JINMAO 金茂服务

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)

DISCLOSEABLE TRANSACTION ACQUISITION OF THE ENTIRE EQUITY INTEREST IN RUNWU JIAYE AND CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

The Board announces that on 18 January 2024, Jinmao PM (a wholly-owned subsidiary of the Company), the Vendors, Runwu Jiaye (the Target Company) and Beijing Shengrui (a non-wholly owned subsidiary of the Target Company) entered into the Equity Transfer Agreement, pursuant to which the Vendors agreed to sell and Jinmao PM agreed to acquire the entire equity interest in the Target Company for a total cash consideration of RMB323,800,000 (subject to adjustments).

Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company. The Target Company carries out business principally through Beijing Shengrui and its subsidiaries, engaging mainly in the provision of property management and related services and hotel operation in the PRC.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Board wishes to announce that it has resolved to change the proposed use of the Net Proceeds, by reallocating the proportions between acquisitions of new business opportunities and system upgrade and development, the reasons for which are detailed in the section headed "2. Change in Use of Net Proceeds from the Global Offering – Reasons for the Change in Use of Net Proceeds" below.

1. ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

Introduction

The Board announces that on 18 January 2024, Jinmao PM (a wholly-owned subsidiary of the Company), the Vendors, Runwu Jiaye (the Target Company) and Beijing Shengrui (a non-wholly owned subsidiary of the Target Company) entered into the Equity Transfer Agreement, pursuant to which the Vendors agreed to sell and Jinmao PM agreed to acquire the entire equity interest in the Target Company for a total cash consideration of RMB323,800,000 (subject to adjustments). Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company.

Major Terms of the Equity Transfer Agreement

Date

18 January 2024

Parties

(1) Jinmao PM, as purchaser;

(2) Liu Wenbin, Feng Bo and Shi Jin, as the Vendors (for themselves and on behalf of the Dormant Shareholders);

(3) Runwu Jiaye, as the Target Company; and

(4) Beijing Shengrui, a non-wholly owned subsidiary of the Target Company.

Target Equity Interest

Pursuant to the Equity Transfer Agreement, Jinmao PM has agreed to acquire, and the Vendors have agreed to sell the entire equity interest of the Target Company, together with all rights attaching thereto, including but not limited to the accumulated undistributed profits of the Target Company as at the Reference Date and all income generated by the Target Company during the Transition Period.

Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company. The financial results of the Target Group will be consolidated into the financial statements of the Group.

Consideration

The Total Consideration is RMB323,800,000 (subject to adjustments), which was determined after arm's length negotiations between Jinmao PM and the Vendors based on the appraised net assets value of the Target Company of approximately RMB342.36 million as at the Reference Date (i.e. 31 May 2023) as valued by the Independent Valuer using the asset-based approach, mainly taking into account the appreciation in value of the Target Company's long-term equity interest investment for its shareholding in Beijing Shengrui as appraised by the Independent Valuer.

To determine the value of the entire equity interests of Beijing Shengrui of approximately RMB426.58 million as at the Reference Date, the Independent Valuer appraised the net value of Beijing Shengrui's operating assets and non-operating assets and the value of its interest-bearing debts by using the income approach. The valuation of Beijing Shengrui primarily involved the discounted cash flow method, under which the Independent Valuer applied an applicable discount rate to Beijing Shengrui's estimated future free cash flow from operating assets, taking into account all risks associated with realizing the future economic benefits to Beijing Shengrui's present value such as, among others, risk free interest rate based on PRC government bond yields, market risk premium and firm-specific risk adjustment.

Given the Target Company itself is a holding company which is primarily responsible for management functions only and relies mainly on its subsidiaries to generate profit, and the lack of comparable companies and/or comparable transactions with sufficient publicly available information that can be identified, the Independent Valuer considered that the asset-based approach is the most appropriate for appraising the value of the Target Company, as the asset-based approach offers a more holistic assessment of the influences on enterprise value and is able to reflect objectively and fully the market value of the Target Company. And in relation to the valuation of Beijing Shengrui, given Beijing Shengrui has a good profit-making ability, the nature of the property management sector in which it operates, its investment in tangible assets being relatively small and its valuation also encompassing significant contributions from its intangible assets including its brand recognition, technological edge, customer base and product superiority, the Independent Valuer considered the income approach is the most appropriate valuation method, as it yields a conclusion that is both more reliable and convincing, offering a comprehensive and precise representation of the market value of Beijing Shengrui's total shareholder equity.

