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China Jinmao Holdings Group Limited
中國金茂控股集團有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 00817)



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)

JOINT ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE RENEWAL OF THE EXISTING SINOCEM FRAMEWORK AGREEMENT

BACKGROUND

References are made to the section headed “Connected Transactions” of the Prospectus and the announcement of Jinmao Services dated 18 November 2022 in relation to, among other things, the continuing connected transactions of the Jinmao Services Group with Sinochem Connected Persons contemplated under the Existing Sinochem Framework Agreement.

As the term of the Existing Sinochem Framework Agreement will expire on 31 December 2023, Jinmao Services entered into the New Sinochem Framework Agreement with Sinochem Holdings for a term from 1 January 2024 to 31 December 2026 on 9 November 2023. Most of the terms of the New Sinochem Framework Agreement are substantially the same as those of the Existing Sinochem Framework Agreement.

IMPLICATIONS OF THE LISTING RULES

Jinmao Services

Sinochem Holdings is the ultimate controlling shareholder of Jinmao Services, indirectly interested in approximately 74.76% of the total number of issued shares of Jinmao Services as at the date of this joint announcement, and is therefore a connected person of Jinmao Services. Accordingly, the transactions contemplated under the New Sinochem Framework Agreement constitute continuing connected transactions of Jinmao Services under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratio in respect of the annual caps for continuing connected transactions contemplated under the New Sinochem Framework Agreement is more than 5%, such transactions are subject to the reporting, announcement, annual review, circular and Jinmao Services Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

China Jinmao

Jinmao Services is held by China Jinmao as to approximately 67.28% of the total number of issued shares of Jinmao Services as at the date of this joint announcement and is therefore a non-wholly owned subsidiary of China Jinmao. Sinochem Holdings is the ultimate controlling shareholder of China Jinmao, indirectly holding approximately 37.09% of the total number of issued shares of China Jinmao as at the date of this joint announcement, and is therefore a connected person of China Jinmao. Accordingly, the transactions contemplated under the New Sinochem Framework Agreement constitute continuing connected transactions of China Jinmao under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratio in respect of the annual caps for continuing connected transactions contemplated under the New Sinochem Framework Agreement is more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements, but are exempted from the China Jinmao Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

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

A circular containing, among others, details of the New Sinochem Framework 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 of Jinmao Services. As Jinmao Services requires additional time to prepare and finalize certain information for inclusion in the circular, it will dispatch the circular to the Shareholders on or before 7 December 2023.

I. BACKGROUND

References are made to the section headed "Connected Transactions" of the Prospectus and the announcement of Jinmao Services dated 18 November 2022 in relation to, among other things, the continuing connected transactions of the Jinmao Services Group with Sinochem Connected Persons contemplated under the Existing Sinochem Framework Agreement.

As the term of the Existing Sinochem Framework Agreement will expire on 31 December 2023, Jinmao Services entered into the New Sinochem Framework Agreement with Sinochem Holdings for a term from 1 January 2024 to 31 December 2026 on 9 November 2023. Most of the terms of the New Sinochem Framework Agreement are substantially the same as those of the Existing Sinochem Framework Agreement.

II. CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW SINOCEM FRAMEWORK AGREEMENT

PRINCIPAL TERMS OF THE NEW SINOCEM FRAMEWORK AGREEMENT

Date

9 November 2023

Parties

- (i) Jinmao Services
- (ii) Sinochem Holdings

Nature of transactions

Pursuant to the New Sinochem Framework Agreement, Jinmao Services (for itself and on behalf of the Jinmao Services Group) agreed to provide certain services to the Sinochem Connected Persons, including (i) Sinochem Property Management Services and (ii) Sinochem Value-added Services.

Pricing

The fees payable by the Sinochem Connected Persons to the Jinmao Services Group under the New Sinochem 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 Sinochem Services;
- (iii) the expected operational costs (including, among others, labor costs, material costs and administrative costs) of the Jinmao Services Group in relation to the provision of the Sinochem Services; and
- (iv) the fees charged by other service providers for similar services in the market. The fees charged by the Jinmao Services Group to the Sinochem Connected Persons shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by the Jinmao Services Group to the Sinochem Connected Persons shall not be less favorable to the Jinmao Services Group than the terms offered by the Jinmao Services Group to its independent customers for the same or similar type and scope of services.

