third parties for the three years ending 31 December 2024, 2025 and 2026 would be reimbursed by Jinmao Group pursuant to the reward program. The Company currently expects that the annual amount to be reimbursed by Jinmao Group under the reward program will account for no more than 10% of the annual caps for the three years ending 31 December 2024, 2025 and 2026;
- (v) the estimated management fees to be charged by the Group, with reference to the management fees charged during the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 as well as the prevailing market rates for similar services in respect of similar types of properties; and

- (vi) a reasonable buffer of 10% to cater for any additional demand of the Jinmao Connected Persons for the Property Management Services, inflation and currency fluctuations and on the general assumption that there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group and the Jinmao Connected Persons during the projected period.

(B) CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW SALES ASSISTANCE SERVICES FRAMEWORK AGREEMENT

PRINCIPAL TERMS OF THE NEW SALES ASSISTANCE SERVICES FRAMEWORK AGREEMENT

Date

26 October 2023

Parties

- (i) The Company
- (ii) China Jinmao

Nature of transactions

Pursuant to the New Sales Assistance Services Framework Agreement, the Company (for itself and on behalf of the Group) agreed to provide sales assistance service to the Jinmao Connected Persons with respect to properties developed by them, to assist with their sales and marketing activities at property sales venues and display units (the “**Sales Assistance Services**”).

Pricing

The fees payable by the Jinmao Connected Persons to the Group under the New Sales Assistance Services Framework Agreement will be determined on arm’s length basis with reference to the following:

- (i) the size and location of the relevant properties;
- (ii) the scope of the Sales Assistance Services;
- (iii) the expected operational costs (including, among others, labor costs, material costs and administrative costs) of the Group in relation to the provision of the Sales Assistance Services; and
- (iv) the fees charged by other service providers for similar services in respect of similar types of properties in the market. The terms offered by the Group to the Jinmao Connected Persons shall not be less favorable to the Group than the terms offered by the Group to its independent customers for the same or similar type and scope of sales assistance services.

Payment

The relevant member of the Group shall enter into a specific agreement with the relevant member of the Jinmao Connected Persons pursuant to the New Sales Assistance Services Framework Agreement in respect of each transaction regarding the provision of Sales Assistance Services. Subject to the terms and conditions of the New Sales Assistance Services Framework Agreement, the specific agreement shall set forth the details of the specific services, the price and basis of determination of the services, the method of payment, and the specific duration of the services.

Term

Subject to obtaining the approval from the Independent Shareholders at the EGM, the New Sales Assistance Services Framework Agreement shall take effect from 1 January 2024 and expire on 31 December 2026, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under the Listing Rules and all other applicable law and regulations.

ANNUAL CAPS

Historical transaction amounts

The total transaction amounts for the provision of the Sales Assistance Services charged by the Group to the Jinmao Connected Persons for the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 are set forth below:

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2022 RMB'000	Six months ended 30 June 2023 RMB'000
Amount of fees charged by the Group for the provision of Sales Assistance Services	219,626	214,895	95,347

Proposed annual caps and factors taken into account in determining annual caps

It is estimated that the maximum annual amounts of fees chargeable by the Group and payable by the Jinmao Connected Persons in relation to the Sales Assistance Services for the three years ending 31 December 2024, 2025 and 2026 will not, in aggregate, exceed the amounts set out in the table below:

	Year ending 31 December		
	2024 RMB'000	2025 RMB'000	2026 RMB'000
Maximum aggregate annual amount of fees charged by the Group for the provision of Sales Assistance Services	200,000	240,000	270,000

The following factors were considered in arriving at the above annual caps:

