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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)

MAJOR AND CONTINUING CONNECTED TRANSACTION DEPOSIT SERVICE FRAMEWORK AGREEMENT

DEPOSIT SERVICE FRAMEWORK AGREEMENT

On 26 March 2021, the Company and FS Finance entered into the Deposit Service Framework Agreement. Pursuant to the Deposit Service Framework Agreement, FS Finance would provide deposit services to the Group for a term commencing from the Effective Date to 31 December 2023.

It is proposed that the maximum daily deposit balances (including accrued interests) the Group may deposit with FS Finance for each of the three years ending 31 December 2021, 2022 and 2023 will be RMB1,000 million.

IMPLICATIONS UNDER THE LISTING RULES

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 Deposit Service Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Annual Cap under the Deposit Service Framework Agreement calculated pursuant to the Listing Rules exceeds 25%, the transactions contemplated under the Deposit Service Framework Agreement also constitute major transactions of the Company. The Company shall be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

2020 AGM

The Company intends to submit a proposal to the 2020 AGM to seek approval from the independent Shareholders on the transactions contemplated under the Deposit Service Framework Agreement and the Annual Cap. Financial Street Group and its associates, which were interested in an aggregate of 34.35% of the total issued share capital of the Company as at the date of this announcement, will abstain from voting on the proposal at the 2020 AGM. The proposal will be passed by way of an ordinary resolution and voted on by way of poll in accordance with the requirements of the Listing Rules.

An independent board committee of the Company comprising all of the independent non-executive Directors has been formed to advise the independent Shareholders on the terms of the Deposit Service Framework Agreement and the Annual Cap. An independent financial adviser will be appointed by the Company to advise the independent board committee and the independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Deposit Service Framework Agreement and the Annual Cap; (ii) a letter from the independent board committee; (iii) a letter from the independent financial adviser; (iv) a notice of the 2020 AGM; and (v) other information concerning the Company as required under the Listing Rules is expected to be despatched to the Shareholders on or before 27 April 2021.

INTRODUCTION

Reference is made to the section headed “Connected Transactions” in the Prospectus in relation to, among others, the Existing Deposit Service Framework Agreement entered into between the Company and FS Finance, pursuant to which the Group may use the deposit services provided by FS Finance. FS Finance is an associate of Financial Street Group, a controlling shareholder of the Company. Accordingly, FS Finance is a connected person of the Company, and the Group’s use of the deposit services provided by FS Finance constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As disclosed in the Prospectus, the Company applied for and was granted a waiver from the Stock Exchange from strict compliance with the announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Existing Deposit Service Framework Agreement. Such waiver is due to expire on the date of the 2020 AGM.

After considering the future funding arrangement of the Group, the Company intends to continue to use the Deposit Services, and on 26 March 2021, the Company and FS Finance entered into the Deposit Service Framework Agreement to renew the Deposit Services provided under the Existing Deposit Service Framework Agreement for a term commencing on the Effective Date and ending on 31 December 2023.

DEPOSIT SERVICE FRAMEWORK AGREEMENT

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

Date: 26 March 2021

Parties: (i) the Company; and
(ii) FS Finance.

Terms: The term of the Deposit Service Framework Agreement will commence on the Effective Date and expire on 31 December 2023. Subject to all applicable requirements under the Listing Rules, the Deposit Service Framework Agreement may be renewed upon expiry by agreement between the parties thereto.

Subject matter: Pursuant to the 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: The terms of the 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		
	2018 <i>(RMB million)</i>	2019 <i>(RMB million)</i>	2020 <i>(RMB million)</i>
Maximum daily deposit balances (including accrued interests) our Group deposited with FS Finance	304.5	432.3	375.7

Under the Existing Deposit Service Framework Agreement entered into on 5 June 2020, the Group and FS Finance agreed that the maximum daily deposit balances (including accrued interests) our Group deposited with FS Finance shall be capped at RMB1,000 million from the date of the listing of the the Company's H Shares on the Stock Exchange to the date of the first annual general meeting after the listing of the Company. The above daily cap for deposit was determined with reference to (i) the historical maximum daily deposit balances (including accrued interests) in 2018 and 2019; (ii) estimated net proceeds of approximately HK\$624.9 million (equivalent to approximately RMB559.8 million), being the high end of the Offer Price and assuming the Over-allotment Option was not exercised; and (iii) the cash and cash equivalents of approximately RMB666.1 million as at 31 December 2019.