Payment

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

Term

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

ANNUAL CAPS

Historical transaction amounts

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

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2022 RMB'000	Six months ended 30 June 2023 RMB'000
Amount of fees charged by the Jinmao Services Group for the Sinochem Services, including:			
– Sinochem Property Management Services	46,175	59,097	30,197
– Sinochem Value-added Services	43,274	52,728	26,084
	2,901	6,369	4,113

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

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

	Year ending 31 December		
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Maximum aggregate annual amount of fees charged by the Jinmao Services Group for the Sinochem Services, including:			
– Sinochem Property Management Services	121,000	201,000	270,000
– Sinochem Value-added Services	100,000	160,000	190,000
	21,000	41,000	80,000

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

- (i) in respect of the Sinochem Property Management Services:
 - (a) the historical transaction amount for the provision of the Sinochem Property Management Services and growth trend over the two years ended 31 December 2022 and the six months ended 30 June 2023;
 - (b) the scale of industrial parks, research institutes and office buildings held by the Sinochem Connected Persons and office spaces used and newly expected to be used by the Sinochem Connected Persons, and the estimated management fees for providing services in respect of similar types of properties in the market; and
 - (c) a reasonable buffer of 20% to cater for any additional demand of the Sinochem Connected Persons for the Sinochem Property Management Services and inflation and on the general assumption that there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Jinmao Services Group and the Sinochem Connected Persons during the projected period.

- (ii) in respect of the Sinochem Value-added Services:
 - (a) the historical transaction amounts for the provision of the Sinochem Value-added Services and growth trend over the two years ended 31 December 2022 and the six months ended 30 June 2023;
 - (b) the number of car park spaces currently used by the Sinochem Connected Persons and in respect of which the Jinmao Services Group has been providing management services, and the estimated management fees for providing such services during the three years ending 31 December 2026;
 - (c) the expected increase in demand of the Sinochem Connected Persons for the Sinochem Value-added Services, including the additional number of car park spaces which may require the management services of the Jinmao Services Group for the three years ending 31 December 2026, and the additional value-added services to be provided by the Jinmao Services Group in respect of the new industrial parks and office spaces held or used by the Sinochem Connected Persons or that may be required by the Sinochem Connected Persons from time to time;
 - (d) the expected increase in scope of services required by Sinochem Connected Persons leading to the expected increase in operational costs (primarily labor costs) to be incurred by the Jinmao Services Group; and
 - (e) a reasonable buffer of 20% to cater for any additional demand of the Sinochem Connected Persons for the Sinochem Value-added Services and inflation and on the general assumption that there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Jinmao Services Group and the Sinochem Connected Persons during the projected period.

III. INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES

Each of the China Jinmao and the Jinmao Services Group has adopted adequate internal control and corporate governance measures to ensure that the terms of the Jinmao Services Group's transactions with the Sinochem Connected Persons under the New Sinochem Framework Agreement are fair and reasonable and not prejudicial to the interests of China Jinmao and Jinmao Services, and the respective shareholders and independent shareholders of China Jinmao or Jinmao Services (as the case may be), including:

- (i) the board of each of China Jinmao and Jinmao Services (including their respective independent non-executive directors) will be separately responsible for reviewing and evaluating the terms of the New Sinochem Framework Agreement for the continuing connected transactions (including any renewal thereof), in particular the pricing principles and annual caps, to ensure that such terms are fair and reasonable and compliant with relevant laws and regulations, the internal policies of China Jinmao and Jinmao Services and the Listing Rules;

