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FINANCIAL STREET PROPERTY CO., LIMITED

金融街物業股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1502)

DISCLOSEABLE, MAJOR AND CONTINUING CONNECTED TRANSACTIONS RENEWAL OF: (1) 2023 LEASING FRAMEWORK AGREEMENT; (2) 2023 PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT; AND (3) 2023 DEPOSIT SERVICE FRAMEWORK AGREEMENT

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



BACKGROUND

Reference are made to the Prospectus, the announcements of the Company dated 20 October 2020 and 26 March 2021 and the circulars of the Company dated 20 November 2020 and 18 May 2021 in relation to: (i) the entering into of the Leasing Framework Agreement for a term from 6 July 2020 to 31 December 2022; (ii) the entering into of the Property Management Services Framework Agreement for a term from 6 July 2020 to 31 December 2022, and revision of the annual caps thereunder; and (iii) the entering into of the Deposit Service Framework Agreement for a term from 24 June 2021 to 31 December 2023.

The Board announces that on 11 November 2022 (after trading hours), the Company has entered into: (i) the 2023 Leasing Framework Agreement with Financial Street Group for a term from 1 January 2023 to 31 December 2025 to renew the Leasing Framework Agreement; (ii) the 2023 Property Management Services Framework Agreement with Financial Street Group for a term from 1 January 2023 to 31 December 2025 to renew the Property Management Services Framework Agreement; and (iii) the 2023 Deposit Service Framework Agreement with FS Finance, superseding the Deposit Service Framework Agreement for its remaining term, for a term from 1 January 2023 to 31 December 2025 to renew the Deposit Service Framework Agreement.

It is proposed that: (i) the Lease Annual Caps for each of the three years ending 31 December 2025 under the 2023 Leasing Framework Agreement will be RMB 69.7 million, RMB86.7 million and RMB100.7 million in relation to the right-of-use assets (for leases with the lease term exceeding one year); and RMB22.0 million, RMB34.0 million and RMB49.7 million in relation to other payments (including rent for those leases of which the lease term is no more than one year), respectively; (ii) the Property Management Services Annual Caps for each of the three years ending 31 December 2025 under the 2023 Property Management Services Framework Agreement will be RMB431.8 million, RMB455.4 million and RMB505.4 million, respectively; and (iii) the Deposit Service Annual Caps for each of the three years ending 31 December 2025 under the 2023 Deposit Service Framework Agreement will be RMB1,010.4 million, being the maximum daily balance of deposits (including maximum interests income).

LISTING RULES IMPLICATION

Continuing connected transactions implications

As at the date of this announcement, Financial Street Group was interested in an aggregate of 34.35% of the total issued share capital of the Company, hence Financial Street Group is a controlling shareholder and thus a connected person of the Company. FS Finance is a wholly-owned subsidiary of Financial Street Group, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the 2023 Leasing Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Non-exempt transactions

As the highest applicable percentage ratio in respect of: (i) the Lease Annual Caps (for both right-of-use assets and other payments); (ii) the Property Management Services Annual Caps and (iii) the Deposit Service Annual Caps exceed 5%, the transactions contemplated under the 2023 Leasing Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement constitute continuing connected transactions of the Company which are subject to announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Notifiable transactions implications

Discloseable transactions

As one or more of the applicable percentage ratios in respect of Lease Annual Caps (for both right-of-use assets and other payments) exceed 5% but less than 25%, the transactions contemplated under the 2023 Leasing Framework Agreement also constitute discloseable transactions of the Company which are subject to the reporting and announcement requirement under Chapter 14 of the Listing Rules.

Major transactions

As one or more of the applicable percentage ratio in respect of Deposit Service Annual Caps exceed 25%, the transactions contemplated under the 2023 Deposit Service Framework Agreement also constitute major transactions of the Company which are subject to announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The Company will convene EGM for the Independent Shareholders to consider and, if thought fit, approve the 2023 Leasing Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement and the transaction contemplated thereunder.

