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Zhaobangji Properties Holdings Limited

兆邦基地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1660)

CONTINUING CONNECTED TRANSACTIONS PROPERTY MANAGEMENT FRAMEWORK AGREEMENT

THE PROPERTY MANAGEMENT FRAMEWORK AGREEMENT

On 30 November 2018, Shenzhen Zhaobangji Property Services and Shenzhen Zhaobangji (for itself and as trustee for the benefit of its subsidiaries from time to time) entered into the Property Management Framework Agreement in relation to the provision of property management services by Shenzhen Zhaobangji Property Services in respect of properties currently controlled or being developed by the Shenzhen Zhaobangji Group which shall, subject to approval by the Independent Shareholders, be effective for a term commencing on the date of approval by the Independent Shareholders (or such later date as the parties to the Property Management Framework Agreement may agree in writing) and ending on 31 March 2021. It is expected that the aggregate amount of fees which may be charged by Shenzhen Zhaobangji Property Services pursuant to the Property Management Framework Agreement shall not exceed RMB7.0 million, RMB31.0 million and RMB32.6 million during the three years ending 31 March 2019, 2020 and 2021 respectively, and in any event not higher than 25% of the revenue of the Group for the immediately preceding financial year as shown in its audited consolidated financial statements.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shenzhen Zhaobangji is held as to 76% by Mr. Xu Chujia, the chairman of the Board, an executive Director and a controlling shareholder indirectly holding approximately 51.65% of the total number of issued Shares and as to 24% by a number of other family members of Mr. Xu Chujia. As such, Shenzhen Zhaobangji is an associate of Mr. Xu Chujia, and a connected person of the Company under the Listing Rules, and the transactions contemplated under the Property Management Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Annual Caps for the years ending 31 March 2020 and 2021 are each expected to represent more than 5% of one or more of the applicable percentage ratios under the Listing Rules and exceed HK\$10 million, the transactions contemplated under the Property Management Framework Agreement and the Annual Caps are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Property Management Framework Agreement and the continuing connected transactions contemplated thereunder (including the Annual Caps). The Company has established the Independent Board Committee comprising of all independent non-executive Directors to advise the Independent Shareholders as to whether the terms of the continuing connected transactions contemplated under the Property Management Framework Agreement are fair and reasonable, and whether such transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser. Opus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the foregoing matters.

A circular including, amongst other information, (i) a letter from the Board containing further information on the continuing connected transactions contemplated under the Property Management Framework Agreement (including the Annual Caps); (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders; and (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, together with a notice convening the EGM and the relevant proxy form, will be despatched to the Shareholders on or before 7 December 2018.

Since the Property Management Framework Agreement is subject to the fulfilment of the condition precedent set out therein and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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Further details of the Property Management Framework Agreement is set out below:

Date	30 November 2018 (after trading hours)
Parties	(1) Shenzhen Zhaobangji Property Services (2) Shenzhen Zhaobangji (for itself and as trustee for the benefit of its subsidiaries from time to time)
Period	From the date of approval of the Property Management Framework Agreement by the Independent Shareholders (or such later date as the parties to the Property Management Framework Agreement may agree in writing) to 31 March 2021.
Individual Property Management Agreement	Shenzhen Zhaobangji Property Services and the Shenzhen Zhaobangji Group shall enter into Individual Property Management Agreement(s) in respect of each property to be managed by Shenzhen Zhaobangji Property Services during the term of the Property Management Framework Agreement, which shall set out the detailed terms of the transactions to be conducted under the Property Management Framework Agreement. The terms of the Individual Property Management Agreement(s) shall in principal be consistent with the Property Management Framework Agreement. In case of inconsistency, the terms of the Property Management Framework Agreement shall prevail.
Service Scope	The service scope (the “ Service Scope ”) under the Property Management Framework Agreement includes: (a) Daily management, cleaning and repair of public areas of the properties; (b) Security services and guest reception in the properties;

- (c) Maintenance of fire prevention, and reporting accidents to relevant authorities and taking corresponding measures to support rescue work in the properties;
- (d) Management of parking of vehicles and car parks (if applicable);
- (e) Management of renovation undertaken by occupants of the properties; and
- (f) Management of the public utilities expenses paid by the occupants.