- (ii) the business department of Jinmao Services will oversee the monitoring, collection and evaluation of historical transaction prices and market data, including but not limited to the market practices and prevailing market rates for the provision of the relevant services in respect of similar types of properties in comparable locations, and will report regularly to China Jinmao and the headquarters of the Jinmao Services Group;
- (iii) when determining the fees payable by the Sinochem Connected Persons to the Jinmao Services Group under the New Sinochem Framework Agreement, the Jinmao Services Group will make reference to the prevailing market conditions and practices by utilising the market data collected by the business department as mentioned in the preceding paragraph, as well as the pricing and terms offered by the Jinmao Services Group to independent third parties for similar transactions, to ensure that the terms and conditions offered to the Sinochem Connected Persons are fair and reasonable and are no less favorable to the Jinmao Services Group than those offered to independent third parties for comparable services. Specifically, the business department of each regional center of the Jinmao Services Group is responsible for the initial pricing of the fees payable by the Sinochem Connected Persons to the Jinmao Services Group with respect to the projects within the region after taking into accounts the aforementioned factors, which will then be submitted to China Jinmao and the headquarters of the Jinmao Services Group for final review and approval;
- (iv) the Jinmao Services Group will independently evaluate the projects developed by the Sinochem Connected Persons, including the size and location of the relevant projects, the scope and standards of the services required and the expected operational costs for providing such services, before taking on any particular project;
- (v) various internal departments of each of China Jinmao and Jinmao Services (including but not limited to their respective finance department and legal department) will separately and regularly monitor the implementation of the continuing connected transactions contemplated under the New Sinochem Framework Agreement and keep track of the aggregate transaction amounts under the New Sinochem Framework Agreement on a monthly basis, to ensure that the pricing principles and annual caps contained therein are complied with;
- (vi) the independent non-executive directors of each of China Jinmao and Jinmao Services will separately conduct an annual review of the continuing connected transactions under the New Sinochem Framework Agreement 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 their respective shareholders as a whole; and
- (vii) the external auditors of each of China Jinmao and Jinmao Services will also separately conduct an annual review of the continuing connected transactions under the New Sinochem Framework Agreement, including the pricing policies and the annual caps.

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

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

As Jinmao Services is a subsidiary of China Jinmao, China Jinmao will benefit from any potential upside in the business of the Jinmao Services Group as a result of its entering into of the transactions contemplated under the New Sinochem Framework Agreement, through consolidation of the accounts of the Jinmao Services Group and receipt of dividend income from the Jinmao Services Group.

The directors of China Jinmao (including the independent non-executive directors of China Jinmao) and the directors of Jinmao Services (other than the independent non-executive directors of Jinmao Services 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 New Sinochem Framework Agreement are conducted on normal commercial terms and entered into in the ordinary and usual course of business, are fair and reasonable and in the interests of each of China Jinmao and Jinmao Services and their respective shareholders as a whole.

As Mr. CHENG Yong and Ms. CHEN Aihua, being directors of China Jinmao, are also employees of Sinochem Holdings, they have abstained from voting on the relevant board resolution of China Jinmao to approve the transactions contemplated under the New Sinochem Framework Agreement.

None of the directors of Jinmao Services is regarded as having a material interest in the transactions contemplated under the New Sinochem Framework Agreement, and hence none of the them has abstained from voting on the relevant board resolution of Jinmao Services to approve the transactions contemplated under the New Sinochem Framework Agreement.

V. IMPLICATIONS OF THE LISTING RULES

Jinmao Services

Sinochem Holdings is the ultimate controlling shareholder of Jinmao Services, indirectly interested in approximately 74.76% of the total number of issued shares of Jinmao Services as at the date of this joint announcement, and is therefore a connected person of Jinmao Services. Accordingly, the transactions contemplated under the New Sinochem Framework Agreement constitute continuing connected transactions of Jinmao Services under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratio in respect of the annual caps for continuing connected transactions contemplated under the New Sinochem Framework Agreement is more than 5%, such transactions are subject to the reporting, announcement, annual review, circular and Jinmao Services Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

China Jinmao

Jinmao Services is held by China Jinmao as to approximately 67.28% of the total number of issued shares of Jinmao Services as at the date of this joint announcement and is therefore a non-wholly owned subsidiary of China Jinmao. Sinochem Holdings is the ultimate controlling shareholder of China Jinmao, indirectly holding approximately 37.09% of the total number of issued shares of China Jinmao as at the date of this joint announcement, and is therefore a connected person of China Jinmao. Accordingly, the transactions contemplated under the New Sinochem Framework Agreement constitute continuing connected transactions of China Jinmao under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratio in respect of the annual caps for continuing connected transactions contemplated under the New Sinochem Framework Agreement is more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements, but are exempted from the China Jinmao Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

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

A circular containing, among others, details of the New Sinochem Framework 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 of Jinmao Services. As Jinmao Services requires additional time to prepare and finalize certain information for inclusion in the circular, it will dispatch the circular to the Shareholders on or before 7 December 2023.

