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濱江服務

BINJIANG SERVICE

Binjiang Service Group Co. Ltd.

濱江服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3316)

CONTINUING CONNECTED TRANSACTIONS 2021 SALES AGENCY SERVICES FRAMEWORK AGREEMENT

On June 18, 2021 (after trading hours), the Company entered into the Supplemental Agreement with Binjiang Real Estate in respect of the provision of sales agency services, including but not limited to, marketing and marketing-related services, by the Group for property projects designated by Binjiang Real Estate Group, and the setting of annual cap for the year ending December 31, 2021 under the Original 2021 Sales Agency Services Framework Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Binjiang Real Estate is controlled by Mr. Qi, one of the controlling Shareholders, and is therefore a connected person of the Company in accordance with the Listing Rules. Accordingly, the transactions contemplated under the 2021 Sales Agency Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the annual cap contemplated under the 2021 Sales Agency Services Framework Agreement exceed 0.1% but all applicable percentage ratios are less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

The Company entered into the Original 2021 Sales Agency Services Framework Agreement with Binjiang Real Estate in January 2021. As the business is a new business of the Group and such projects are subject to the policies of regional government authorities, the Group agreed to settle such transactions on a quarterly basis for management efficiency. As Binjiang Real Estate is a connected person of the Company, these transactions entered into with Binjiang Real Estate Group constitute connected transactions of the Company under the Listing Rules.

As at the date of this announcement, as reported by the management, the transactions amounted to RMB958,000 which does not exceed the de minimis threshold. It is anticipated that the total income generated and to be generated under the relevant transactions from the Group for the financial year ending December 31, 2021 will exceed the de minimis threshold. Therefore, on June 18, 2021 (after trading hours), the Company entered into the Supplemental Agreement with Binjiang Real Estate in respect of the provision of sales agency services, including but not limited to, marketing and marketing-related services, by the Group to Binjiang Real Estate Group for property projects designated by Binjiang Real Estate Group, and the setting of annual cap for the year ending December 31, 2021 under the Original 2021 Sales Agency Services Framework Agreement.

2021 SALES AGENCY SERVICES FRAMEWORK AGREEMENT

Principal terms

Date: January 1, 2021 (as supplemented by the Supplemental Agreement dated June 18, 2021)

Parties: the Company and Binjiang Real Estate

Agency Period: One year from January 1, 2021 and ending on December 31, 2021

Subject matter: The Group shall provide to Binjiang Real Estate Group sales agency services, including but not limited to, marketing and marketing-related services, for property projects (including residential, car parking spaces and storage rooms) designated by Binjiang Real Estate Group.

The parties shall separately enter into agreements which set out the specific terms and conditions subject to the terms of the 2021 Sales Agency Services Framework Agreement.

Pricing and other terms: The services fees to be charged by the Group under the 2021 Sales Agency Services Framework Agreement determined through arm's length negotiations between the parties shall be a commission of 0.5% to 2% of the total contract value for the projects designated by Binjiang Real Estate Group and procured by the Group during the agency period which varies depending on (i) the market positioning of the property project; (ii) the location of the property project; (iii) the scale of the project; (iv) the type of property project; (v) the anticipated operational costs (including labor costs and administrative costs) of providing such services; and (vi) the prevailing open market price for similar sales agency services for project developers and any adjustment according to usual market practice.

Payment: The parties shall determine the total service fees payable to the Group for a quarter on the last day of each quarter.

Annual caps and basis of determination

It is proposed that the annual cap for the transactions contemplated under the 2021 Sales Agency Services Framework Agreement for the financial year ending December 31, 2021 shall not exceed RMB47,000,000.

The above annual cap is determined with reference to the following factors: (i) the development plans and estimated saleable amount of projects to which the Group will provide agency services as provided by Binjiang Real Estate Group (the fulfillment of conditions for sales of such projects is subject to the policies of regional government authorities, which is uncertain); (ii) the commission of completed sales contracts of property projects of approximately RMB958,000 since January 1, 2021, the date on which the Group began to provide such services. The Group has gradually refined the business processes, set up the management structure and arranged human resources for such new business, which lays a foundation for subsequent expansion of the capacity of such business; (iii) the estimated sale ratio based on the Group's experience in the real estate industry which, for example, property projects in major cities are generally expected to have higher sale ratio; and (iv) the estimated commissions for the provision of sales agency services based on the pricing factors discussed above which, for example, commission is generally higher for property projects of less market demand.

Based on current business capacity of the Group and the estimated saleable amount of projects of Binjiang Real Estate Group, it is expected that the demand for sales agency services will increase significantly for the remaining months of the financial year ending December 31, 2021. As such, the transaction amounts for the remaining months of the financial year ending December 31, 2021 are expected to be higher than the transaction amounts from January 1, 2021 up to the date of this announcement.