Fees

The fees chargeable for the Service Scope and the payment terms and methods shall be set out in the Individual Property Management Agreement(s) and determined principally on the basis of arm's length commercial negotiations according to the principles of fairness and reasonableness by both parties by taking into account factors including the locations of the properties, the state of the properties, the applicable property management Service Scope, and the costs involved in managing the properties. The fee shall be determined with reference to the prevailing property management fees of similar properties in the market from time to time.

The fees chargeable for the services shall also be determined in accordance with the fees charged by Shenzhen Zhaobangji Property Services in providing similar property management services to Independent Third Parties in its ordinary course of business (if applicable). The fees chargeable for the services provided by Shenzhen Zhaobangji Property Services shall not be less favourable to Shenzhen Zhaobangji Property Services than those charged to the Independent Third Parties.

The fees chargeable by Shenzhen Zhaobangji Property Services for the Service Scope shall be adjusted in the Individual Property Management Agreements for each subsequent financial year ending 31 March in accordance with the prevailing circumstances to ensure that the fees will be in conformity with the principles mentioned above.

INTERNAL CONTROLS AND PRICING POLICIES

In order to ensure that the Fees set out in the Individual Property Management Agreement(s) will be on normal commercial terms, the following procedures will be carried out before Shenzhen Zhaobangji Property Services executes the Individual Property Management Agreement(s):

- (i) The finance department of Shenzhen Zhaobangji Property Services will prepare a research report and summary of fees charged by Shenzhen Zhaobangji Property Services to Independent Third Parties customers for the past six months (if applicable) to calculate a minimum fee proposal for the Individual Property Management Agreement. The prevailing comparable market level of fees in the research report will be obtained by collecting management fee data of comparable properties and the finance department will obtain quotations from not less than three market comparables. The minimum fee proposal will then be determined based on a price that is not less favourable than the comparables and the fees charged by Shenzhen Zhaobangji Property Services to Independent Third Parties customers for the past six months (if applicable). The finance department is currently led by Mr. Tian Maoxin (“**Mr. Tian**”), a certified public accountant in the PRC practising since 2009;
- (ii) The finance department will then submit the minimum fee proposal and its supporting documents to the management of Shenzhen Zhaobangji Property Services for review. The management is currently led by Mr. Zhao Song (“**Mr. Zhao**”), who has around eighteen years of management experience working with property management companies. Prior to joining the Group, Mr. Zhao worked in senior positions in the property management subsidiary of LVGEM (China) Real Estate Investment Company Limited, a company listed on the main board of the Stock Exchange (stock code: 0095);
- (iii) If the management of Shenzhen Zhaobangji Property Services approves the minimum fee proposal, the proposal together with its supporting documents will be submitted to the Board members (other than Mr. Xu Chujia, who holds 76% of the registered capital of Shenzhen Zhaobangji, Mr. Wu Hanyu, who is a director of Shenzhen Zhaobangji, and Ms. Zhan Meiqing, who is a sister-in-law of Mr. Xu Chujia) for review and approval. Such Board members have extensive experience in property management. In particular, Mr. Sze-to Kin Keung (“**Mr. Sze-to**”), and Mr. Ye Longfei (“**Mr. Ye**”), the independent non-executive Directors of the Company, have served in managerial positions in various property management companies. Mr. Sze-to served as the regional director of 新昌物業管理（深圳）有限公司 (Synergis Property Management (Shenzhen) Company Limited*), a subsidiary of Synergis Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 2340). Mr. Ye acted as an adviser for Kerry Holdings Limited and was an executive director of Shangri-La Asia Limited, a company listed on the main board of the Stock Exchange (stock code: 0069); and

- (iv) After the minimum fee proposal has been approved by the Directors, it will be adopted as the basis for determining the fees chargeable by Shenzhen Zhaobangji Property Services in its negotiations with Shenzhen Zhaobangji Group to fix the terms of each Individual Property Management Agreement. The Individual Property Management Agreement(s) will only be executed by Shenzhen Zhaobangji Property Services after approval from the Board.