- (i) the historical transaction amounts;
- (ii) the estimated increase in demand for the Sales Assistance Services as a result of the projected growth in sales activities of the Jinmao Connected Persons for the three years ending 31 December 2026, taking into consideration the properties under development and land bank held by the Jinmao Connected Persons as at 31 December 2022 and the estimated time of pre-sale as well as their business plan in light of the PRC property development market trend;
- (iii) the estimated service fees to be charged in respect of the Sales Assistance Services, with reference to the service fees charged during the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 as well as the prevailing market rates for similar services in respect of similar types of properties;
- (iv) the new smart platform which the Group expects to start operating in 2024 and which will widen the scope of the Sales Assistance Services that the Jinmao Connected Persons may require the Group to provide;
- (v) the expected increase in scope of services required by Jinmao Connected Persons leading to the expected increase in operational costs (primarily labour costs) to be incurred by the Group; and
- (vi) a reasonable buffer of 10% to cater for any additional demand of the Jinmao Connected Persons for the Sales Assistance Services, inflation and currency fluctuations and on the general assumption that there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group and the Jinmao Connected Persons during the projected period.

(C) CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW PROPERTY AGENCY SERVICES FRAMEWORK AGREEMENT

PRINCIPAL TERMS OF THE NEW PROPERTY AGENCY SERVICES FRAMEWORK AGREEMENT

Date

26 October 2023

Parties

- (i) The Company
- (ii) China Jinmao

Nature of transactions

Pursuant to the New Property Agency Services Framework Agreement, the Company (for itself and on behalf of the Group) agreed to provide property agency services to the Jinmao Connected Persons, by sourcing potential purchasers and providing assistance in entering into sales contracts with buyers, with respect to newly developed properties and the Car Park Spaces developed by the Jinmao Connected Persons (the “**Property Agency Services**”).

Pricing

Property Agency Services for newly developed properties

With respect to the Property Agency Services for newly developed properties, the Group will charge a commission calculated at a fixed percentage of the sales price of the relevant properties. The commission to be charged will be determined on arm’s length basis with reference to (i) the size and location of the relevant properties, (ii) the expected operational costs (including, among others, labor costs and administrative costs) of the Group in relation to the provision of the Property Agency Services, and (iii) the fees charged by other service providers for similar services in respect of similar types of properties in the market. The terms offered by the Jinmao Connected Persons to the Group shall not be less favorable to the Group than the terms offered to other sales agents for property agency services with respect to the same project.

Property Agency Services for the Car Park Spaces

With respect to the Property Agency Services for Car Park Spaces, the Group will charge either (i) a commission calculated at a fixed percentage of the sales price of the relevant Car Park Spaces or a fixed amount on top of the sales price of the relevant Car Park Spaces, or (ii) the difference between the actual sales price paid by the purchaser and the pre-determined minimum sales price. The specific pricing mechanism will be determined by the parties on a case by case basis.

The fees, if charged on a fixed percentage or fixed amount basis, will be determined on arm’s length basis with reference to (i) the location of the relevant Car Park Spaces, and the supply and demand of Car Park Spaces in the vicinity of the project, (ii) the expected operational costs (including, among others, labor costs and administrative costs) of the Group in relation to the provision of the Property Agency Services, and (iii) the fees charged by other service providers for similar services in respect of similar Car Park Spaces in the market.

If the fees are calculated based on the difference between the actual sales price paid by the purchaser and the pre-determined minimum sales price, the Group may be required to pay to the Jinmao Connected Persons a refundable deposit (the “**Deposit**”) up to the total minimum sales price of the Car Park Spaces to be sold under the project, in order to become the exclusive provider of property agency services with respect to such Car Park Spaces. The minimum sales price will be determined on arm’s length basis with reference to (i) the location of the relevant Car Park Spaces, and the supply and demand of Car Park Spaces in the vicinity of the project, (ii) the available market data of the indicative price range of similar Car Park Spaces in the vicinity of the project, and (iii) the valuation of the relevant Car Park Spaces determined by an independent valuer (if such valuation is considered necessary and an independent valuer is engaged). Upon the consummation of a sale transaction, the Group will receive the actual sales price of the Car Park Space from the purchaser which will cover the related Deposit in respect of such Car Park Space whereas the remainder thereof will be recognized as the commission from such Property Agency Services. In respect of any unsold Car Park Space, the Group is entitled to either (i) terminate the exclusive right to provide property agency services with respect to such Car Park Space upon completion or termination of the relevant project, in which case, the Deposit paid in respect of such unsold Car Park Space will be refunded (without interest) to the Group in full, (ii) replace the exclusive right to provide property agency services with respect to such unsold Car Park Space with the exclusive right to provide property agency services with respect to another unsold Car Park Space developed by the Jinmao Connected Persons (of the same value) to be agreed between the Group and the Jinmao Connected Persons, or (iii) negotiate with the relevant Jinmao Connected Persons for making downward adjustment to the minimum sales price and the corresponding Deposit paid/payable for such unsold Car Park Space based on changes to the average price of comparable Car Park Spaces in the surrounding markets as well as the prevailing market conditions.