VI. GENERAL INFORMATION

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

China Jinmao is a large-scale developer and operator of quality real estate projects in the PRC, and the platform enterprise of Sinochem Holdings in the development of real estate business. China Jinmao is principally engaged in city operations, property development, commercial leasing, retail operations, hotel operations, as well as technology and services.

Sinochem Holdings is a large-scale chemical conglomerate, and operates in eight business sectors covering life science, materials science, basic chemicals, environmental science, rubber and tire, machinery and equipment, city operations, and industrial finance. The sole shareholder of Sinochem Holdings is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

VII. DEFINITIONS

In this joint 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
“China Jinmao”	China Jinmao Holdings Group Limited (中國金茂控股集團有限公司), a company incorporated in Hong Kong with limited liability and the immediate controlling shareholder of Jinmao Services, the shares of which are listed on the Stock Exchange (stock code: 00817)
“China Jinmao Independent Shareholders”	the shareholders of China Jinmao other than Sinochem Holdings and its associates
“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
“EGM”	an extraordinary general meeting of Jinmao Services to be convened to consider and approve the transactions contemplated under the New Sinochem Framework Agreement
“Existing Sinochem Framework Agreement”	the framework agreement dated 21 February 2022 entered into by and between Jinmao Services and Sinochem Holdings, as amended by the supplemental agreement dated 18 November 2022 entered into by and between Jinmao Services and Sinochem Holdings
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of Jinmao Services formed to consider the transactions contemplated under the New Sinochem Framework Agreement
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Jinmao Services Independent Shareholders in respect of the transactions contemplated under the New Sinochem Framework Agreement

“Jinmao Services”	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)
“Jinmao Services Group”	Jinmao Services and its subsidiaries
“Jinmao Services Independent Shareholders”	the Shareholders of Jinmao Services other than Sinochem Holdings, China Jinmao and their associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Sinochem Framework Agreement”	the framework agreement dated 9 November 2023 entered into by and between Jinmao Services and Sinochem Holdings
“PRC”	the People’s Republic of China, which for the purpose of this joint announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of Jinmao Services dated 25 February 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of ordinary share(s) of Jinmao Services
“Sinochem Connected Persons”	Sinochem Holdings and its associates (excluding, for the avoidance of doubt, China Jinmao and its associates)
“Sinochem Holdings”	Sinochem Holdings Corporation Ltd. (中國中化控股有限責任公司), a state-owned enterprise incorporated in the PRC, which is the ultimate controlling shareholder of China Jinmao
“Sinochem Property Management Services”	the property management services in respect of the industrial parks, research institutes and office buildings held by the Sinochem Connected Persons, as well as office spaces used by the Sinochem Connected Persons
“Sinochem Services”	Sinochem Property Management Services and Sinochem Value-added Services
“Sinochem Value-added Services”	the value-added services as may be required by the Sinochem Connected Persons from time to time, such as management services in respect of car park spaces used by the Sinochem Connected Persons
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)” has the same meaning ascribed to it under the Listing Rules

“%” per cent

By order of the board of directors
China Jinmao Holdings Group Limited
ZHANG Zenggen
Chairman

By order of the board of directors
Jinmao Property Services Co., Limited
SONG Liuyi
Chairman

Hong Kong, 9 November 2023

As at the date of this joint announcement, the board of directors of China Jinmao comprises Mr. ZHANG Zenggen (Chairman), Mr. TAO Tianhai, Mr. ZHANG Hui and Ms. QIAO Xiaojie as executive directors; Mr. CHENG Yong, Ms. CHEN Aihua, Mr. AN Hongjun and Mr. CHEN Chuan as non-executive directors; and Mr. SU Xijia, Mr. SUEN Man Tak, Mr. GAO Shibin and Mr. ZHONG Wei as independent non-executive directors.

As at the date of this joint announcement, the board of directors of Jinmao Services comprises Mr. SONG Liuyi (Chairman), Mr. XIE Wei and Ms. ZHOU Liye as executive directors; Ms. QIAO Xiaojie and Mr. GAN Yong as non-executive directors; and Dr. CHEN Jieping, Dr. HAN Jian and Mr. Sincere WONG as independent non-executive directors.