The above will help ensure that the transactions contemplated under the Individual Property Management Agreement(s) will be on normal commercial terms, and that the fees stipulated therein will not fall below the prevailing market rate and the fees charged to the Independent Third Parties customers of Shenzhen Zhaobangji Property Services in recent transactions.

In addition to the measures set out above, the Group will also adopt the following measures:

- (i) the finance department of the Group, will be responsible for regular monitoring of the continuing connected transactions contemplated under the Property Management Framework Agreement to ensure that the Annual Caps will not be exceeded, in particular, as the Annual Caps shall not in any event be higher than 25% of the revenue of the Group for the immediately preceding financial year as shown in its audited consolidated financial statements, (1) the Group will cease to enter into any new Individual Property Management Agreement if such will cause the total contractual income to exceed the Annual Cap for that financial year; and (2) to ensure that the Annual Cap for the coming financial year will not be exceeded, the Group will terminate certain existing Individual Property Management Agreement(s) if the projected income of all Individual Property Management Agreements will be higher than the Annual Cap for the coming financial year;
- (ii) internal review will be conducted by the Group to assess, on a periodic basis, whether the provision of property management services has been made in accordance with the terms of the Property Management Framework Agreement;
- (iii) the Company will engage its auditors to conduct an annual review of the continuing connected transactions conducted pursuant to the Property Management Framework Agreement;
- (iv) the independent non-executive Directors will review the continuing connected transactions conducted pursuant to the Property Management Framework Agreement on an annual basis and confirm in the annual reports of the Company for the years ending 31 March 2019, 2020 and 2021 whether such continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the Property Management Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

- (v) the finance department and management of Shenzhen Zhaobangji Property Services and the Board will review the fees stipulated in each Individual Property Management Agreement on an annual basis and the Individual Property Management Agreements will be renewed annually only if : (1) the projected income does not exceed the Annual Caps, and (2) the fees stipulated did not fall below the prevailing market rate and the fees charged to the Independent Third Parties customers of Shenzhen Zhaobangji Property Services in recent transactions.

The Directors consider that the personnel authorised to execute the above internal control measures possess relevant experience and expertise in relation thereto, and the above internal control measures can ensure that the continuing connected transactions contemplated under the Property Management Framework Agreement will be conducted on normal commercial terms in a manner not prejudicial to the interests of the Company and its Shareholders.

Proposed Annual Caps

Historical transactions

The Group has not previously engaged in the provision of property management services to the Shenzhen Zhaobangji Group.

Basis of the proposed Annual Caps

The proposed Annual Caps for the Property Management Framework Agreement are expected not to exceed RMB7.0 million, RMB31.0 million and RMB32.6 million, and in any event not higher than 25% of the revenue of the Group for the immediately preceding financial year as shown in its audited consolidated financial statements, during the three years ending 31 March 2019, 2020 and 2021 respectively. They are determined with reference to:

- (i) the estimated gross floor area of the portfolio of properties currently controlled or being developed by the Shenzhen Zhaobangji Group, in respect of which Shenzhen Zhaobangji Property Services will be engaged to provide property management services in relevant financial year(s);
- (ii) the estimated management service fees per square metre chargeable by Shenzhen Zhaobangji Property Services, which are determined based on the current prevailing property management fees of similar properties in the market;
- (iii) an anticipated annual inflation rate of 1.2% has been applied, which is estimated with reference to recent consumer price indices in the PRC; and
- (iv) a buffer of 10% to be applied on the aforesaid gross transaction amounts to cater for additional properties that may be included in the Property Management Framework Agreement and any unexpected increase in monthly management service fee per square metre.