An Independent Board Committee, comprising all independent non-executive Directors, has been established to consider the 2023 Leasing Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the relevant resolution regarding the 2023 Leasing Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement and the transactions contemplated thereunder. Dongxing Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Renewal of Connected Transactions Framework Agreements.

At the EGM, resolutions will be proposed by the Company to seek the Independent Shareholders' approval on the Renewal of Connected Transactions Framework Agreements. Financial Street Group and its associates will abstain from voting for the resolutions regarding the Renewal of Connected Transactions Framework Agreements at the EGM. The proposed resolutions will be passed by way of ordinary resolutions and voted on by way of poll in accordance with the requirement of the Listing Rules and Articles of Association of the Company.

A circular containing, among others things, (i) further details about the Renewal of Connected Transactions Framework Agreements; (ii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) a letter of recommendation from the Independent Board Committee; (iv) other information as required under the Listing Rules; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 2 December 2022.

BACKGROUND

Reference are made to the Prospectus, the announcements of the Company dated 20 October 2020 and 26 March 2021 and the circulars of the Company dated 20 November 2020 and 18 May 2021 in relation to: (i) the entering into of the Leasing Framework Agreement for a term from 6 July 2020 to 31 December 2022; (ii) the entering into of the Property Management Services Framework Agreement for a term from 6 July 2020 to 31 December 2022, and revision of the annual caps thereunder; and (iii) the entering into of the Deposit Service Framework Agreement for a term from 24 June 2021 to 31 December 2023.

The Board announces that on 11 November 2022 (after trading hours), the Company has entered into: (i) the 2023 Leasing Framework Agreement with Financial Street Group for a term from 1 January 2023 to 31 December 2025 to renew the Leasing Framework Agreement; (ii) the 2023 Property Management Services Framework Agreement with Financial Street Group for a term from 1 January 2023 to 31 December 2025 to renew the Property Management Services Framework Agreement; and (iii) the 2023 Deposit Service Framework Agreement with FS Finance, superseding the Deposit Service Framework Agreement for its remaining term, for a term from 1 January 2023 to 31 December 2025 to renew the Deposit Service Framework Agreement.

2023 LEASING FRAMEWORK AGREEMENT

The principal terms of the 2023 Leasing Framework Agreement are set out below:

Date:	11 November 2022 (after trading hours)
Parties:	(i) the Company; and (ii) Financial Street Group
Term:	1 January 2023 to 31 December 2025
Subject matter:	Pursuant to the 2023 Leasing Framework Agreement, the Company will lease the real property (currently consisting of office properties, operating properties and carparks) held by Financial Street Group and its associate.

The related subsidiaries and associates of both parties shall enter into separate leasing agreements, and such agreements shall contain specific terms and conditions. Under the same condition, the terms of these leasing agreement shall be equivalent to the terms offered by Financial Street Group to other independent third parties. If the terms of these leasing agreements contravene with the terms of the 2023 Leasing Framework Agreement, the terms of the 2023 Leasing Framework Agreement shall prevail.

Pricing policy: The rent payable by the Group pursuant to the 2023 Leasing Framework Agreement shall be determined after arm’s length negotiations taking into account the prevailing market rentals of properties of similar nature located in similar areas with reference to the rent payable by Independent Third Parties to Financial Street Group.

Condition precedent: The terms of the 2023 Leasing Framework Agreement are subject to the Company having obtained the approval of the Independent Shareholders.

Historical transaction amounts

The following table sets out the historical total rent for the leases of properties payable by the Group to Financial Street Group and its associates:

For the year ended 31 December	2021	For the six months ended
2020	2021	30 June 2022
<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
8.3 ¹	11.6 ¹	9.1 ¹

Note:

Pursuant to the Leasing Framework Agreement, the annual caps were determined with reference to the total rental value payable by the Company in each year. Therefore, the historical transaction value was calculated based on the total rental value payable by the Company to Financial Street Group and its associates in each year.

