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JINMAO PROPERTY SERVICES CO., LIMITED

金茂物業服務發展股份有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00816)

ANNOUNCEMENT REVISION OF ANNUAL CAPS AND EXPANSION OF SCOPE OF PROPERTY MANAGEMENT SERVICES UNDER THE PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

Reference is made to the section headed “Connected Transactions” of the Prospectus in relation to, among others, the Property Management Services Framework Agreement entered into between the Company and China Jinmao on 21 February 2022. Pursuant to the Property Management Services Framework Agreement, the Group is providing and will continue to provide property management services to the Jinmao Connected Persons up to 31 December 2023.

The Board expects that the Existing Annual Caps under the Property Management Services Framework Agreement as set out in the Prospectus will be insufficient for each of the two years ending 31 December 2022 and 2023, and the scope of the property management services under the Property Management Services Framework Agreement cannot fully meet the business needs of the parties. As such, on 25 October 2022 (after trading hours), the Company and China Jinmao entered into the Supplemental Agreement to revise the Existing Annual Caps for each of the two years ending 31 December 2022 and 2023, and to expand the scope of the property management services under the Property Management Services Framework Agreement.

IMPLICATIONS OF THE LISTING RULES

China Jinmao is the controlling shareholder of the Company, holding approximately 67.28% of the total number of issued shares of the Company as at the date of this announcement, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Property Management Services Framework Agreement (as revised by the Supplemental Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratio in respect of the Revised Annual Caps is more than 5%, the transactions contemplated under the Property Management Services Framework Agreement (as revised by the Supplemental Agreement) are subject to the reporting, announcement, annual review, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM to seek approval from the Independent Shareholders in respect of the transactions contemplated under the Property Management Services Framework Agreement (as revised by the Supplemental Agreement). The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the Property Management Services Framework Agreement (as revised by the Supplemental Agreement). Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, details of the Property Management Services Framework Agreement (as revised by the Supplemental Agreement), a letter of recommendation from the Independent Board Committee, a letter of advice from the Independent Financial Adviser, and a notice to convene the EGM will be dispatched to the Shareholders. As the Company requires additional time to prepare and finalise certain information for inclusion in the circular, it will dispatch the circular to the Shareholders on or before 25 November 2022.

BACKGROUND

Reference is made to the section headed “Connected Transactions” of the Prospectus in relation to, among others, the Property Management Services Framework Agreement entered into between the Company and China Jinmao on 21 February 2022. Pursuant to the Property Management Services Framework Agreement, the Group is providing and will continue to provide property management services to the Jinmao Connected Persons up to 31 December 2023.

The Board expects that the Existing Annual Caps under the Property Management Services Framework Agreement as set out in the Prospectus will be insufficient for each of the two years ending 31 December 2022 and 2023, and the scope of the property management services under the Property Management Services Framework Agreement cannot fully meet the business needs of the parties. As such, on 25 October 2022 (after trading hours), the Company and China Jinmao entered into the Supplemental Agreement to revise the Existing Annual Caps for each of the two years ending 31 December 2022 and 2023, and to expand the scope of the property management services under the Property Management Services Framework Agreement as further described below under the paragraphs headed “Principal Terms of the Property Management Services Framework Agreement (as revised by the Supplemental Agreement) – Scope of Services”.

Save for the revision of annual caps and the expansion of scope of the property management services, other terms of the Property Management Services Framework Agreement shall remain unchanged and in full force and effect.

PRINCIPAL TERMS OF THE PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT (AS REVISED BY THE SUPPLEMENTAL AGREEMENT)

Parties

- (a) The Company
- (b) China Jinmao

Scope of Services

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

As a result of the launch of such reward program, the scope of the property management services under the Property Management Services Framework Agreement will be expanded by the Supplemental Agreement to include not only (i) property management services to the Jinmao Connected Persons, in respect of property units developed by the Jinmao Connected Persons which have been sold but not yet been delivered to the buyers of such property units, and properties owned, used or operated by the Jinmao Connected Persons, but also (ii) those services provided to property owners and residents who have paid their property management fees to the Group by redeeming the reward points they earned through the reward program.

Pricing Policies

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

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

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

Term

The Supplemental Agreement shall become effective after the approval from the Independent Shareholders is obtained at the EGM. The Property Management Services Framework Agreement (as revised by the Supplemental Agreement) will expire on 31 December 2023, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under the Listing Rules and all other applicable law and regulations.