In particular, on the assumption that the Property Management Framework Agreement will come into effect on 1 January 2019, in estimating the proposed Annual Cap for the year ending 31 March 2019, it is expected that property management services will be provided in respect of the following properties at the respective fees set out below:

Property	Gross floor area <i>(square metres)</i>	Expected monthly management service fee per square metre <i>(RMB)</i>	Total monthly service fee <i>(RMB'000)</i>	Total service fees chargeable for the year ending 31 March 2019 <i>(RMB'000)</i>
Property A	40,435.61	25.00	1,011	3,033
Property B	6,284.20	35.00	220	660
Property C	12,025.05	35.00	421	1,263
Property D	11,092.95	35.00	388	1,165
				6,120
Buffer				612
Total				6,732

In estimating the proposed Annual Cap for the year ending 31 March 2020, it is expected that property management services will be provided in respect of the following properties at the respective fees set out below:

Property	Gross floor area <i>(square metres)</i>	Expected monthly management service fee per square metre <i>(RMB)</i>	Total monthly service fee <i>(RMB'000)</i>	Total service fees chargeable for the year ending 31 March 2020 <i>(RMB'000)</i>
Property A	40,435.61	25.3	1,023	12,276
Property B	6,284.20	35.4	223	2,671
Property C	12,025.05	35.4	426	5,111
Property D	11,092.95	35.4	393	4,715
Property E <i>(Note 1)</i>	14,048.00	26.3	370	3,327
				28,100
Buffer				2,810
Total				30,910

Notes:

- (1) The development of Property E is expected to be completed in the first quarter of 2019 and property management services are expected to be provided in respect thereof from 1 July 2019 onwards.

In estimating the proposed Annual Cap for the year ending 31 March 2021, it is expected that property management services will be provided in respect of the following properties at the respective fees set out below:

Property	Gross floor area <i>(square metres)</i>	Expected monthly management service fee per square metre <i>(RMB)</i>	Total monthly service fee <i>(RMB'000)</i>	Total service fees chargeable for the year ending 31 March 2021 <i>(RMB'000)</i>
Property A	40,435.61	25.6	1,035	12,424
Property B	6,284.20	35.8	225	2,703
Property C	12,025.05	35.8	431	5,172
Property D	11,092.95	35.8	398	4,772
Property E	14,048.00	26.6	374	4,489
				29,559
Buffer				2,956
Total				32,515

The following sets forth further details of the properties in respect of which property management services are to be provided under the Property Management Framework Agreement:

Property	Location in Shenzhen	Intended use
Property A	Futian District	Commercial
Property B	Dongmen sub-district, Luohu District	Commercial
Property C	Dongmen sub-district, Luohu District	Commercial
Property D	Dongmen sub-district, Luohu District	Commercial
Property E	Nanshan District	Commercial

As a part of the Annual Caps, the aggregate amount of fees that may be charged by Shenzhen Zhaobangji Property Services during each of the years ending 31 March 2019, 2020 and 2021 pursuant to the Property Management Framework Agreement shall not exceed 25% of the revenue of the Group for the immediately preceding financial year as shown in its audited consolidated financial statements. The revenue of the immediately preceding financial year instead of the current financial year was adopted as the reference given that the Individual Property Management Agreement(s) (the “**Agreement(s)**”) are renewed on an annual basis in advance. The management fee and the length of the Agreements would be fixed and agreed at the beginning of the year, and it will not be commercially viable for the Agreements to be terminated or re-activated based on fluctuating revenue during a certain year due to the nature of the property management business. Given that the exact amount of total revenue of the Group would only be finalised and audited after the end of the year, if the Annual Caps are to be set based on the expected revenue of the current financial year, the Company would only be at the position to know whether it has actually exceeded the Annual Cap by the time the

audited figure is issued in the following year, which would be very undesirable from corporate governance perspective. As such, the Board considers that it is the most viable and sensible option to set the Annual Caps based on the revenue of the immediately preceding financial year.