As the valuation of Beijing Shengrui based on the income approach constitutes profit forecast under Rule 14.61 of the Listing Rules, additional information in relation to such valuation is set out in the section headed "1. Acquisition of the Entire Equity Interest in the Target Company – Profit Forecast under the Listing Rules by Adopting Income Approach in Valuation" of this announcement.

The Board is satisfied that (i) the Independent Valuer has the necessary qualifications to perform the valuations of the Target Company and Beijing Shengrui and also has appropriate experience in carrying out similar valuations; (ii) the scope of work carried by the Independent Valuer is appropriate for the relevant assessments; and (iii) the valuation assumptions and methodologies adopted by the Independent Valuer for the relevant assessments are fair and reasonable. As such, the Board considers that the valuations of the Target Company and Beijing Shengrui are fair and reasonable, and hence reliable as the basis for determining the Consideration.

Payment of Total Consideration

The Total Consideration shall be paid by Jinmao PM to the Vendors in cash in the following manner:

(a) 30% of the Total Consideration (i.e. RMB97,140,000) shall be payable by Jinmao PM within five business days upon the fulfilment of certain conditions including but not limited to obtaining shareholders' approval of the Target Company and consents from the Dormant Shareholders for the Acquisition;

(b) 40% of the Total Consideration (i.e. RMB129,520,000) shall be payable by Jinmao PM within five business days upon completion of relevant corporate filings (including change of shareholder, directors, and legal representatives, as well as amendments of articles of associations) of the Target Company and/or Beijing Shengrui as a result of the Acquisition (collectively, the "**Registration**");

(c) 20% of the total consideration (i.e. RMB64,760,000) shall be payable by Jinmao PM within five business days upon completion of the closing audit of the Target Company pursuant to the Equity Transfer Agreement; and

(d) 10% of the Total Consideration (i.e. RMB32,380,000) shall be payable by Jinmao PM upon completion of the Property Disposal (as defined below) if Jinmao PM proceeds with the Property Disposal and the relevant price-bidding procedure determines one or more of the Vendors to be the purchaser of such properties, or after six months from the completion date of the Acquisition, whichever is later.

RMB126.52 million of the Total Consideration will be funded by the Net Proceeds from the Global Offering (as detailed below), while the remaining balance of the Total Consideration will be settled using the Company's internal cash resources.

Adjustments to Total Consideration

The Total Consideration may be subject to downward adjustments if (a) the Target Company incurs a loss during the Transition Period in terms of net assets, cashflow and total liabilities as determined by the closing audit, (b) there is a difference of more than RMB1,000,000 between the amounts receivable from and amounts payable to the relevant property developers of the Target Group as of 31 December 2023 with respect to certain fees as to be confirmed by Jinmao PM with the property developers and the corresponding amounts as recognized by the Vendors, and (c) the Target Group and/or Jinmao PM incurs any liability or loss as a result of the Vendors breaching any undertaking, representation or warranty as set out in the Equity Transfer Agreement.

Non-competition Undertakings

Pursuant to and subject to the terms of the Equity Transfer Agreement, the Vendors have provided undertakings as to, within the prescribed periods of time, the Vendors, the Dormant Shareholders and their respective affiliates (the "**Competing Entities**") not to compete with the property management services business carried out by the Target Group, or to cause the replacement of the property management service providers of the projects under the management of the Target Group or Jinmao PM and its affiliates; and the key management personnel of the Hotel Operation Project and his affiliates not to participate in or cause the replacement of the operations manager of the Hotel Operation Project.

Completion

Subject to the completion of Registration, closing of the Acquisition shall take place on the date when the procedures for the change of registration concerning the Target Equity Interest with the market supervision and administration department have been completed and the new business license of the Target Company has been issued, which is expected to be on or before 9 February 2024.

Jinmao PM is considering to potentially dispose of certain properties of the Target Group with the appraised aggregate value of approximately RMB42.32 million as at the Reference Date, through the public listing-for-sales process of the PRC following the closing of the Acquisition (the "**Property Disposal**"). In the event that one or more of the Vendors register their intention to acquire such properties and the relevant price-bidding procedure determines one or more of the Vendors to be the purchaser of such properties, the consideration for such acquisition will be set off against the unreleased Total Consideration. The Company will comply with the applicable requirements under Chapter 14 of the Listing Rules if and when the said properties are in fact listed for disposal by Jinmao PM.

Profit Forecast under the Listing Rules by Adopting Income Approach in Valuation

Pursuant to the independent valuation report dated 27 December 2023 provided by the Independent Valuer, the value of Beijing Shengrui was appraised by the Independent Valuer using the income approach, which involved the discounted cash flow method as a primary methodology, and thus the calculations of the appraised value as set out in the valuation report are deemed as profit forecast under Rule 14.61 of the Listing Rules and the requirements of Rule 14.60A of the Listing Rules are therefore applicable.