REVISION OF ANNUAL CAPS

The table below sets out the historical aggregate transaction amounts for the provision of property management services charged by the Group to the Jinmao Connected Persons for the two years ended 31 December 2020 and 2021 and the six months ended 30 June 2022:

	Year ended 31 December 2020 <i>RMB'000</i>	Year ended 31 December 2021 <i>RMB'000</i>	Six months ended 30 June 2022 <i>RMB'000</i>
Amount of fees charged by the Group for the provision of property management services	62,125	104,246	70,213

The table below sets out the Existing Annual Caps and the Revised Annual Caps under the Property Management Services Framework Agreement and the Supplemental Agreement, respectively:

	Year ending 31 December	
	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
Existing Annual Caps	140,000	182,000
Revised Annual Caps	200,000	250,000

The Revised Annual Caps are determined after taking into account the following factors:

- (i) the historical transaction amounts in respect of the property management services and the significant increase in the transaction amount in 2022. As at 30 June 2022, over 50% of the Existing Annual Cap for the year ending 31 December 2022 had been utilised;
- (ii) the estimated revenue to be recognised based on the existing signed contracts with the Jinmao Connected Persons, and the estimated number of property management projects to be awarded by the Jinmao Connected Persons to the Group for the two years ending 31 December 2022 and 2023 based on the property development plan and the estimated delivery schedule of the Jinmao Connected Persons;

- (iii) the scope of the property management services as expanded by the Supplement Agreement to include those services provided to property owners and residents who have paid their property management fees to the Group by redeeming the reward points they earned through the reward program launched by China Jinmao. As Jinmao Group will reimburse the equivalent amount of such property management fees to the Group in cash, the amount of fees receivable from the Jinmao Connected Persons is expected to increase, which also contributes to the expected increase in the annual caps;
- (iv) the business expansion of the Group. The Group has achieved rapid growth of its contracted GFA and GFA under management in recent years. As at 30 June 2022, the Group's contracted GFA was approximately 69.6 million sq.m., and GFA under management was approximately 45.5 million sq.m., representing an increase of approximately 57.8% and approximately 128.6%, respectively, as compared to those of 30 June 2021. In particular, since 2022, the Group has started to provide property management services for more office buildings operated by Jinmao Group, which has further increased the amount of transactions with the Jinmao Connected Persons; and
- (v) a buffer to cater for any additional demand of the Jinmao Connected Persons for the property management services.

As at the date of this announcement, the transaction amount for the provision of property management services under the Property Management Services Framework Agreement has not exceeded the Existing Annual Cap for the year ending 31 December 2022.

INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES

The Group has adopted the following internal control and corporate governance measures to ensure that the terms of the transactions contemplated under the Property Management Services Framework Agreement (as revised by the Supplemental Agreement) are fair and reasonable and not prejudicial to the interests of the Company and the Independent Shareholders:

- the business department of the Company will oversee the monitoring, collection and evaluation of historical transaction prices and market data, including but not limited to the market practices and prevailing market rates for the provision of property management services in respect of similar types of properties in comparable locations;
- when determining the fees payable by the Jinmao Connected Persons to the Group under the Property Management Services Framework Agreement (as revised by the Supplemental Agreement), the Group will make reference to the prevailing market conditions and practices, as well as the pricing and terms offered by the Group to independent third parties, to ensure that the terms and conditions offered to the Jinmao Connected Persons are fair and reasonable and are no less favorable to the Group than those offered to independent third parties for comparable services;
- the Group will independently evaluate the projects developed by the Jinmao Connected Persons, including the size and location of the relevant projects, the scope and standards of the services required and the expected operational costs for providing such services, before taking on any particular project;

- various internal departments of the Company (including but not limited to the finance department and legal department) will regularly monitor the implementation of the continuing connected transactions contemplated under the Property Management Services Framework Agreement (as revised by the Supplemental Agreement) and keep track of the aggregate transaction amounts to ensure that the pricing principles and annual caps are complied with;
- the independent non-executive Directors will conduct an annual review of the continuing connected transactions and provide an annual confirmation as to whether these transactions are conducted on normal commercial terms or better, and according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- the Company's external auditors will also conduct an annual review of the continuing connected transactions, including the pricing policies and the annual caps.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS CONTEMPLATED UNDER THE PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT (AS REVISED BY THE SUPPLEMENTAL AGREEMENT)

The Group has been providing property management services to the Jinmao Connected Persons for over 20 years. Considering the long-standing business relationship between the Group and the Jinmao Connected Persons, and the mutual understanding of the standards, requirements and specific needs of each other, the Group will continue to provide property management services to the Jinmao Connected Persons pursuant to the Property Management Services Framework Agreement (as revised by the Supplemental Agreement), which can bring stable income and profit to the Group and facilitate the business development of the Group.