The expected monthly management service fees per square meter in calculating the Annual Caps were determined without including the air-conditioning fees charged to tenants, which is mainly a reflection of the electricity cost but not the cost of services involved in property management. The air-conditioning fees can be paid by the tenants separately directly to the landlords. The Board considers this arrangement to be fair and reasonable.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group is principally engaged in trading of machinery and spare parts, leasing of machinery and the provision of related services, and the provision of transportation services in Hong Kong (the “**Existing Business**”). Shenzhen Zhaobangji is principally engaged in property development and business investment in the PRC.

The Group has not entered into, and does not propose to enter into, any agreement, arrangement, understanding or undertaking (whether formal or informal, verbal or written, express or implied), and has no intention to, downsize, terminate or dispose of any of its Existing Businesses and/or major operating assets. The Board expects that the revenue from Existing Businesses will grow at an annual compound annual growth rate (“**CAGR**”) of 3%, in line with the expected growth rate of the market size of Hong Kong’s construction industry reported by the independent industry consultant in the Company’s prospectus dated 27 January 2017.

As disclosed in the announcement of the Company dated 4 June 2018, the Directors intend to diversify the business scope of the Group downstream into property management business in the Greater Bay Area. The Directors are seeking to source business opportunities from Independent Third Parties in order to achieve the business plan. To this end, Shenzhen Zhaobangji Property Services will participate in the tender and bidding process of various commercial and residential projects, with a view to obtaining property management engagements from Independent Third Parties in communities in the vicinity of the properties proposed to be covered under the Property Management Framework Agreement so as to achieve economies of scale. For example, Property B, Property C and Property D are located in the Dongmen sub-district within the Luohu District of Shenzhen. Dongmen is a shopping area which includes a pedestrian street with stores that sell goods ranging from clothes and jewellery to traditional food. The property ownership is scattered in Dongmen; with the development of our presence through the Property Management Framework Agreement, we will be able to establish our brand as a property management service provider in Dongmen and a team of local talents in such business operations, which can help us source property management engagements from Independent Third Parties in the sub-district and its neighbouring areas.

As at the date of this Announcement, the Group has already begun property management services with Independent Third Parties. Unaudited income derived from the Independent Third Parties was approximately RMB1.6 million for the month ended 30 September 2018. The Directors are of the view that it will support the expansion of the Group if it leverages the resources of connected parties through entering into the Property Management Framework Agreement. The Directors consider that the benefits of the transactions include: (i) building up the brand image of the Group in the property management business; (ii) building up the portfolio of properties managed by the Group; and (iii) enhancing the Group's ability to attract talents to join the Group. As such, the Group will be able to achieve better bargaining power over Independent Third Parties going-forward through achieving economies of scale.

Assuming that the Existing Business will grow at a CAGR of 3%, and there is no increase or decrease in property management revenue from Independent Third Parties, the revenue contribution of the Annual Caps to the total revenue of the Group is forecasted to be approximately 4.5%, 16.3% and 16.6% for the years ending 31 March 2019, 2020 and 2021, respectively:

<i>HK\$'000</i>	Years ended/ending 31 March				
	Actual 2017	2018	2019	Forecasted 2020	2021
Revenue					
Existing Business	175,862	149,984	154,484	159,118	163,892
Proposed Annual Caps	–	–	7,955	35,227	37,045
Property management revenue from Independent Third Parties	–	–	12,851	22,032	22,032
Total revenue	175,862	149,984	175,290	216,377	222,969
<i>Proposed Annual Caps as a percentage of total revenue</i>			<i>4.5%</i>	<i>16.3%</i>	<i>16.6%</i>

Given that the revenue contribution to the Group of the continuing connected transactions with the Shenzhen Zhaobangji Group contemplated under the Property Management Framework Agreement is expected to range from approximately 4.5% to 16.6% only, the Board does not consider that the revenue to be generated from such continuing connected transactions will be of extreme importance to the Group or result in excessive reliance of the Group on the Shenzhen Zhaobangji Group. The Board expects that the Group will continue to be able to operate on a stand-alone basis.