Proposed Lease Annual Caps and basis of determination

The following table sets out the Lease Annual Caps for the three years ending 31 December 2025 under the 2023 Leasing Framework Agreement:

	For the year ending 31 December		
	2023	2024	2025
	(RMB million)	(RMB million)	(RMB million)
Right-of-use assets (for those lease of which the lease term exceeds one year)	69.7	86.7	100.7
Other payments (including rent for those leases of which the lease term is no more than one year)	22.0	34.0	49.7

Note:

Different accounting treatment apply to different components of payments by the Group under the 2023 Leasing Framework Agreement in accordance with the HKFRSs applicable to the Group.

Under HKFRS 16, the Group as the lessee shall recognise leases for a term of more than one year as right-of-use assets and lease liabilities. The right-of-use assets represent its rights to use the underlying leased asset over the lease term and the lease liabilities represent its obligations to make lease payments (i.e. the rental payment). The assets and the liabilities arising from the lease are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the 2023 Leasing Framework Agreement, using the incremental borrowing rate as the discount rate. Under HKFRS 16 and in the consolidated statement of comprehensive income of the Group, the Group shall recognise (i) depreciation charge over the life of the right-of-use asset, and (ii) interest expenses amortised from the lease liability over the lease term. In accordance with the Listing Rules, the Company is required to set caps on the total value of right-of-use assets relating to the above leases.

Other amounts payable by the Group as lessee (including rent for those leases for a term of no more than one year) will be recorded as expenses by the Company over the remainder of term of the lease and separate caps will be set in accordance with the Listing Rules.

The Lease Annual Caps have been determined with reference to, among other things, the following factors:

- (i) the historical value of the Group's rights to use the leased assets during the term of the Leasing Framework Agreement which is initially measured on present value basis and calculated by discounting the expected lease payments, using the incremental borrowing rate as the discount rate;

- (ii) the Group's expectation that all existing leasing agreements entered into with Financial Street Group and its associates will be renewed with the existing terms remain unchanged;
- (iii) the expected increase in the right of use assets of long-term (more than one year) carpark leases and the rental payments for short-term (no more than one year) carpark leases to be entered into by the Group and Financial Street Group and its associates depending on the business development needs of the Group for the three years ending 31 December 2025; and
- (iv) the expected increase in the right of use assets of long-term (more than one year) restaurant rental leases to be entered into between the Group and Financial Street Group and its associates for the three years ending 31 December 2025.

2023 PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT

The principal terms of the 2023 Property Management Services Framework Agreement are set out below:

- Date: 11 November 2022 (after trading hours)
- Parties: (i) the Company; and
(ii) Financial Street Group
- Term: 1 January 2023 to 31 December 2025
- Subject matter: Pursuant to the 2023 Property Management Services Framework Agreement, the Company, either directly, or indirectly through subsidiaries, agreed to provide property management services and related services to Financial Street Group and its associates with respect to the following types of properties:
- (i) properties owned by, or with respect to which Financial Street Group and its associates have the right of use; and
 - (ii) properties already developed by Financial Street Group and its associates but unsold, or properties already developed and sold but undelivered by Financial Street Group and its associates.

The related subsidiaries and associates of both parties shall enter into separate property management services agreements, and such agreements shall contain specific terms and conditions. Under the same condition, the terms of these property management services agreement shall be equivalent to the terms offered by Financial Street Group to other third parties.

Pricing policy: The property management fees to be charged pursuant to the 2023 Property Management Services Framework Agreement shall be determined after arm's length negotiations taking into account the location of the projects, the expected operational costs (including, amongst others, labour costs, material costs and administrative costs) with reference to the property management fees for similar services and similar types of projects in the market.

Condition precedent: The terms of the 2023 Property Management Services Framework Agreement are subject to the Company having obtained the approval of the Independent Shareholders.