PRICING POLICY

As a general principle, the fees to be charged by the Group under agreements of the continuing connected transactions of the Group (including the 2021 Sales Agency Services Framework Agreement) shall be determined on an arm's length basis in accordance with the prevailing market prices of similar services or products and on certain general principles:

- (i) by reference to transacted prices of recent transactions with same or substantially similar services or products with comparable service scope, service type and transaction volume conducted by the Group with other customers who are Independent Third Parties;
- (ii) if there are not sufficient comparable transactions in (i) above, by reference to prevailing market price for recent transactions in the market with same or substantially similar services with comparable service scope, service type and transaction volume; and
- (iii) if there are not sufficient comparable transactions in (ii) above, on normal commercial terms or better to the Group with reference to those offered by Independent Third Parties to Binjiang Real Estate Group in respect of the same or substantially similar services with comparable service scope, service type and transaction volume; and
- (iv) if none of (i), (ii) and (iii) above are applicable, by reference to the average price of similar services previously supplied by the Group to Independent Third Parties, and on normal commercial terms or better to the Group.

Taking into account the above guiding principles and specifically with reference to the sales agency industry, the service fees and payment terms for the provision of property agency services to the Binjiang Real Estate Group shall be determined on arm's length basis according to the principles above. Before determining the proposed rate of commission for a specific project, the sales department of the Group will consider the market positioning, location, scale and type of the project and collect historical transaction data and/or, on a best effort basis, the information on the market rates of commission of services for projects with similar characteristics. The sales department of the Group will then propose the rate of commission based on the information collected and ensure such rate will not be lower than the rate of similar services for similar projects in the market and the rates charged or to be charged by the Group for similar services to be provided to the Independent Third Parties for similar projects.

INTERNAL CONTROL POLICIES

To ensure that the actual prices for the continuing connected transactions of the Group are on normal commercial terms or better and on terms no less favourable to the Group than that available from Independent Third Parties, the Group has adopted the following measures to review and assess whether the individual transactions will be conducted within the framework of the respective continuing connected transactions agreements (including the 2021 Sales Agency Services Framework Agreement) and in accordance with the aforesaid pricing policy:

- (1) the relevant personnel of the sales department and finance department will closely monitor the transactions to ensure that the transaction amount does not exceed the annual caps of the respective continuing connected transactions agreements;
- (2) the implementation of individual contracts shall be subject to the appropriate approval of the relevant personnel of the business department, finance department, legal department and management of the Group to ensure that the contracts are in line with the pricing policy and principal terms of the respective continuing connected transactions agreements, particularly that the service fees and payment terms are no less favourable than that available from Independent Third Parties;
- (3) the relevant personnel of the business department of the Group will conduct regular reviews to keep abreast of the prevailing fee level in the market and the market conditions for the purpose of considering if the price charged for a specific transaction is fair and reasonable and is in accordance with the pricing policy;
- (4) the auditors of the Company shall conduct annual reviews on pricing and annual caps of such continuing connected transactions to ensure that the transactions amount is within the annual caps and that the transactions are conducted on the principal terms of the respective continuing connected transactions agreements; and
- (5) the independent non-executive Directors would continue to review the management's review reports on the transactions contemplated under the respective continuing connected transactions agreements to ensure that such transactions are conducted on normal commercial terms or better and are in the ordinary and usual course of business of the Group, and the terms and conditions thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2021 SALES AGENCY SERVICES AGREEMENT

Binjiang Real Estate is principally engaged in real estate development and has developed and/or access to various development projects in the PRC. The Group provides Binjiang Real Estate Group with pre-delivery property management services during sales of the property projects. Given the strong demand for Binjiang Real Estate Group's projects in the PRC, leveraging the Group's strengths in property management and quality of services, the Group is able to assist Binjiang Real Estate Group in sales of properties for better customer experience and satisfaction. Moreover, the experience in the new business of property sales will facilitate the future business expansion of the Group.

In light of the above, and considering that the service fee to be charged by the Group shall be on terms which are no less favourable to the Group than those of Independent Third Party customers, the Directors (including the independent non-executive Directors) consider that the entering into of the 2021 Sales Agency Services Framework Agreement is in the Group's ordinary and usual course of business, and the terms of the 2021 Sales Agency Services Framework Agreement and the annual cap thereunder are on normal commercial terms or better and are fair and reasonable so far as the Board are concerned and the transactions under the 2021 Sales Agency Services Framework Agreement are in the interest of the Company and the Shareholders as a whole.

As such, the Directors consider it beneficial to enter into the 2021 Sales Agency Services Framework Agreement.