Details of the principal assumptions, including commercial assumptions and in additional to the customary general assumptions on which the profit forecast are made, are set out as below:

Specific assumptions

i. Except for fixed asset investments that have clear evidence as at the Reference Date indicating that there will be changes in production capacity in the future, the appraised entity will not engage in significant fixed asset investment activities that would affect its operations during the future income period. The enterprise's production capacity is estimated based on the conditions as at the Reference Date.

ii. This valuation does not consider the impact of equity investment projects made by the appraised entity after the Reference Date on its value.

iii. The taxable income amount of the appraised entity will be essentially consistent with the total profit, and there will be no significant permanent differences or timing differences adjustments during the future income period.

iv. The appraised entity will maintain accounts receivable and accounts payable turnover situations similar to those of historical years, and there will be no significant deviations from historical arrears of payment situations during the future income period.

v. The operating cash inflows and outflows will occur evenly, and there will not be situations where income is recognized at a concentrated point in time within a year during the forecast period.

vi. Expected assumptions such as delivery time and gross profit of projects pending delivery: with respect to the projects which have not yet been delivered on the Reference Date, the key data such as the delivery date and area under management of the projects are forecasted based on the existing business model of the property projects and the relevant contracts and parameters provided by the management; the corresponding project cost rate is forecasted with reference to the historical annual data of projects under management of the appraised entity. The expected delivery date of the projects pending delivery is not the complete sell-out date, and according to the sales of real estate, the general sales cycle is about 2 years. In the early stage, it is basically based on the real estate supplementary operating costs or vacancy fees, and the profit would be very low. This valuation conservatively estimates the relevant income based on the two-year sales cycle.

vii. Expected assumptions for new projects under management: due to the short management period of such new projects, the future revenue and costs from basic property management services of such projects are forecasted based on the estimation made by the management.

viii. As two projects located in Beijing, the PRC have formed their own property owners' associations, the renewal of relevant contracts can not be guaranteed. For another project located in Beijing, the PRC, as the number of its owners is limited, the renewal of its contract also can not be guaranteed. As a result, the appraisal of these three projects under management is based on the one-year forecast period forecast by the management.

ix. The appraised entity is entitled to bonus deduction of value-added tax. According to the Announcement of the Ministry of Finance and the State Tax Administration on Clarifying Policies on Reduction and Exemption of Value-added Tax for Small-scale Taxpayers (Announcement of the MOF and STA No. 1, 2023 (《財政部稅務總局關於明確增值稅小規模納稅人減免增值稅等政策的公告》(財政部稅務總局公告2023年第1號)), "III. For the period from 1 January 2023 to 31 December 2023, the bonus deduction of value-added tax shall follow the following policies: (II) Taxpayers engaging in lifestyle services industries are allowed to deduct additional 10% of current deductible input tax from VAT payable. Taxpayers engaging in living service industries refer to the taxpayers whose sales of lifestyle services account for more than 50% of the total sales. The appraisal forecasts the relevant tax return income according to the effective period of the policy and will cease to include such tax policy after its expiration.

Assessment of key specific assumptions

(a) Hypothesis about the revenue

The core revenue streams of the appraised entity encompass income from property management project fees, special contract income, operational income from projects, and revenue generated from sales offices. The projected data of the core revenue generated from such four segments is as follows:

Projected data (unit: RMB'0,000)

Items	**June to December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Perpetual period**
Property management fees income	9,575	16,990	17,152	18,075	18,075	18,075	18,075
Special contract income	1,972	3,403	3,403	3,403	3,403	3,403	3,403
Operational income	1,746	3,035	3,099	4,019	4,019	4,019	4,019
Sales office income	211	164	–	–	–	–	–
Total	13,504	23,592	23,654	25,497	25,497	25,497	25,497

As at the Reference Date, Beijing Shengrui has a total of 27 projects under management, mainly located in Beijing, Xi'an and other places. It provides four guarantees and one management services for owners of residential properties and non-residential properties (such as office buildings, shopping malls, and public urban services), and includes two billing models such as lump sum system and remuneration system. It has been established that the existing property management projects are relatively stable as at the

Reference Date. Projects that have been managed for over 10 years accounted for 37% of the total number of projects, while those managed for five years or more made up as much as 78%. The standards for property management fees and the areas subject to these charges have largely stabilized. Consequently, the assessment of income based on existing property management projects is estimated by multiplying the agreed area in contracts and the unit price as well as the historical rate of fee collection.