In order to ensure that the Group has the relevant expertise and experience to operate and monitor the property management business, Shenzhen Zhaobangji Property Services has hired a team of not less than thirty staff members, currently led by Mr. Zhao, with experience in security, maintenance and repair, customer service, cleaning, finance and administration. As mentioned in the section headed “Internal Controls and Pricing Policies” in this announcement, the Board considers that relevant expertise and experience are in place among the Directors and the senior management of the property management business for the Group to engage in the transactions contemplated under the Property Management Framework Agreement.

Although all the board members that operated the Existing Business prior to the acquisition of the controlling stake of the Company by Boardwin have resigned at the Board level, the Board considers that we are equipped with adequate experience to continue the Existing Business for the following reasons:

- (i) Mr. Xu Chujia and Mr. Wu Hanyu, the executive Directors of the Company, have extensive experience in the property development industry in PRC. We consider that this is useful to the Company as most of the clients of our Existing Business are construction companies, we therefore have knowledge of their businesses, needs and requirements.
- (ii) Mr. Li Yan Sang (“**Mr. Li**”), an executive Director of the Company, has over 30 years of experience in construction machinery leasing, operation and management in Hong Kong. Mr. Li has been a senior management of Sun Man Hing Engineering Limited (“**Sun Man Hing**”) since 2003 and is responsible for leasing, and contracting electrical engineering and construction machinery to construction companies in Hong Kong. Sun Man Hing serves a number of prominent clients, including a company listed on The Hong Kong Stock Exchange. Prior to joining Sun Man Hing, Mr. Li served in managerial positions in a number of other construction equipment companies since 1987.
- (iii) Mr. Zhao Yiyong (“**Mr. Zhao**”), an executive director of the Company, has over 30 years of extensive experience in the construction industry in PRC and have led the construction of over 1.3 million square meters of residential and commercial area. He has experience with the leasing, transportation and trading of construction equipment that is complement to our Existing Business.
- (iv) Mr. Cheng Yiu-tong, *G.B.M., G.B.S., J.P.* (“**Mr. Cheng**”), our independent non-executive Director, has been serving the Hong Kong Federation of Trade Unions (“**HKFTU**”) since 1974. Member unions under the HKFTU include Hong Kong Construction Industry Employees General Union and Hong Kong Construction Industry Professional Plant-operators and Mechanics’ Association. Mr. Cheng has also been a member of the HKSAR Commission on Strategic Development, member of Consultative Committee on The New Airport and Related Projects, and is currently a Hong Kong Deputy to the National People’s Congress of the PRC. He has extensive experience with construction labor and the infrastructure developments in Hong Kong.

- (v) Professor Lee Chack Fan, *G.B.S., S.B.S., J.P.* (“**Professor Lee**”) was appointed as our non-executive director on 22 October 2018. Professor Lee has extensive experience on engineering and is well-respected by the international engineering community. Professor Lee was a member of the HKSAR Commission on Strategic Development, Hong Kong West Kowloon Cultural District Authority and Hong Kong Construction Industry Council. He has extensive experience with infrastructure developments in Hong Kong.
- (vi) A number of the directors who operated the Existing Business previously, namely Ms. Wong Fei Heung, Terbe, Ms. Yip Kam Ling, and Ms. Cheng Shing Yan continue to be the senior management of the Hong Kong subsidiaries that operate the Existing Business. The Board considers that the risk of staff turnover is manageable, given their prior service contract with the Board of the Company contained restrictive non-competing arrangements.