Under each of the above pricing mechanisms, the terms offered by the Jinmao Connected Persons to the Group shall not be less favorable to the Group than the terms offered to other sales agents for property agency services with respect to similar Car Park Spaces.

Payment

The relevant member of the Group shall enter into a specific agreement with the relevant member of the Jinmao Connected Persons pursuant to the New Property Agency Services Framework Agreement in respect of each transaction regarding the provision of Property Agency Services. Subject to the terms and conditions of the New Property Agency Services Framework Agreement, the specific agreement shall set forth the details of the specific services, the price and basis of determination of the services, the method of payment, and the specific duration of the services.

Term

Subject to obtaining the approval from the Independent Shareholders at the EGM, the New Property Agency Services Framework Agreement shall take effect from 1 January 2024 and expire on 31 December 2026, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under the Listing Rules and all other applicable law and regulations.

ANNUAL CAPS

Historical transaction amounts

The historical transaction amounts of (i) the total commissions paid by the Jinmao Connected Persons for the provision of Property Agency Services by the Group and (ii) the Deposits paid by the Group to the Jinmao Connected Persons for the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 are set forth below:

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2022 RMB'000	Six months ended 30 June 2023 RMB'000
Amount of commissions charged by the Group for the provision of Property Agency Services			
– For newly developed properties	–	–	85
– For Car Park Spaces	32,547	118,719	56,371
Total	32,547	118,719	56,456
Maximum daily balance of the historical Deposits	107,912	393,692	492,686

Proposed annual caps and factors taken into account in determining annual caps

It is estimated that (i) the maximum annual amounts of commissions chargeable by the Group and payable by the Jinmao Connected Persons in relation to the Property Agency Services and (ii) the Deposits to be paid by the Group to the Jinmao Connected Persons pursuant to the New Property Agency Services Framework Agreement for the three years ending 31 December 2024, 2025 and 2026 will not, in aggregate, exceed the amounts set out in the table below:

	Year ending 31 December		
	2024 RMB'000	2025 RMB'000	2026 RMB'000
Maximum aggregate annual amount of commissions charged by the Group for the provision of Property Agency Services			
– For newly developed properties	50,000	60,000	70,000
– For Car Park Spaces	200,000	220,000	220,000
Total	250,000	280,000	290,000
Maximum daily balance of the Deposits	600,000	600,000	600,000

The following factors were considered in arriving at the above annual caps for the commissions:

- (i) the long-term cooperation relationship between the Group and Jinmao Group and the ability of the Group to access a vast number of potential buyers leveraging the Group's active engagement and close relationship with the owners and residents of the properties under the management of the Group;
- (ii) in respect of newly developed properties:
 - (a) the estimated value of newly developed properties to be sold by the Jinmao Connected Persons, based on their sales plan, existing projects available for sale, projects under development and land bank as at 31 December 2022 and future development, which may require the Property Agency Services for the three years ending 31 December 2026;
 - (b) the new smart platform which the Group expects to start operating in 2024 and which will substantially improve the Group's capability in attracting more potential buyers; and
 - (c) having taken into account historical commission levels determined by the Group and the Jinmao Connected Persons, the prevailing commission level for providing Property Agency Services in respect of similar types of newly developed properties in the market and the expected increase in reliance on the Property Agency Services in respect of newly developed properties by the Jinmao Connected Persons in line with the PRC property development market trend, the estimated commission within the range of 2% to 4% as a percentage of the sales price of the relevant properties for the three years ending 31 December 2026;
- (iii) in respect of Car Park Spaces:
 - (a) the engagement of the Group under the existing signed contracts to provide the Property Agency Services for over 14,000 car park spaces developed by the Jinmao Connected Persons;
 - (b) the estimated number of existing unsold and new Car Park Spaces of the Jinmao Connected Persons which may require the Property Agency Services for the three years ending 31 December 2026 as well as the estimated sell-through rate of such Car Park Spaces; and
 - (c) the arrangement that the Group may charge a commission based on the difference between the actual sales price and the pre-determined minimum sales price of the Car Park Spaces, which, having taken into account historical commission levels determined by the Group and the Jinmao Connected Persons and the prevailing commission level under the same fee arrangement for providing Property Agency Services in respect of comparable Car Park Spaces in the market, is expected to be within the range of 20% to 70% (if calculated as a percentage of the estimated sales price of the relevant Car Park Spaces).

- (iv) a reasonable buffer of 15% to cater for any additional demand of the Jinmao Connected Persons for the Property Agency Services, inflation and currency fluctuations and on the general assumption that there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group and the Jinmao Connected Persons during the projected period.

The abovementioned proposed annual caps for the Deposits were determined based on:

- (i) the amount and balance of historical Deposits and growth trend over the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023;
- (ii) the expected number of Car Park Spaces which will be sold by the Group under the New Property Agency Services Framework Agreement;
- (iii) the recent transaction prices of comparable Car Park Spaces within the locality of the Car Park Spaces for which the Jinmao Connected Persons may engage the Group as the sales agent under the New Property Agency Services Framework Agreement;
- (iv) the estimated value of the unsold Car Park Spaces of Jinmao Connected Persons available for sale by the Group as an agent for the three years ending 31 December 2026; and
- (v) the minimum sales price standards determined by the Group and the Jinmao Connected Persons.

(D) CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW CONSULTANCY AND OTHER VALUE-ADDED SERVICES FRAMEWORK AGREEMENT

PRINCIPAL TERMS OF THE NEW CONSULTANCY AND OTHER VALUE-ADDED SERVICES FRAMEWORK AGREEMENT

Date

26 October 2023

Parties

- (i) The Company
- (ii) China Jinmao

Nature of transactions

Pursuant to the New Consultancy and Other Value-added Services Framework Agreement, the Company (for itself and on behalf of the Group) agreed to provide certain consultancy and other value-added service to the Jinmao Connected Persons, including but not limited to (i) consultancy services from the perspective of property management with respect to property development site selection, positioning, preliminary planning and design, engineering and construction, (ii) pre-delivery and post-delivery services, such as site clearing, assistance with preparatory work and maintenance of order, pre-delivery inspection and assessment, and repair and maintenance services during the post-delivery warranty periods, (iii) engineering services for the upgrade of smart management hardware, and (iv) value-added services as may be required by the Jinmao Connected Persons from time to time, such as management and operation services in respect of car park spaces owned by the Jinmao Connected Persons (the “**Value-added Services**”).

Pricing

The fees payable by the Jinmao Connected Persons to the Group under the New Consultancy and Other Value-added Services Framework Agreement will be determined on arm’s length basis with reference to the following:

- (i) the size and location of the relevant properties;
- (ii) the scope of the Value-added Services;
- (iii) the expected operational costs (including, among others, labor costs, material costs and administrative costs) of the Group in relation to the provision of the Value-added Services; and
- (iv) the fees charged by other service providers for similar services in respect of similar types of properties in the market. The terms offered by the Group to the Jinmao Connected Persons shall not be less favorable to the Group than the terms offered by the Group to its independent customers for the same or similar type and scope of value-added services.