As to the revenue from the new projects, it is predicated on key data anticipated by the management, including the expected delivery timeline of these items, property management area, potential maximum income from property fees, projected collection rates, and future profit forecasts. These figures are integrated with the operational model of the property projects to formulate projections, with the fee collection rate projected after taking into account factors such as the nature of such new projects, the fee collection rate (if any) as of the Reference Date and the control of the internal indicators of the appraised entity over the fee collection rate.

As to the revenue from the projects pending delivery, the forecast is based on key data such as the expected delivery timeline of the projects as anticipated by the management, the area under property management, the potential maximum income from property management fees, and the expected rate of fee collection. These data points are integrated with the established business model of the property projects. In the case of a project located in Shijiazhuang, the PRC, its revenue forecast is based on the expected delivery date of the appraised entity in combination with the charging condition of property companies of an approximately two years of sales period in the real estate industry being fully satisfied.

For the special contract project income and operational income from projects, special contract income is primarily from service income, waste service income, transfer and provision of heat fees and automatic heating fees, while operational income from projects is primarily from operational income from car park space and operational income from titles. Forecasts are based on the average occurrence from previous years considering the historical consistency in annual performance. These data points are integrated with the established business model of the property projects.

As to the revenue generated from sales offices, there was one existing sales office as at the Reference Date, the service contract of which was valid until the end of 2023; while a new sales office was added in June 2023, and the contract is valid until the end of 2024. The revenue generated from sales offices is determined based on the amounts stipulated in contracts and the amounts projected in the corporate budget, which will no longer be estimated upon expiry of service contracts.

(b) Income period

The appraised entity is a property management company with a long operational history and is anticipated to have a promising future outlook. From the Reference Date to the date of the valuation report, there is no evidence to suggest that the appraised entity will discontinue operations in the foreseeable future. Consequently, it is determined that the earnings period for the appraised entity should be considered indefinite, with the projected income period extending from June 2023 through till the end of the fiscal year 2028.

(c) Assumptions for forecasting period expense

The operating expenses of the appraised entity mainly consist of expenses for property management projects, special contract costs for projects, operational costs for projects, and sales office costs. The projected data of such four types of costs is as follows:

Projected data (unit: RMB' 0,000)

Items	June to December 2023	2024	2025	2026	2027	2028	Perpetual period
Property management fees costs	8,055	14,306	14,481	15,425	15,412	15,414	15,414
Special contract costs	1,135	1,478	1,478	1,478	1,478	1,478	1,478
Operational costs	1,189	1,962	1,962	2,477	2,477	2,477	2,477
Sales office costs	199	164	–	–	–	–	–
Total	10,578	17,910	17,921	19,380	19,367	19,369	19,369

(1) The expenses for property management projects mainly include labor costs, equipment maintenance fees, public utility charges, cleaning and landscaping fees, security maintenance fees, office expenses, and depreciation costs. The staffing composition of the delivered property projects is fixed, and the labor costs are projected based on the management's expected staff situation and staff remuneration level in 2022. The cleaning and landscaping fees, security maintenance fees and other fees are relatively small, and most of the project service providers are long-term cooperation, and the cost is relatively stable. Therefore, they are projected based on their historical annual percentages relative to the property management income for each project. Given that the remuneration-based projects have been in operation for an extended period and are relatively stable, the office expenses are forecasted based on the average levels of the years 2021 and 2022. Depreciation expenses are determined based on the condition of the existing fixed assets, the status of fixed asset updates, and the accounting depreciation period. Other expenses are forecasted based on their historical annual proportion of property management income for each project.

(2) The special contract costs are mainly associated with waste removal and similar expenses. These are forecasted based on their historical annual percentage relative to each project's special contract income.

(3) The main operational costs for projects include parking space management costs, costs with respect to parking space property rights, etc. These are forecasted based on their historical annual percentage relative to each project's operational income, with the operational cost associated with projects pending delivery forecasted based on the management's expected cost rate.

(4) The sales office costs primarily arise from providing property services to real estate sales offices and showrooms before project delivery, mainly including labor costs, security and cleaning fees, and landscaping fees. The existing sales office in operation as at the Reference Date recognized costs based on the actual costs incurred, while the newly-added sales office recognizes costs based on the amounts stipulated in contracts and the amounts projected in the corporate budget.