Proposed annual cap and basis of determination

Under the Deposit Service Framework Agreement, it is proposed that the maximum daily deposit balances (including accrued interests) the Group may deposit with FS Finance for each of the three years ending 31 December 2021, 2022 and 2023 will be RMB1,000 million.

The Annual Cap has been determined with reference to the Group's relevant historical transaction amounts, cash balances and cash flow positions, business development plans, and financial management, etc. during the term of the Deposit Service Framework Agreement, whilst taking into account the Group's risk management guiding principles when selecting providers of deposit services and the Group's potential demands for Deposit Services. Specifically, the Company has taken the following factors into consideration:

- (1) 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 2018 and 2019 was RMB304.5 million and RMB432.3 million, respectively.

- (2) the historical cash position of the Group and the net proceeds from the Global Offering: The cash and cash equivalents of the Group significantly increased to RMB1,378.8 million as at 31 December 2020 from RMB666.1 million as at 31 December 2019. Such significant increase was mainly attributable to the proceeds received from the listing of the H Shares on the Stock Exchange. The Annual Cap represents approximately 72.5% of the cash and cash equivalents of the Group as at 31 December 2020.
- (3) the historical and expected net cash generated from operating activities of the Group: Changes in the Group's net cash generated from operating activities will affect the deposit balance of the Group whether held with FS Finance or other financial institutions. The table below illustrates the net cash generated from operating activities of the Group for the years indicated:

	For the year ended 31 December		
	2018	2019	2020
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Net cash generated from operating activities of the Group	111.1	146.4	189.7

The Group has continuously recorded increases in net cash generated from operating activities for the three years ended 31 December 2020 and expects to at least maintain such increases by expanding the business scale of the Group.

As the proceeds are deployed, the actual cash and cash equivalents of the Group will be compensated for by the trend of the Group continuously recording increases in net cash generated from operating activities. The Board believes that such increase in net cash from operating activities will be more pronounced than in years past as the Group progressively reaps the benefits of its invested net proceeds from the Global Offering.

- (4) the non-exclusiveness of the Deposit Services: The Deposit Services will be obtained by the Group on a voluntary and non-exclusive basis. There is no restriction under the 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 deciding whether to place deposits with FS Finance or other commercial banks or independent financial institutions, the Group will consider the terms, quality of services offered by and the choices of deposit services available from the relevant financial institutions, their credit ratings and market reputation, their understanding of the Group's operation, etc. Furthermore, the Group will strive to maintain a healthy funding management portfolio. In addition to its funding centralisation management, to facilitate business operation and funding management, the Group deposits liquid cash into a range of creditworthy financial institutions to avoid undue funding centralisation in a single financial institution. Therefore, so far as the Deposit Service Framework Agreement is concerned, the Group believes that the Deposit Services (including the proposed Annual Caps) are in line with the funding management policy of the Group.

REASONS AND BENEFITS FOR THE TRANSACTIONS

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 funding 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 major independent 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 more favourable compared to those offered to the independent third party.

OPINION OF THE BOARD

In view of the above reasons and benefits, given the transactions contemplated under the Deposit Service Framework Agreement are in the ordinary and usual course of business of the Company and are under normal commercial terms or better, the Board (including the independent non-executive Directors) are of the view that the terms of the Deposit Service Framework Agreement and the Annual Cap 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 Deposit Service Framework Agreement and no Director is required to abstain from voting on the Board resolution approving the Deposit Service Framework Agreement.

INTERNAL CONTROL MEASURES

To ensure that the Deposit Services are executed in accordance with the Deposit Service Framework Agreement and its pricing policy, the Company has adopted a series of internal policies and measures in relation to cash management.