Payment

The relevant member of the Group shall enter into a specific agreement with the relevant member of the Jinmao Connected Persons pursuant to the New Consultancy and Other Value-added Services Framework Agreement in respect of each transaction regarding the provision of Value-added Services. Subject to the terms and conditions of the New Consultancy and Other Value-added Services Framework Agreement, the specific agreement shall set forth the details of the specific services, the price and basis of determination of the services, the method of payment, and the specific duration of the services.

Term

Subject to obtaining the approval from the Independent Shareholders at the EGM, the New Consultancy and Other Value-added Services Framework Agreement shall take effect from 1 January 2024 and expire on 31 December 2026, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under the Listing Rules and all other applicable law and regulations.

ANNUAL CAPS

Historical transaction amounts

The total transaction amounts for the provision of Value-added Services by the Group to the Jinmao Connected Persons for the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 are set forth below:

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2022 RMB'000	Six months ended 30 June 2023 RMB'000
Amount of fees charged by the Group for the provision of Value-added services	313,028	404,764	146,266

Proposed annual caps and factors taken into account in determining annual caps

It is estimated that the maximum annual amounts of fees chargeable by the Group and payable by the Jinmao Connected Persons in relation to the Value-added Services for the three years ending 31 December 2024, 2025 and 2026 will not, in aggregate, exceed the amounts set out in the table below:

	Year ending 31 December		
	2024 RMB'000	2025 RMB'000	2026 RMB'000
Maximum aggregate annual amount of fees charged by the Group for the provision of Value-added services	730,000	790,000	860,000

The following factors were considered in arriving at the above annual caps:

- (i) the historical transaction amounts and growth trend over the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023;
- (ii) the estimated revenue to be recognised by the Group based on the existing signed contracts with the Jinmao Connected Persons on the provision of Value-added Services;
- (iii) the estimated size and number of properties to be developed and delivered by the Jinmao Connected Persons in the three years ending 31 December 2026, taking into consideration the properties under development and land bank held by the Jinmao Connected Persons as at 31 December 2022, the delivery schedule of the projects of the Jinmao Connected Persons, as well as their business plan in light of the PRC property development market trend;
- (iv) the estimated service fees to be charged in respect of the Value-added Services on a per sq.m. basis with reference to the prevailing market rates for the provision of the same type of services;

- (v) the new engineering services for artificial intelligence of things (including smart community, smart homes, supply of smart hardware, smart internet of things platform) which the Group expects to start rendering in 2024 and which will widen the scope of the Value-added Services that the Jinmao Connected Persons may require the Group to provide;
- (vi) the expected increase in scope of services required by Jinmao Connected Persons leading to the expected increase in operational costs (primarily labour costs) to be incurred by the Group; and
- (vii) a reasonable buffer of 10% to cater for any additional demand of the Jinmao Connected Persons for the Value-added Services, inflation and currency fluctuations and on the general assumption that there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group and the Jinmao Connected Persons during the projected period.

III. INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES

The Group has adopted the following internal control and corporate governance measures to ensure that the terms of the Group's transactions with the Jinmao Connected Persons under the New Framework Agreements are fair and reasonable and not prejudicial to the interests of the Company and the Independent Shareholders:

- (i) the Board (including the independent non-executive Directors) will be responsible for reviewing and evaluating the terms of the New Framework Agreements for the continuing connected transactions (including any renewal thereof), in particular the pricing principles and annual caps, to ensure that such terms are fair and reasonable to the Group and compliant with relevant laws and regulations, the Group's internal policies and the Listing Rules;
- (ii) the business department of the Company will oversee the monitoring, collection and evaluation of historical transaction prices and market data, including but not limited to the market practices and prevailing market rates for the provision of the relevant services in respect of similar types of properties in comparable locations;
- (iii) when determining the fees payable by the Jinmao Connected Persons to the Group under the New Framework Agreements, the Group will make reference to the prevailing market conditions and practices by utilising the market data collected by the business department as mentioned in the preceding paragraph, as well as the pricing and terms offered by the Group to independent third parties for similar transactions, to ensure that the terms and conditions offered to the Jinmao Connected Persons are fair and reasonable and are no less favorable to the Group than those offered to independent third parties for comparable services. Specifically, the business department of each regional center of the Group is responsible for the initial pricing of the fees payable by the Jinmao Connected Persons to the Group with respect to the projects within the region after taking into accounts the aforementioned factors, which will then be submitted to the headquarters of the Group for final review and approval;