Except for Mr. Xu Chujia, the chairman of the Board and an executive Director who holds 76% of the registered capital of Shenzhen Zhaobangji, Mr. Wu Hanyu, an executive Director who is a director of Shenzhen Zhaobangji, and Ms. Zhan Meiqing, an executive Director who is a sister-in-law of Mr. Xu Chujia, none of the Directors has or is deemed to have a material interest in the Property Management Framework Agreement and the continuing connected transactions contemplated thereunder (including the Annual Caps). Mr. Xu Chujia, Mr. Wu Hanyu and Ms. Zhan Meiqing have abstained from voting on the relevant resolutions at the board meeting.

The terms and conditions of the Property Management Framework Agreement were negotiated between the parties thereto on an arm’s length basis. The Directors (other than the independent non-executive Directors whose views will be given after taking the advice of the Independent Financial Adviser) are of the view that the terms and conditions of the Property Management Framework Agreement (including the proposed Annual Caps) are fair and reasonable, and the continuing connected transactions contemplated under the Property Management Framework Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Board noted that the Company has unutilised IPO proceeds of HK\$34.9 million. The Board confirms that no change to the plan regarding the use of proceeds as disclosed in the Company's announcement dated 22 October 2018 is contemplated as at the date of this announcement. It is expected that the IPO proceeds will be utilized according to the following timetable:

	Proposed application of the Unutilised Net Proceeds <i>HK\$ million</i> (approximately)	Six months ending		Total <i>HK\$ million</i> (approximately)
		31 March 2019 <i>HK\$ million</i> (approximately)	30 September 2019 <i>HK\$ million</i> (approximately)	
Expansion of our leasing fleet	32.9	16.5	16.4	32.9
General working capital	2.0	2.0	–	2.0
Total	34.9	18.5	16.4	34.9

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Shenzhen Zhaobangji is held as to 76% by Mr. Xu Chujia, the chairman of the Board, an executive Director and a controlling shareholder indirectly holding approximately 51.65% of the total number of issued Shares, and as to 24% by a number of other family members of Mr. Xu Chujia. As such, Shenzhen Zhaobangji is an associate of Mr. Xu Chujia, and a connected person of the Company under the Listing Rules, and the transactions contemplated under the Property Management Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Annual Cap for the years ending 31 March 2020 and 2021 is expected to represent more than 5% of one or more of the applicable percentage ratios under the Listing Rules and exceed HK\$10 million, the transactions contemplated under the Property Management Framework Agreement and the Annual Caps are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the foregoing, the Company will seek to obtain the approval of the Independent Shareholders on the Property Management Framework Agreement and the continuing connected transactions contemplated thereunder (including the Annual Caps) at the EGM. As at the date of this announcement, Mr. Xu Chujia, through Boardwin, indirectly holds approximately 51.65% of the total number of issued Shares, and Ms. Zhang Meijuan, the spouse of Mr. Xu Chujia, beneficially owns approximately 4.89% of the total number of issued Shares. In accordance with the Listing Rules, at the EGM where the voting will be taken by poll, Mr. Xu Chujia, who is materially interested in the Property Management Framework Agreement, Ms. Zhang Meijuan and Boardwin, who are associates of Mr. Xu Chujia, and all

other Shareholders materially interested in the Property Management Framework Agreement and their respective associates are required to abstain from voting on the proposed resolutions for approving the Property Management Framework Agreement and the continuing connected transactions contemplated thereunder (including the Annual Caps).

The Company has established the Independent Board Committee comprising all four independent non-executive Directors to advise the Independent Shareholders as to whether the terms of the continuing connected transactions contemplated under the Property Management Framework Agreement are fair and reasonable, and whether such transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser. Opus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

GENERAL

An EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Property Management Framework Agreement and the continuing connected transactions contemplated thereunder (including the Annual Caps).

A circular including, amongst other information, (i) a letter from the Board containing further information on the continuing connected transactions contemplated under the Property Management Framework Agreement (including the Annual Caps); (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders; and (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, together with a notice convening the EGM and the relevant proxy form, will be despatched to the Shareholders on or before 7 December 2018.