IMPLICATIONS UNDER THE LISTING RULES

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 Deposit Service Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Annual Cap under the Deposit Service Framework Agreement calculated pursuant to the Listing Rules exceeds 25%, the transactions contemplated under the Deposit Service Framework Agreement also constitute major transactions of the Company. The Company shall be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

2020 AGM

The Company intends to submit the proposal to the 2020 AGM to seek approval from the independent Shareholders on the transactions contemplated under the Deposit Service Framework Agreement and the Annual Cap. Financial Street Group and its associates, which were interested in an aggregate of 34.35% of the total issued share capital of the Company as at the date of this announcement, will abstain from voting on the proposal at the 2020 AGM. The proposal will be passed by way of an ordinary resolution and voted on by way of poll in accordance with the requirements of the Listing Rules. Save as disclosed in this announcement, no other Shareholders, to the knowledge and belief of the Directors having made all reasonable enquiries, will be required to abstain from voting in respect of the resolution as at the date of this announcement.

An independent board committee of the Company comprising all of the independent non-executive Directors has been formed to advise the independent Shareholders on the terms of the Deposit Service Framework Agreement and the Annual Cap. An independent financial adviser will be appointed by the Company to advise the independent board committee and the independent Shareholders in this regard.

The Company will issue a circular containing, among other things, (i) further details of the Deposit Service Framework Agreement and the Annual Cap; (ii) a letter from the independent board committee; (iii) a letter from the independent financial adviser; (iv) a notice of the 2020 AGM; and (v) other information concerning the Company as required under the Listing Rules. As the Company intends to seek approval from the independent Shareholders on the transactions contemplated under the Deposit Service Framework Agreement and the Annual Cap at the 2020 AGM, the circular is expected to be despatched to the Shareholders on or before 27 April 2021.

INFORMATION ON THE PARTIES

Information on FS Finance

FS Finance, a company incorporated 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 management 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, parking lots and, 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.

DEFINITIONS

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

“2020 AGM”	the 2020 annual general meeting to be held by the Company on Thursday, 24 June 2021
“Annual Cap”	RMB1,000 million, being the maximum daily balance of deposits (including accrued interests) that may be placed by the Group with FS Finance for each of the years ending 31 December 2021, 2022 and 2023 under the Deposit Service Framework Agreement
“Board of Directors” or “Board”	the board of Directors of our Company
“China” or the “PRC”	the People’s Republic of China
“Company” or “Our 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
“Deposit Services”	deposit management services provided by FS Finance to the Group
“Deposit Service Framework Agreement”	the deposit service framework agreement entered into between the Company and FS Finance dated 26 March 2021
“Director(s)” or “our Directors”	the director(s) of the Company
“Domestic Share(s)”	ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Effective Date”	the date on which the Deposit Service Framework Agreement takes effect, which is expected to be the date on which the terms of the Deposit Service Framework Agreement (including the Annual Cap) and the transactions contemplated thereunder are approved by the independent Shareholders

“Existing Deposit Service Framework Agreement”	the deposit service framework agreement entered into between the Company and FS Finance dated 5 June 2020
“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 incorporated in the PRC on 29 May 1996. As at the date of the announcement, it indirectly holds 34.35% of the Shares in our Company through its wholly-owned subsidiary
“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
“Global Offering”	the global offering of H Shares by the Company of 90,000,000 H Shares (totalling 103,500,000 H Shares with the over-allotment option exercised in full), further details of which are set out in the Prospectus
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Prospectus”	the prospectus of the Company dated 19 June 2020
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, comprising Domestic Shares and H Shares

“Shareholder(s)” holder(s) of Share(s)

“Stock Exchange” The Stock Exchange of Hong Kong Limited

In this announcement, the terms “associate”, “connected person”, “continuing connected transaction”, “controlling shareholder” and “subsidiary” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires. The English names of Chinese entities included in this announcement are unofficial translations of their Chinese names and are included for identification purposes only.

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

Beijing, the PRC, 26 March 2021

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