(d) Assumptions regarding other expenses and taxes

(1) Taxes and surcharges: mainly include urban construction tax, education surcharges, etc. Considering the strong correlation between the taxes and surcharges incurred by an enterprise and its operational income, the assessment estimates the taxes and surcharges for the forecasting period of the enterprise by taking into account the level of occurrence of the ratio of taxes and surcharges to operational income of the enterprise in the past years, and then calculates the taxes and surcharges for the forecasting period. Land use tax, vehicle and vessel use tax, and building taxes are recognized based on the payments in the past years. Stamp duty is projected based on its proportion of income.

(2) Financial costs: the financial costs of the appraised entity during the forecasting period are mainly commissions, etc., which are projected based on the proportion of income in the past years.

(3) Administrative expenses: administrative expenses mainly include employee salaries, depreciation expenses, business entertainment expenses, office expenses, repair expenses, insurance expenses, etc. Salaries of employees are mainly projected in accordance with the enterprise's remuneration system and management's expectations; depreciation expenses are determined based on the existing fixed assets, the updated fixed assets and the accounting depreciation period; in terms of repair expenses, recruitment expenses, training expenses, legal expenses, insurance premiums, etc., which are incurred on a relatively fixed basis, the forecast is based on the expense level in the past years; while the property management fee incurred for properties purchased by the enterprise is projected based on the level in the past years and the relevant contracts.

(4) Measurement of depreciation and amortization: depreciation is recognized as the non-cash expenditure items in the future earnings period of the appraised entity. Depreciation items are recognized at the amount included in the cost of the current year of the projected income period. Amortization expense is mainly long term amortization expense, specifically rent, engineering renovation and purchased software, etc. The composition of intangible assets remains basically unchanged in the year of the assessment forecast.

(5) Forecast of capital expenditure: based on the going concern assumption, a certain amount of capital expenditure needs to be considered in future years to maintain the appraised entity's basic reproduction. The valuation only takes into account the expenditure on renewal of the original assets, i.e. the expenditure on renewal and reconstruction of assets to maintain the simple reproduction of the appraised entity.

(6) Income tax: in accordance with the tax law, the appraised entity is subject to a corporate income tax rate of 25%.

(e) Method for determining discount rate

Based on the principle that the revenue is consistent with the discount rate, the valuation adopted the weighted average cost of capital (WACC) model to determine the discount rate, which can be expressed by the following mathematical formula:

$$WACC = K_D \times (1\text{-}T) \times \frac{D}{V} + K_E \times \frac{E}{V}$$

Where: K_D means the cost of debt capital, T means the income tax rate, D means the market value of debt capital, K_E means the cost of equity capital, E means the market value of equity capital, and V is the sum of D and E.

In calculating K_E, being the cost of equity capital, the Capital Asset Pricing Model (CAPM) was adopted, which can be expressed by the following mathematical formula:

$$K_E = R_F + \beta\ (R_M - R_F) + \alpha$$

Where: R_F means the risk-free rate of return, which is set at 3.09% based on the annual yield to maturity of the 10-year government bond issued by the PRC government; β means the risk coefficient of equity system, which is set at 0.9051 as derived from comparable public company samples; $R_M - R_F$ means the market risk premium, which is set at 5.76% with reference to the monthly returns of the Shanghai Stock Exchange Composite Index and the Shenzhen Stock Exchange Component Index; and α means the enterprise-specific risk adjustment coefficient, which is set at 3.00% having taken into account factors such as operating environments of and unique operational risks associated with the appraised entity.

The discount rate (weighted average cost of capital (WACC)) from June 2023 to the end of the fiscal year 2028 is 11.30%.

Confirmation

Ernst & Young, (the "**Reporting Accountants**") have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flows used in the valuation prepared by the Independent Valuer. The Reporting Accountants have reported that so far as the arithmetical accuracy of the calculations is concerned, the discounted cash flows have been properly compiled in accordance with the assumptions as set out in the valuation. The text of the report issued by the Reporting Accountants in relation to the arithmetical accuracy of the calculations of the discounted cash flows is set out in Appendix I to this announcement for the purpose under Rule 14.60A(2) of the Listing Rules.

A letter from the Board, confirming that the profit forecast in the valuation has been made after due and careful enquiry by the Board, is set out in Appendix II to this announcement.

Experts

The following are the qualifications of experts who have provided opinions and/or suggestions contained in this announcement:

Watson (Beijing) International Asset Appraisal Co., Ltd. (沃克森(北京)國際資產評估有限公司)	Independent valuation firm with asset valuation qualification in the PRC
Ernst & Young	Certified public accountants

Each of the experts mentioned above has given and none of the experts has withdrawn its written consent to the issue of this announcement with the inclusion of its letters, reports and/or opinions and the references to its names (including its qualifications) included herein in the form and context in which it is included.