Mr. Mo Jianhua, a non-executive Director and one of the substantial Shareholders, is a shareholder of Binjiang Real Estate, and has therefore abstained from voting on the Board resolution approving the Original 2021 Sales Agency Services Framework Agreement and Supplemental Agreement. Save as aforementioned, none of the other Directors have a material interest in the transactions contemplated under the Original 2021 Sales Agency Services Framework Agreement and Supplemental Agreement and no other Director has abstained from voting.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Binjiang Real Estate is controlled by Mr. Qi, one of the controlling Shareholders, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2021 Sales Agency Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the annual cap contemplated under the 2021 Sales Agency Services Framework Agreement exceed 0.1% but all applicable percentage ratios are less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INFORMATION ON THE PARTIES

The Group

The Company is a limited liability company incorporated in the Cayman Islands. The Group is a reputable property management service provider in China with a focus on high-end properties. As at the date of this announcement, the Group is owned as to approximately (i) 45.85% by Great Dragon Ventures Limited, a company held by Cantrust (Far East) Limited (through its nominee company) as trustee of Bright Cloud Trust which in turn is a discretionary trust set up by Mr. Qi as settlor with beneficiaries including Mr. Qi and his certain family members; (ii) 12.89% by Jovial Success Global Holdings Limited, a company held by Infiniti Trust (Asia) Limited (through its nominee companies) as trustee of Splendid Force Trust which in turn is a discretionary trust set up by Mr. Zhu HM as settlor with beneficiaries including Mr. Zhu HM and his certain family members; and (iii) 12.89% by Haoyu Ventures Limited, a company held by Infiniti Trust (Asia) Limited (through its nominee companies) as trustee of Great Splendor Trust which in turn is a discretionary trust set up by Mr. Mo Jianhua as settlor with beneficiaries including Mr. Mo Jianhua and his certain family members.

Binjiang Real Estate Group

Binjiang Real Estate, a limited liability company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002244) is mainly engaged in real estate development. As at the date of this announcement, Binjiang Real Estate is owned as to approximately (i) 45.41% by Binjiang Holdings; (ii) 11.78% by Mr. Qi; (iii) 3.22% by Mr. Mo Jianhua; (iv) 3.22% by Mr. Zhu HM; and (v) 1.00% by Mr. Qi Jiaqi (戚加奇), the son of Mr. Qi. Binjiang Holdings, which is controlled by Mr. Qi, is owned as to 64% by Mr. Qi, 18% by Mr. Mo Jianhua and 18% by Mr. Zhu HM. The remaining shareholders of Binjiang Real Estate each holds less than 5% interest.

DEFINITIONS

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

“2021 Sales Agency Services Framework Agreement”	the Original 2021 Sales Agency Services Framework Agreement as amended by the Supplemental Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Binjiang Holdings”	Hangzhou Binjiang Investment Holdings Co., Ltd.* (杭州濱江投資控股有限公司), a limited liability company established in the PRC on October 8, 2006. It is owned as to 64% by Mr. Qi, 18% by Mr. Mo Jianhua and 18% by Mr. Zhu HM. Given Binjiang Holdings is controlled by Mr. Qi, one of the controlling Shareholders, Binjiang Holdings is therefore a connected person of the Company
“Binjiang Real Estate”	Hangzhou Binjiang Real Estate Group Co., Ltd.* (杭州濱江房產集團股份有限公司), a limited liability company established in the PRC on August 22, 1996, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002244). As at the date of this announcement, Binjiang Real Estate is owned as to approximately (i) 45.41% by Binjiang Holdings; (ii) 11.78% by Mr. Qi; (iii) 3.22% by Mr. Mo Jianhua; (iv) 3.22% by Mr. Zhu HM; and (v) 1.00% by Mr. Qi Jiaqi (戚加奇), the son of Mr. Qi. Given Binjiang Real Estate is controlled by Mr. Qi, one of the controlling Shareholders, it is therefore a connected person of the Company
“Binjiang Real Estate Group”	Binjiang Real Estate and its subsidiaries
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Company”	Binjiang Service Group Co. Ltd. (濱江服務集團有限公司), a company incorporated in the Cayman Islands with limited liability on July 6, 2017, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 3316)

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) (has the meaning ascribed to it under the Listing Rules) of the Company and is/are independent of and not connected with the Company and directors, supervisors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Qi”	Mr. Qi Jinxing (戚金興), one of the controlling Shareholders
“Mr. Zhu HM”	Mr. Zhu Huiming (朱慧明), one of the substantial Shareholders
“Original 2021 Sales Agency Services Framework Agreement”	the sales agency services framework agreement entered into between the Company and Binjiang Real Estate on January 1, 2021
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Shareholder(s)”	holder(s) of Shares

“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of US\$0.0001 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the agreement entered into between the Company and Binjiang Real Estate on June 18, 2021 to supplement the Original 2021 Sales Agency Services Framework Agreement
“%”	per cent

By order of the Board
Binjiang Service Group Co. Ltd.
Zhu Lidong
Chairman and Executive Director

Hangzhou, the PRC
June 18, 2021

As at the date of this announcement, the Board comprises Mr. Zhu Lidong and Ms. Zhong Ruoqin as executive Directors; Mr. Mo Jianhua and Mr. Cai Xin as non-executive Directors; Mr. Ding Jiangang, Mr. Li Kunjun and Ms. Cai Haijing as independent non-executive Directors.

* *For identification only*