Historical transaction amounts

The following table sets out the fees paid by Financial Street Group and its associates for Property Management Services to our Group:

For the year ended 31 December		For the six months ended
2020	2021	30 June 2022
<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
201.8	203.3	92.5

Proposed Property Management Services Annual Caps and basis of determination

The following table sets out the Property Management Services Annual Caps for the three years ending 31 December 2025 under the 2023 Property Management Services Framework Agreement:

For the year ending 31 December		
2023	2024	2025
<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
431.8	455.4	505.4

The Property Management Services Annual Caps have been determined with reference to, among other things, the following factors:

- (i) historical transaction amounts based on existing property management projects with Financial Street Group and its associates during the term of the 2023 Property Management Services Framework Agreement;
- (ii) the estimation of the increase in demand of Financial Street Group and its associates for property management services, which the Company anticipates, after taking into account the the scale of the existing properties owned by and the future business development of Financial Street Group and its associates;
- (iii) the volume of property management services that Financial Street Group and its associates require from the Group as a proportion of the total property management services required by Financial Street Group and its associates will remain steady; and
- (iv) the Group's expectation that all property management services agreements entered into with Financial Street Group and its associates will be renewed with the existing terms remain unchanged.

2023 DEPOSIT SERVICE FRAMEWORK AGREEMENT

The principal terms of the 2023 Deposit Service Framework Agreement are set out below:

- Date: 11 November 2022 (after trading hours)
- Parties: (i) the Company; and
(ii) FS Finance
- Term: 1 January 2023 to 31 December 2025 (upon the effective date of the 2023 Deposit Service Framework Agreement, it will supersede the Deposit Service Framework Agreement for its remaining term)
- Subject matter: Pursuant to the 2023 Deposit Service Framework Agreement, FS Finance shall provide the Deposit Services to the Group.

The Deposit Service Framework Agreement does not restrict the Group's use of services provided by other commercial banks or independent financial institutions. The Group may (but is not obliged to) use the Deposit Services provided by FS Finance.

Pricing policy: FS Finance undertakes to provide the Deposit Services to the Group according to the following pricing policy:

- (i) the interest rate in respect of the deposits placed by the Group with FS Finance will be equal to or higher than the average interest rate offered by independent major PRC state-owned commercial banks for comparable deposits of the same type and term; and
- (ii) the commercial terms provided by FS Finance in respect of the Deposit Services will be equal to or more favourable compared to those offered to Independent Third Parties.

Condition precedent: The terms of the 2023 Deposit Service Framework Agreement are subject to the Company having obtained the approval of the Independent Shareholders.

Historical transaction amounts

The following table sets out the historical maximum daily deposit balances (including accrued interests) our Group deposited with FS Finance:

For the year ended 31 December		For the six months ended
2020	2021	30 June 2022
<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
375.7	413.8	430.2

Proposed Deposit Service Annual Caps and basis of determination

The following table sets out the Deposit Service Annual Caps for the three years ending 31 December 2025 under the 2023 Deposit Service Framework Agreement:

	For the year ending 31 December		
	2023	2024	2025
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Maximum daily deposit balance	1,000	1,000	1,000
Maximum interest income	10.4	10.4	10.4

The Deposit Service Annual Caps have been determined with reference to, among other things, the following factors:

In relation to the deposit amount

- (i) the historical transaction amounts of the Deposit Services: the maximum daily deposit balances (including accrued interests) placed by the Group with FS Finance for each of the two years ended 31 December 2020 and 2021 and for the six months ended 30 June 2022 was approximately RMB375.7 million, RMB413.8 million and RMB430.2 million, respectively;
- (ii) the historical cash position of the Group: the cash and cash equivalents of the Group as at 31 December 2020 and 2021 and 30 June 2022 was approximately RMB1,399.5 million, RMB1,397.6 million and RMB1,361.7 million, respectively;
- (iii) the estimated cash and revenue to be generated from the potential target companies to be acquired by the Company using the net proceeds from the listing of H Shares of the Company. The Company intends to pursue strategic acquisition and acquire new subsidiary in the PRC to expand its business coverage. For further details, please refer to the section headed “Future Plans and use of Proceeds” in the Prospectus. Although no potential acquisition target has been identified by the Company as at the date of this announcement, the Company is in the process of identifying suitable acquisition target; and
- (iv) the Deposit Services will be obtained by the Group on a voluntary and non-exclusive basis. There is no restriction under the 2023 Deposit Service Framework Agreement on the Group’s use of deposit services from other commercial banks or independent financial institutions; the Group has sole discretion to make its selection according to the relevant conditions and quality of services being delivered by other commercial banks or independent financial institutions. In general, other than FS Finance, the Group also places cash deposits with other commercial banks and independent financial institutions in the PRC.

In relation to the interest amount

- (i) the percentage, being approximately 70%, of the total deposits by the Company with FS Finance being kept in current account. Such percentage is derived from the average percentage of the total deposit by the Company with FS Finance being kept in current account as at 31 December 2020 and 2021 and 30 June 2022;
- (ii) the percentage, being approximately 30%, of the total deposits by the Company with FS Finance being kept as fixed deposit. Such percentage is derived from the average percentage of the total deposit by the Company with FS Finance being kept as fixed deposit as at 31 December 2020 and 2021 and 30 June 2022; and

- (iii) the projected maximum interest rate to be offered by FS Finance of approximately 2.3% for one-year fixed deposits and approximately 0.5% for one-year current deposits during the term of the 2023 Deposit Service Framework Agreement.

REASONS FOR AND BENEFITS OF THE RENEWAL OF CONNECTED TRANSACTIONS FRAMEWORK AGREEMENTS

In relation to the 2023 Leasing Framework Agreement

In view of the long term relationship with Financial Street Group for the provision of office and business premises, the entering into the 2023 Leasing Framework Agreement can reduce the Company's search cost of suitable premise, avoid incurrence of relocation cost and so to ensure the stability of the working environment of the Group. Further, the renting of premises from Financial Street Group can fulfill the business development needs of the Group, which enables the Group to further expand its business scale and development and the revenue generated from the value-added services (including catering services and car park operations, etc.).

In relation to the 2023 Property Management Services Framework Agreement

The Board is of the view that the entering of the 2023 Property Management Services Framework Agreement is crucial to the business development and is beneficial to the Company as the Company may secure a stable source of revenue after considering that (i) the Company, as a subsidiary of Financial Street Group, has developed synergistically and maintained a long-term and stable relationship with Financial Street Group and its associates in real estate, investment, insurance and education business segments; and (ii) the steady development of each business segment of Financial Street Group will bring new business opportunities of the property management services provided by the Group, which is an important component of the Group's revenue from property management services.

In relation to the 2023 Deposit Service Framework Agreement

FS Finance has been providing the Deposit Services to the Group prior to the listing of the H Shares on the Stock Exchange, and has developed a solid understanding of the business operation and cash management model of the Group, and is capable of providing the Group with Deposit Services in a stable, suitable, efficient, convenient, and flexible manner. In addition, depositing funds with FS Finance is consistent with the Group's relevant requirements on treasury centralisation and overall management.

Moreover, the interest rate in respect of the Deposit Services provided by FS Finance to the Group will be equal to or higher than the average interest rate offered by independent major PRC state-owned commercial banks for comparable deposits of the same type and term; and its commercial terms in respect of the Deposit Services provided to the Group will be equal to or more favourable compared to those offered to Independent Third Parties.

The Board cannot control or predict interest rates that will be offered by commercial banks in the future. In the event interest rates offered by commercial banks become unattractive, or if the gap between the interest rates offered by commercial banks and that of FS Finance becomes significant, the Group must be afforded the option to choose the most beneficial interest rates, including depositing a sizable portion of its cash and cash equivalents with FS Finance if indeed that is the best option.