As at the date of this announcement, none of the experts nor their respective subsidiaries mentioned above held any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of the experts mentioned above is a third party independent of the Group and is not a connected person of the Group.

As at the date of this announcement, as far as the Directors are aware, none of the experts nor their respective subsidiaries mentioned above had, or had had, any direct or indirect interest in any material assets which have been since 31 December 2022 (being the date to which the latest published audited consolidated accounts of the Company were made up) acquired, or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group.

Information on the Target Company and Beijing Shengrui

The Target Company was established in February 2007. As at the date of this announcement, the registered capital of the Target Company is RMB7,000,000, which is held as to 43.6784%, 28.9073% and 27.4143% by Liu Wenbin, Feng Bo and Shi Jin, respectively, for themselves and on behalf of the Dormant Shareholders. The Vendors collectively are the legal and beneficial owners of approximately 53.02% of the total issued shares of the Target Company, and are entrusted by the Dormant Shareholders to hold approximately 46.98% of the total issued shares of the Target Company in which they are beneficially interested (and to exercise all shareholder rights attaching thereto) on their behalf, which altogether constitute the Target Equity Interest.

The Target Company carries out business principally through its subsidiary, Beijing Shengrui, in which it owns 80% equity interests as at the date of this announcement, with the remaining 20% equity interests of Beijing Shengrui held by an Independent Third Party. Beijing Shengrui and its subsidiaries are principally engaged in the provision of property management and related services and hotel operation in the PRC. Beijing Shengrui and its subsidiaries provide property management and related services in various places such as Beijing, Xi'an, Changsha, Tianjin, Shijiazhuang and Guangzhou through 25 branches and two subsidiaries established in the PRC, with the property management portfolio comprising residential properties, commercial properties and office buildings. As at 31 December 2023, Beijing Shengrui and its subsidiaries had a contracted gross floor area of approximately 8.66 million square meters, of which the gross floor area under management was approximately 7.98 million square meters. As to the hotel operation business, Beijing Huaruihe has been operating a hotel in Changsha, the PRC since early 2020.

Based on the financial statements of the Target Company prepared in accordance with the China Accounting Standards for Business Enterprises, its audited total assets and audited net assets as at the Reference Date were approximately RMB318.97 million and RMB99.95 million, respectively. The profits of the Target Company for the two years ended 31 December 2022 and the five months ended the Reference Date are as follows:

	For the year ended 31 December 2021 (unaudited)[(note)] *(Approximately RMB million)*	**For the year ended 31 December 2022 (unaudited)**[(note)] *(Approximately RMB million)*	**For the five months ended 31 May 2023 (unaudited)**[(note)] *(Approximately RMB million)*
Profit before tax	49.30	48.54	22.67
Profit after tax	38.16	36.58	17.36

Note: Excluding the profits for such period attributable to the three then subsidiaries which were disposed of by the Target Company in April and May 2023

Reasons for and Benefits of the Acquisition

The projects under management and the projects to be managed by the Target Group under existing contracts are mainly middle to high-end residential and commercial projects, which is in line with the Group's strategic positioning of managing upscale projects, and the geographical distribution of these projects is highly integrated with the projects under management of the Group, which is conducive to regional intensive management, achieving economies of scale and creating synergies. The various villas, commercial properties and office buildings under management and to be managed by the Target Group under existing contracts will facilitate the Group to enhance its brand and expertise in the area of property services for villas in core cities and commercial projects. In addition, the Target Group has a good business structure and a high proportion of revenue from property management services. The acquisition of the Target Company is conducive to further strengthening the non-cyclical business of the Company.

The Directors consider that the Acquisition is in line with the business development strategy of the Group and is conducted on normal commercial terms, and the terms of the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Listing Rules Implications

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Information on the Parties

The Group is a fast-growing upscale property management and city operation service provider in the PRC. Jinmao PM, as a principal operating wholly-owned subsidiary of the Company in the PRC, is principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services.

Each of the Vendors and the Dormant Shareholders is a natural person and a resident of the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors, the Dormant Shareholders, the Target Company, Beijing Shengrui and their respective ultimate beneficial owners (if applicable) are Independent Third Parties.

2. CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the Prospectus. The Net Proceeds from the Global Offering amounted to approximately HK$781.9 million. As of the date of the interim report of the Company for the six months ended 30 June 2023, the Group has applied the Net Proceeds in the manner consistent with the proposed allocations as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Upon review of the Group's operational needs, business segments and their future prospects, the Board resolved to change the proposed use of the Net Proceeds.