The Directors, other than the independent non-executive Directors who will express their opinion in a separate letter to be included in the circular after taking into account the advice of the Independent Financial Adviser, are of the view that the transactions contemplated under the Property Management Services Framework Agreement (as revised by the Supplemental Agreement) have been conducted on normal commercial terms, were entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the Revised Annual Caps are fair and reasonable.

As Mr. Jiang Nan, Ms. He Yamin and Ms. Qiao Xiaojie, all being non-executive Directors of the Company, are also director or employee of China Jinmao, they have abstained from voting on the relevant Board resolution to approve the transactions contemplated under the Property Management Services Framework Agreement (as revised by the Supplemental Agreement).

INFORMATION OF THE GROUP AND CHINA JINMAO

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

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

IMPLICATIONS OF THE LISTING RULES

China Jinmao is the controlling shareholder of the Company, holding approximately 67.28% of the total number of issued shares of the Company as at the date of this announcement, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Property Management Services Framework Agreement (as revised by the Supplemental Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratio in respect of the Revised Annual Caps is more than 5%, the transactions contemplated under the Property Management Services Framework Agreement (as revised by the Supplemental Agreement) are subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Company will convene the EGM to seek approval from the Independent Shareholders in respect of the transactions contemplated under the Property Management Services Framework Agreement (as revised by the Supplemental Agreement). The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the Property Management Services Framework Agreement (as revised by the Supplemental Agreement). Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, details of the Property Management Services Framework Agreement (as revised by the Supplemental Agreement), a letter of recommendation from the Independent Board Committee, a letter of advice from the Independent Financial Adviser, and a notice to convene the EGM will be dispatched to the Shareholders. As the Company requires additional time to prepare and finalise certain information for inclusion in the circular, it will dispatch the circular to the Shareholders on or before 25 November 2022.

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China Jinmao”	China Jinmao Holdings Group Limited (中國金茂控股集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 00817)
“Company”	Jinmao Property Services Co., Limited (金茂物業服務發展股份有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 00816)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and approve the transactions contemplated under the Property Management Services Framework Agreement (as revised by the Supplemental Agreement)
“Existing Annual Cap(s)”	the existing annual caps for the two years ending 31 December 2022 and 2023 under the Property Management Services Framework Agreement as set out in the Prospectus
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company formed to consider the transactions contemplated under the Property Management Services Framework Agreement (as revised by the Supplemental Agreement)

“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Property Management Services Framework Agreement (as revised by the Supplemental Agreement)
“Independent Shareholders”	shareholders other than China Jinmao and its associates
“Jinmao Connected Persons”	China Jinmao and its associates (excluding, for the avoidance of doubt, the Group)
“Jinmao Group”	China Jinmao and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Property Management Services Framework Agreement”	the property management services framework agreement dated 21 February 2022 entered into by and between the Company and China Jinmao
“Prospectus”	the prospectus of the Company dated 25 February 2022
“Revised Annual Cap(s)”	the revised annual caps for the two years ending 31 December 2022 and 2023 under the Supplemental Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of ordinary share(s) of the Company
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules

“Supplemental Agreement” the supplemental agreement to the Property Management Services Framework Agreement dated 25 October 2022 entered into by and between the Company and China Jinmao

“%” per cent

By Order of the Board
Jinmao Property Services Co., Limited
Jiang Nan
Chairman

Hong Kong, 25 October 2022

As at the date of this announcement, the executive Directors are Mr. Xie Wei and Ms. Zhou Liye; the non-executive Directors are Mr. Jiang Nan, Ms. He Yamin and Ms. Qiao Xiaojie; and the independent non-executive Directors are Dr. Chen Jieping, Dr. Han Jian and Mr. Sincere Wong.