OPINION OF THE BOARD

In view of the above reasons and benefits, given the transactions contemplated under the Renewal of Connected Transactions Framework Agreement are in the ordinary and usual course of business of the Company and are under normal commercial terms or better, the Board (excluding the independent non-executive Directors, being members of the Independent Board Committee, who will express their views after taking into consideration the advice of the Independent Financial Adviser) are of the view that the terms of the 2023 Leasing Framework Agreement, 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement and the Lease Annual Caps, Property Management Services Annual Caps and Deposit Service Annual Cap are on normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interests in the transactions contemplated under the Renewal of Connected Transactions Framework Agreement. However, Mr. Liang Jianping, Mr. Li Liang and Ms. Zhao Lu, each holding an office in Financial Street Group or its associates, have abstained from voting on the Board decision regarding the Renewal of Connected Transactions Framework Agreements.

Shareholders should note that the Lease Annual Caps, the Property Management Services Annual Caps and the Deposit Service Annual Caps represent the best estimates by the Directors of the amounts of the relevant transactions based on the information currently available. The Lease Annual Caps, the Property Management Services Annual Caps and the Deposit Service Annual Caps bear no direct link, nor constitute a guide or commitment to the Group's future financial information or performance.

INTERNAL CONTROL MEASURES

The Group has adopted the following internal policies and measures to ensure the transactions contemplated under the 2023 Leasing Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement will be implemented under the terms of the relevant framework agreements and the pricing policies, generally including (but not limited to):

- (i) the Group will maintain a database of fees paid to the Group in respect of property management services, which is compiled by property type, geographical location of the property, the scope of property management services to be provided by the Group and the identity of the customer;
- (ii) the Group will be responsible for regular monitoring of the continuing connected transaction contemplated under the 2023 Leasing Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement to ensure that the Lease Annual Caps, Property Management Services Annual Caps and Deposit Service Annual Cap will not be exceeded, in particular, the Group will cease to enter into any new transaction if such will cause the total cumulative transaction volume to exceed the Property Management Services Annual Caps for that financial year;
- (iii) prior to entering into any transactions contemplated under the 2023 Leasing Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement, the relevant key management personnel of various business departments of the Group will review and assess the specific terms and conditions of the transactions to ensure their consistency with the 2023 Leasing Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement. The relevant officers will examine, among others, (a) information of the parties; (b) the terms of the agreement and compare it with the terms of similar services offered by Independent Third Parties; (c) the type and scope of services to be provided by the Group thereunder; and (d) whether the contract price is in line with the relevant pricing policies, in order to ensure comments (if any) from various departments of the Group will be properly addressed;
- (iv) the Company will engage its auditors to conduct an annual review of the continuing connected transactions to be conducted pursuant to the 2023 Leasing Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement; and

- (v) the independent non-executive Directors will review the continuing connected transactions to be conducted pursuant to the 2023 Leasing Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement on an annual basis and confirm 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 2023 Leasing Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION OF THE PARTIES

Information on FS Finance

FS Finance, a company established in the PRC with limited liability on 30 June 2015, is a wholly-owned subsidiary of Financial Street Group. FS Finance is a non-bank financial institution (非銀行金融機構) which provides Deposit Services to Financial Street Group and its subsidiaries. FS Finance is subject to a number of regulatory requirements and guidelines issued by regulatory authorities in the PRC.

Information on Financial Street Group

Financial Street Group and its subsidiaries mainly operate in real estate development, investment holding, finance, education and medical and wellness. The head office of Financial Street Group is located in Beijing, and its operating properties include office buildings, hotels, apartments, commercial properties, residential properties and parking lots, etc..

Information on the Group

The Company is a joint stock company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange. The Group is principally engaged in providing property management and related services to properties located at financial management centres at all levels nationwide.