Since the Property Management Framework Agreement is subject to the fulfilment of the condition precedent set out therein and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Annual Caps”	the maximum of RMB7.0 million, RMB31.0 million and RMB32.6 million respectively, and in any event not higher than 25% of the revenue of the Group for the immediately preceding financial year as shown in its audited consolidated financial statements, which the aggregate amount of fees that may be charged by Shenzhen Zhaobangji Property Services for the provision of property management services in respect of the properties currently controlled or being developed by the Shenzhen Zhaobangji Group pursuant to the Property Management Framework Agreement is expected not to exceed during the three years ending 31 March 2019, 2020 and 2021 respectively, as referred to in the section headed “Proposed Annual Caps” in this announcement
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Boardwin”	Boardwin Resources Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, and a 51.65% shareholder of the Company
“Company”	Zhaobangji Properties Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Property Management Framework Agreement and the continuing connected transactions contemplated thereunder (including the Annual Caps)

“financial year(s)”	shall mean financial year(s) ended/ending the 31st day of March of the relevant calendar year(s), unless otherwise specified
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, established to advise the Independent Shareholders in respect of the continuing connected transactions contemplated under the Property Management Framework Agreement (including the Annual Caps)
“Independent Financial Adviser”	Opus Capital Limited (a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO), being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the Property Management Framework Agreement (including the Annual Caps)
“Independent Shareholders”	Shareholders other than Mr. Xu Chujia, Ms. Zhang Meijuan, and Boardwin, and all other Shareholders materially interested in the Property Management Framework Agreement
“Independent Third Party(ies)”	person(s) or company/(ies) who or which is/(are) not connected person(s) of the Company
“Individual Property Management Agreement(s)”	agreement(s) to be entered into by Shenzhen Zhaobangji Property Services and the Shenzhen Zhaobangji Group pursuant to the Property Management Framework Agreement in respect of each property to be managed by the Shenzhen Zhaobangji Property Services during the term of the Property Management Framework Agreement, which shall set out the detailed terms of the transactions to be conducted thereunder

* For identification purposes only

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Property Management Framework Agreement”	the Property Management Framework Agreement entered into between Shenzhen Zhaobangji Property Services and Shenzhen Zhaobangji (for itself and as trustee for the benefit of its subsidiaries from time to time) on 30 November 2018 in relation to the provision of property management services by the Shenzhen Zhaobangji Property Services in respect of properties currently controlled or being developed by the Shenzhen Zhaobangji Group which shall, subject to approval by the Independent Shareholders, be effective for a term commencing on the date of approval by the Independent Shareholders (or such later date as the parties to the Property Management Framework Agreement may agree in writing) and ending on 31 March 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Shenzhen Zhaobangji”	深圳兆邦基集團有限公司 (Shenzhen Zhaobangji Group Company Limited*), a limited liability company established under the laws of the PRC
“Shenzhen Zhaobangji Group”	collectively, Shenzhen Zhaobangji and its subsidiaries

“Shenzhen Zhaobangji Property Services”	深圳市兆邦基物業服務有限公司 (Shenzhen Zhaobangji Property Services Company Limited*), a limited liability company established under the laws of the PRC, a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board
Zhaobangji Properties Holdings Limited
Xu Chujia
Chairman and executive Director

Hong Kong, 30 November 2018

As at the date of this notice, the Board comprises five executive Directors, namely, Mr. Xu Chujia, Mr. Wu Hanyu, Mr. Kwan Kin Man Keith, Mr. Li Yan Sang, and Mr. Zhao Yiyong; two non-executive Directors, namely, Professor Lee Chack Fan, G.B.S., S.B.S., J.P., and Ms. Zhan Meiqing; and five independent non-executive Directors, namely, Mr. Cheng Yiu Tong, G.B.M., G.B.S., J.P., Mr. Hui Chin Tong Godfrey, Mr. Sze-to Kin Keung, Mr. Wong Chun Man and Mr. Ye Longfei.