- (iv) the Group will independently evaluate the projects developed by the Jinmao Connected Persons, including the size and location of the relevant projects, the scope and standards of the services required and the expected operational costs for providing such services, before taking on any particular project;
- (v) various internal departments of the Company (including but not limited to the finance department and legal department) will regularly monitor the implementation of the continuing connected transactions contemplated under the New Framework Agreements and keep track of the aggregate transaction amounts under each New Framework Agreement on a monthly basis, to ensure that the pricing principles and annual caps contained therein are complied with;
- (vi) the independent non-executive Directors will conduct an annual review of the continuing connected transactions under the New Framework Agreements and provide an annual confirmation as to whether these transactions are conducted on normal commercial terms or better, and according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (vii) the Company's external auditors will also conduct an annual review of the continuing connected transactions under the New Framework Agreements, including the pricing policies and the annual caps.

IV. REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW FRAMEWORK AGREEMENTS

The Group is principally engaged in the provision of property management services, value-added services to non-property owners, including sales assistance services to property developers, and consultancy and other value-added services as well as community value-added services.

The Group has continuously spent efforts in developing the Group's business and to maximize returns to Shareholders, and has been actively communicating with the Jinmao Connected Persons for possible future projects and business plans. The provision of Property Management Services, Sales Assistance Services, Property Agency Services, and Value-added Services by the Group to the Jinmao Connected Persons contemplated under the New Framework Agreements is consistent with the business and commercial objectives of the Group.

Leveraging on the Group's long-standing business relationship with the Jinmao Connected Persons, the Group will continue to provide Property Management Services, Sales Assistance Services, Property Agency Services, and Value-added Services to the Jinmao Connected Persons pursuant to the New Framework Agreements, which are expected to be of a regular and recurrent nature and can enable the Group to continue to diversify its income streams, bring stable income and profit to the Group and facilitate the business development of the Group.

Considering, among others, that the Jinmao Group has sizeable development nationwide and is able to provide substantial ongoing business opportunities, and with the mutual understanding of the standards, requirements and specific needs of each other which put the Group in a priority position in satisfying the demand of the Jinmao Connected Persons with lower communication costs, the continuous cooperation by the Group with the Jinmao Connected Persons pursuant the New Framework Agreements can further enhance the Group's mutually beneficial and complementary relationship with the Jinmao Connected Persons and foster the growth and development of the Group (such as through scaling up its operations and gaining greater market recognition) in the long run.

The Directors, other than the independent non-executive Directors who will express their opinion in a separate letter to be included in the circular after taking into account the advice of the Independent Financial Adviser, are of the view that the transactions contemplated under each of the New Framework Agreements are conducted on normal commercial terms, entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As Ms. Qiao Xiaojie and Mr. Gan Yong, all being non-executive Directors of the Company, are also director or employee of China Jinmao, they have abstained from voting on the relevant Board resolutions to approve the transactions contemplated under the New Framework Agreements.

V. IMPLICATIONS OF THE LISTING RULES

China Jinmao is the controlling shareholder of the Company, holding approximately 67.28% of the total number of issued shares of the Company as at the date of this announcement, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under each of the New Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratios in respect of the annual caps for continuing connected transactions contemplated under each of the New Framework Agreements are more than 5%, the transactions contemplated under each of the New Framework Agreements are subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

VI. GENERAL

The Company will convene the EGM to seek approval from the Independent Shareholders in respect of the transactions contemplated under the New Framework Agreements. The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the New Framework Agreements. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, details of the New Framework Agreements, a letter of recommendation from the Independent Board Committee, a letter of advice from the Independent Financial Adviser, and a notice to convene the EGM will be dispatched to the Shareholders of the Company. As the Company requires additional time to prepare and finalize certain information for inclusion in the circular, it will dispatch the circular to the Shareholders on or before 30 November 2023.