LISTING RULES IMPLICATION

Continuing connected transactions implications

As at the date of this announcement, Financial Street Group was interested in an aggregate of 34.35% of the total issued share capital of the Company, hence Financial Street Group is a controlling shareholder and thus a connected person of the Company. FS Finance is a wholly-owned subsidiary of Financial Street Group, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the 2023 Leasing Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Non-exempt transactions

As the highest applicable percentage ratio in respect of: (i) the Lease Annual Caps (for both right-of-use assets and other payments); (ii) the Property Management Services Annual Caps and (iii) the Deposit Service Annual Caps exceed 5%, the transactions contemplated under the 2023 Leasing Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement constitute continuing connected transactions of the Company which are subject to announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Notifiable transactions implications

Discloseable transactions

As one or more of the applicable percentage ratios in respect of Lease Annual Caps (for both right-of-use assets and other payments) exceed 5% but less than 25%, the transactions contemplated under the 2023 Leasing Framework Agreement also constitute discloseable transactions of the Company which are subject to the reporting and announcement requirement under Chapter 14 of the Listing Rules.

Major transactions

As one or more of the applicable percentage ratio in respect of Deposit Service Annual Caps exceed 25%, the transactions contemplated under the 2023 Deposit Service Framework Agreement also constitute major transactions of the Company which are subject to announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The Company will convene EGM for the Independent Shareholders to consider and, if thought fit, approve the 2023 Leasing Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement and the transaction contemplated thereunder.

An Independent Board Committee, comprising all independent non-executive Directors, has been established to consider the 2023 Leasing Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement and to advise and provide recommendations to the Independent Shareholders as to how to vote at the EGM on the relevant resolution regarding the consider the 2023 Leasing Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement and the transactions contemplated thereunder. Dongxing Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Renewal of Connected Transactions Framework Agreements.

At the EGM, resolutions will be proposed by the Company to seek the Independent Shareholders' approval on the Renewal of Connected Transactions Framework Agreements. Financial Street Group and its associates will abstain from voting for the resolutions regarding the Renewal of Connected Transactions Framework Agreements at the EGM. The proposed resolutions will be passed by way of ordinary resolutions and voted on by way of poll in accordance with the requirement of the Listing Rules and Articles of Association of the Company.

A circular containing, among others things, (i) further details about the Renewal of Connected Transactions Framework Agreements; (ii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) a letter of recommendation from the Independent Board Committee; (iv) other information as required under the Listing Rules; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 2 December 2022.

DEFINITIONS

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

“2023 Deposit Service Framework Agreement”	the deposit service framework agreement entered into between the Company and FS Finance on 11 November 2022 for a term from 1 January 2023 to 31 December 2025
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“2023 Leasing Framework Agreement”	the leasing framework agreement entered into between the Company and Financial Street Group on 11 November 2022 for a term from 1 January 2023 to 31 December 2025
“2023 Property Management Services Framework Agreement”	the property management services framework agreement entered into between the Company and Financial Street Group on 11 November 2022 for a term from 1 January 2023 to 31 December 2025
“associate”	has the same meaning as defined in the Listing Rules
“Board”	the board of Directors
“China” or the “PRC”	the People’s Republic of China
“Company”	Financial Street Property Co., Limited (金融街物業股份有限公司), a company established in the PRC with limited liability, whose H shares are listed on the main board of the Stock Exchange
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Deposit Services”	deposit management services provided by FS Finance to the Group
“Deposit Service Annual Caps”	RMB1,010.4 million, being the maximum daily balance of deposits (including maximum interests income) that may be placed by the Group with FS Finance for each of years ending 31 December 2023, 2024 and 2025 under the 2023 Deposit Service Framework Agreement
“Deposit Service Framework Agreement”	the deposit service framework agreement entered into between the Company and FS Finance on 26 March 2021 for a term from 24 June 2021 to 31 December 2023
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for approving, among other things, the 2023 Deposit Service Framework Agreement, the 2023 Leasing Framework Agreement and the 2023 Property Management Services Framework Agreement and the transactions contemplated thereunder