An analysis of the original and revised allocation of the Net Proceeds is summarized as follows:

Use of Net Proceeds	Original allocation of the Net Proceeds % of total Net Proceeds	 HK$ million (approximately)	Revised allocation of the Net Proceeds % of total Net Proceeds	 HK$ million (approximately)
(A) Pursue selective strategic investment and acquisition opportunities with companies engaged in property management, city operation services and/or community operations and to expand the Group's business scale and solidify the Group's leading industry position, including:				
(i) Acquire, invest in or cooperate with other property management companies and professional service providers in the upstream and downstream of city operation services which are suitable for and complementary to the Group's business operations and strategies; and	50.0%	391.0 *(Note 1)*	67.8%	530.1 *(Note 2)*
(ii) Acquire or invest in companies which provide community products and services complementary to the Group's.	5.0%	39.1	–	–
(B) Upgrade the Group's systems for smart management services and for the development of the Group's smart communities and smart city solutions, aiming to offer a higher-quality living experience with more convenience for the Group's property owners and residents and further enhance cost efficiency for the Group's property management and city operation services.	22.0%	172.0	9.2%	72.0

Use of Net Proceeds	Original allocation of the Net Proceeds		Revised allocation of the Net Proceeds	
	% of total Net Proceeds	HK$ million (approximately)	% of total Net Proceeds	HK$ million (approximately)
(C) Develop the Group's community value-added services in an effort to diversify the Group's service offering and enhance profitability.	13.0%	101.6 *(Note 3)*	13.0%	101.6
(D) Working capital and general corporate purpose.	10.0%	78.2 *(Note 3)*	10.0%	78.2
Total	**100%**	**781.9**	**100%**	**781.9**

Notes:

1. The amount of HK$391.0 million (being equivalent to RMB315 million) was fully utilized for the acquisition of 100% equity interests in Beijing Capital Property Services Limited (首置物業服務有限公司), details of which have been disclosed in the announcement of the Company dated 17 June 2022.

2. The additional portion of the Net Proceeds reallocated for the use as described in (A)(i) above is to be fully utilized to satisfy part of the Total Consideration if the Acquisition proceeds to completion.

3. The Net Proceeds allocated for the use as described in (C) and (D) above have been fully utilized as at the date of this announcement.

Save as disclosed in this announcement, there are no other changes in the use of Net Proceeds.

Reasons for the Change in Use of Net Proceeds

As at the date of this announcement, the Company has unutilized Net Proceeds of HK$166.1 million. The Board has resolved to reallocate the proposed use of the unutilized Net Proceeds, in order to enhance the efficiency of the use of the Net Proceeds, and to enable the Group to capture, in a timely manner, the opportunity to acquire Runwu Jiaye, which is a prudently-selected high-quality target that can strategically support the Group's business capability, so as to further enhance the Group's comprehensive service capabilities and consolidate its position in the industry, for the reasons as disclosed in the section headed "1. Acquisition of the Entire Equity Interest in the Target Company – Reasons for and Benefits of the Acquisition" above.

The Board considers that the change in use of the Net Proceeds will not have any material adverse effect on the existing operation and businesses of the Group and is in the best interest of the Company and the shareholders of the Company as a whole. The Board also confirms that there is no material change in the business nature of the Group as set out in the Prospectus.

3. DEFINITIONS

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

"Acquisition"	the acquisition of the Target Equity Interest by Jinmao PM from the Vendors
"Beijing Huaruihe"	Beijing Huaruihe Hotel Management Company Limited* (北京華瑞和酒店管理有限公司), a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of Beijing Shengrui as at the date of this announcement
"Beijing Shengrui"	Beijing Shengrui Property Services Co., Ltd.* (北京市聖瑞物業服務有限公司), a company incorporated in the PRC with limited liability, and a non-wholly owned subsidiary of Runwu Jiaye as at the date of this announcement
"Board"	the board of Directors of the Company
"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"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Dormant Shareholders"	the 49 shareholders of the Target Company (each beneficially interested in less than 10.00% of the total issued shares of the Target Company) who have entrusted their shares to the Vendors
"Equity Transfer Agreement"	the equity transfer agreement dated 18 January 2024 entered into among Jinmao PM, the Vendors, the Target Company and Beijing Shengrui in relation to the Acquisition
"Global Offering"	the global offering of the shares of the Company, details of which are set out in the Prospectus
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hotel Operation Project"	the Changsha Huaruihe Hotel* (長沙華瑞和酒店) project operated and managed by the Changsha Kaifu branch of Beijing Huaruihe