VII. GENERAL INFORMATION

The Group is a fast-growing upscale property management and city operation service provider in the PRC, and is principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services.

China Jinmao is a large-scale developer and operator of quality real estate projects in the PRC, and the platform enterprise of Sinochem Holdings in the development of real estate business. China Jinmao is principally engaged in city operations, property development, commercial leasing, retail operations, hotel operations, as well as technology and services. The shares of China Jinmao are listed on the Stock Exchange (stock code: 00817).

VIII. DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Car Park Space(s)”	unsold car park space(s) and/or other asset(s)
“China Jinmao”	China Jinmao Holdings Group Limited (中國金茂控股集團有限公司), a company incorporated in Hong Kong with limited liability and the immediate controlling shareholder of the Company, the shares of which are listed on the Stock Exchange (stock code: 00817)
“Company”	Jinmao Property Services Co., Limited (金茂物業服務發展股份有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 00816)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and approve the transactions contemplated under the New Framework Agreements
“Existing Consultancy and Other Value-added Services Framework Agreement”	the consultancy and other value-added services framework agreement dated 21 February 2022 entered into by and between the Company and China Jinmao

“Existing Framework Agreements”	the Existing Property Management Services Framework Agreement, the Existing Sales Assistance Services Framework Agreement, the Existing Property Agency Services Framework Agreement, and the Existing Consultancy and Other Value-added Services Framework Agreement
“Existing Property Agency Services Framework Agreement”	the property agency services framework agreement dated 21 February 2022 entered into by and between the Company and China Jinmao
“Existing Property Management Services Framework Agreement”	the property management services framework agreement dated 21 February 2022 entered into by and between the Company and China Jinmao, as amended by the supplemental agreement dated 25 October 2022 entered into by and between the Company and China Jinmao
“Existing Sales Assistance Services Framework Agreement”	the sales assistance services framework agreement dated 21 February 2022 entered into by and between the Company and China Jinmao
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company formed to consider the transactions contemplated under the New Framework Agreements
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the New Framework Agreements
“Independent Shareholders”	the Shareholders other than China Jinmao and its associates
“Jinmao Connected Persons”	China Jinmao and its associates (excluding, for the avoidance of doubt, the Group)
“Jinmao Group”	China Jinmao and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“New Consultancy and Other Value-added Services Framework Agreement”	the consultancy and other value-added services framework agreement dated 26 October 2023 entered into by and between the Company and China Jinmao
“New Framework Agreements”	the New Property Management Services Framework Agreement, the New Sales Assistance Services Framework Agreement, the New Property Agency Services Framework Agreement, and the New Consultancy and Other Value-added Services Framework Agreement
“New Property Agency Services Framework Agreement”	the property agency services framework agreement dated 26 October 2023 entered into by and between the Company and China Jinmao
“New Property Management Services Framework Agreement”	the property management services framework agreement dated 26 October 2023 entered into by and between the Company and China Jinmao
“New Sales Assistance Services Framework Agreement”	the sales assistance services framework agreement dated 26 October 2023 entered into by and between the Company and China Jinmao
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 25 February 2022
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Shareholder(s)”	holder(s) of ordinary share(s) of the Company
“Sinochem Holdings”	Sinochem Holdings Corporation Ltd. (中國中化控股有限責任公司), a state-owned enterprise incorporated in the PRC, which is wholly owned by the SASAC and the ultimate holding company of China Jinmao
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”

has the same meaning ascribed to it under the Listing Rules

“%”

per cent

By order of the Board
Jinmao Property Services Co., Limited
Song Liuyi
Chairman

Hong Kong, 26 October 2023

As at the date of this announcement, the executive Directors are Mr. Song Liuyi (Chairman), Mr. Xie Wei and Ms. Zhou Liye; the non-executive Directors are Ms. Qiao Xiaojie and Mr. Gan Yong; and the independent non-executive Directors are Dr. Chen Jieping, Dr. Han Jian and Mr. Sincere Wong.