“Financial Street Group”	Beijing Financial Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司), a state-owned enterprise established in the PRC on 29 May 1996 and ultimately owned by SASAC Xicheng District. As at the date of the announcement, it indirectly holds 34.35% of the Shares in the Company through its wholly-owned subsidiary Huarong Zonghe and is one of the controlling shareholders of the Company
“FS Finance”	Beijing Financial Street Group Finance Company Limited (北京金融街集團財務有限公司), a company established in the PRC with limited liability on 30 June 2015, and a wholly-owned subsidiary of Financial Street Group
“GFA”	gross floor area
“Group”	the Company and its subsidiaries as at the date of this announcement
“H Share(s)”	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.0 each, which are subscribed for and traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange
“HKFRS”	Hong Kong Financial Reporting Standard
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huarong Zonghe”	Beijing Huarong Zonghe Investment Co., Ltd. (北京華融綜合投資有限公司), formerly known as Beijing Huarong Zonghe Investment Company (北京華融綜合投資公司), a state-owned enterprise established in the PRC on 9 July 1992 and wholly-owned by Financial Street Group. As at the date of this announcement holds 34.35% of the Shares in our Company
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors

“Independent Financial Adviser” or “Dongxing Securities”	Dongxing Securities (Hong Kong) Company Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Renewal of Connected Transactions Framework Agreements and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders, other than Financial Street Group and its associate(s) who are not required to abstain from voting at the EGM in respect of the 2023 Deposit Service Framework Agreement, 2023 Leasing Framework Agreement and 2023 Property Management Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Independent Third Parties”	individual(s) or company(ies) and their respective ultimate beneficial owner(s), who or which, to the best of the Directors’ knowledge, information and belief, after making all reasonable enquiries, is/are not connected with the Company
“Lease Annual Caps”	RMB69.7 million, RMB86.7 million and RMB100.7 million, being the maximum total value of right-of-use assets relating to the leases to be entered into by the Group with Financial Street Group for each of the years ending 31 December 2023, 2024 and 2025 under the 2023 Leasing Framework Agreement
“Leasing Framework Agreement”	the leasing framework agreement entered into between the Company and Financial Street Group on 10 February 2020 for a term from 6 July 2020 to 31 December 2022
“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 Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan of the PRC

“Property Management Services”	property management services and related services provided by the Company or indirectly through its subsidiaries to Financial Street Group
“Property Management Services Annual Caps”	RMB431.8 million, RMB455.4 million and RMB505.4 million, being the maximum property management fees to be received by the Group from Financial Street Group for each of the years ending 31 December 2023, 2024 and 2025 under the 2023 Property Management Services Framework Agreement
“Property Management Services Framework Agreement”	the property management services framework agreement entered into between the Company and Financial Street Group on 10 February 2020 for a term from 6 July 2020 to 31 December 2022
“Prospectus”	the prospectus issued by the Company on the initial public offering and listing dated 19 June 2020
“Renewal of Connected Transactions Framework Agreements”	the entering into of the 2023 Lease Framework Agreement, the 2023 Property Management Services Framework Agreement and the 2023 Deposit Service Framework Agreement
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Xicheng SASAC”	State-owned Assets Supervision and Administration Commission of Beijing Xicheng District Municipal Government (北京西城區人民政府國有資產監督管理委員會)

“%”

per cent

By order of the Board
Financial Street Property Co., Limited*
Sun Jie
Chairman

Beijing, the PRC, 11 November 2022

As at the date of this announcement, the Board comprises Mr. Sun Jie and Ms. Xue Rui as executive Directors; Mr. Shen Mingsong, Mr. Liang Jianping, Mr. Li Liang and Ms. Zhao Lu as non-executive Directors; and Mr. Song Baocheng, Ms. Tong Yan and Ms. Lu Qing as independent non-executive Directors.

* *For identification purposes only*