"Independent Third Party(ies)"	any entity or person who, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, is not connected with the Company and/or its connected persons
"Independent Valuer"	Watson (Beijing) International Asset Appraisal Co., Ltd.* (沃克森(北京)國際資產評估有限公司), a qualified asset appraisal firm authorized by the Ministry of Finance of the PRC to perform valuation works in the PRC with 36 years of experience in PRC target appraisal
"Jinmao PM"	Sinochem Jinmao Property Management (Beijing) Co., Ltd.* (中化金茂物業管理(北京)有限公司), a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Net Proceeds"	the total net proceeds raised by the Company from the Global Offering (taking into account the net proceeds received upon the partial exercise of the over-allotment option), after deducting the underwriting fees and relevant expenses
"PRC"	the People's Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan region
"Prospectus"	the prospectus for the Global Offering of the Company dated 25 February 2022
"Reference Date"	31 May 2023
"RMB"	Renminbi, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Target Company" or "Runwu Jiaye"	Beijing Runwu Jiaye Enterprise Management Co., Ltd.* (北京市潤物嘉業企業管理有限公司), a company incorporated in the PRC with limited liability, the entire equity interest of which is held by the Vendors as of the date of this announcement
"Target Equity Interest"	100% equity interest in the Target Company
"Target Group"	the Target Company and its subsidiaries

"Total Consideration"	the total consideration for the Acquisition of RMB323,800,000 (subject to adjustments)
"Transition Period"	the period commencing on the Reference Date and ending on the completion date of the Acquisition
"Vendors"	Liu Wenbin, Feng Bo and Shi Jin

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

Hong Kong, 18 January 2024

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.

* *For identification purpose only*

The following is the text of the report dated 18 January 2024 from the Reporting Accountants, prepared for inclusion in this announcement.

18 January 2024

The Directors
Jinmao Property Services Co., Limited
Room 4702-4703, 47th Floor, Office Tower
Convention Plaza, 1 Harbour Road, Wan Chai
Hong Kong

Report from the reporting accountants on the arithmetical accuracy of the calculations of discounted cash flow forecast in connection with the valuation report

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "**Forecast**") on which the valuation report dated 27 December 2023 prepared by Watson (Beijing) International Asset Appraisal Co., Ltd. (沃克森(北京)國際資產評估有限公司) in respect of Beijing Shengrui Property Services Co., Ltd. (北京市聖瑞物業服務有限公司) ("**Beijing Shengrui**") as at 31 May 2023 is based. The valuation of Beijing Shengrui is set out in the announcement of Jinmao Property Services Co., Limited (the "**Company**") dated 18 January 2024 (the "**Announcement**") in connection with the acquisition of 100% equity interests in Beijing Runwu Jiaye Enterprise Management Co., Ltd. (北京市潤物嘉業企業管理有限公司). The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' responsibilities

The directors of the Company (the "**Directors**") are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the "**Assumptions**"), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section headed "Profit Forecast under the Listing Rules by Adopting Income Approach in Valuation" of the Announcement.

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of Beijing Shengrui. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.60A(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in accordance with the Assumptions adopted by the Directors.

Yours faithfully

Ernst & Young
Certified Public Accountants
Hong Kong

APPENDIX II

The following is the text of the letter dated 18 January 2024 from the Board prepared for inclusion in this announcement.

To: The Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square
8 Connaught Place, Central
Hong Kong

Dear Sir/Madam,

Company: Jinmao Property Services Co., Limited (Stock Code: 816) (the "**Company**")

Re: Profit Forecast — Confirmation letter under the requirements of Rule 14.60A(3) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**")

Reference is made to the announcement of the Company dated 18 January 2024 in relation to the valuation report dated 27 December 2023 (the "**Valuation Report**") prepared by Watson (Beijing) International Asset Appraisal Co., Ltd. (沃克森（北京）國際資產評估有限公司) (the "**Valuer**"). The Valuer adopted income approach in valuation of Beijing Shengrui Property Services Co., Ltd. (北京市聖瑞物業服務有限公司).

The board of directors of the Company (the "**Board**") has reviewed the basis and assumptions of the valuation and discussed the same with the Valuer. The Board has also considered the report issued by Ernst & Young on 18 January 2024 in relation to the arithmetical accuracy of the calculations of the profit forecast in the Valuation Report.

Pursuant to the requirements of Rule 14.60A(3) of the Listing Rules, the Board confirmed that the profit forecast used in the aforesaid Valuation Report has been made after due and careful enquiry.

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

18 January 2024