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HEVOL SERVICES GROUP CO. LIMITED
和泓服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6093)

CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
RENEWAL OF NEW MASTER SERVICES AGREEMENT

INTRODUCTION

On 31 December 2024, the Company and Hevol Real Estate entered into the 2025-2027 Services Framework Agreement, pursuant to which the Group agreed to provide several property management related services according to the terms as set out in the 2025-2027 Services Framework Agreement for a term of three years, commencing from 1 January 2025 and ending on 31 December 2027 (both days inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, as Hevol Real Estate is owned as to 80% by Hevol Investment which in turn is owned as to 80% by Mr. Liu, a Controlling Shareholder and a non-executive Director, each of Hevol Investment and Hevol Real Estate is an associate of Mr. Liu and a connected person of the Group. Accordingly, the transactions under the 2025-2027 Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under the Listing Rules in respect of the Annual Caps for the transactions contemplated under the 2025-2027 Services Framework Agreement is more than 0.1% but less than 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempted from the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

The Company will comply with the annual review requirements under Rules 14A.55 to 14A.59 of the Listing Rules in relation to the 2025-2027 Services Framework Agreement and the continuing connected transactions (including the Annual Caps).

INTRODUCTION

Reference is made to the announcements of the Company dated 31 December 2021, 21 January 2022, 16 February 2022 and the circular of the Company dated 16 February 2022 in relation to the New Master Services Agreement, pursuant to which the Company and Hevol Real Estate, agreed to provide several property management related services according to the terms as set out in the New Master Services Agreement for a period from the date immediately after the fulfillment of all conditions set out in the New Master Services Agreement to 31 December 2024 (both days inclusive). As the New Master Services Agreement will expire on 31 December 2024 and, it is expected that the Group will continue to enter into transactions of a similar nature to the New Master Services Agreement after its expiry.

On 31 December 2024, the Company and Hevol Real Estate entered into the 2025-2027 Services Framework Agreement, pursuant to which the Group agreed to provide several property management related services according to the terms as set out in the 2025-2027 Services Framework Agreement for a term of three years, commencing from 1 January 2025 and ending on 31 December 2027.

THE 2025-2027 SERVICES FRAMEWORK AGREEMENT

Date	31 December 2024 (after trading hours)
Parties	(i) the Company; and (ii) Hevol Real Estate
Duration	From 1 January 2025 and ending on 31 December 2027 (both days inclusive)
Subject Matter	Under the 2025-2027 Services Framework Agreement, the Company conditionally agreed to provide following services to the Hevol Real Estate Group regarding the term of the 2025-2027 Services Framework Agreement: (1) Property Management Services, mainly including security, cleaning, landscaping and public facilities maintenance services; (2) Sales Coordination Services, mainly including sales assistance services such as display unit management services, visitor reception and consultation services; and (3) Ancillary Property Management Services, mainly include consultancy and planning services, preliminary stage property management start-up services, entrusted operation management services of properties held by the Hevol Real Estate Group, inspection services, repair services, land reclamation and cleaning services and formaldehyde removal services.

Subject to the terms and conditions of the 2025-2027 Services Framework Agreement, the Group and the Hevol Real Estate Group shall enter into separate property management services agreements, sales coordination services agreements and ancillary property management services agreements in respect of specific transaction terms, provided that such agreements shall be subject to the terms of the 2025-2027 Services Framework Agreement, and their respective term shall also not violate the provisions of the 2025-2027 Services Framework Agreement.

The provision of property management services to Hevol Real Estate Group under any separate property management services agreements are subject to due appointment by Hevol Real Estate Group through a tendering process (if necessary) as required by applicable laws and regulations or through other methods. Such laws and regulations include the Regulations on Property Management (《物業管理條例》), the Interim Measures for Tender and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》) and other relevant laws, regulations and policies implemented at the location of the property.

Pricing principles

The services fees are to be determined after arm's-length negotiations and taking into account the following factors:

- (i) price guidance (if any) promulgated by the Price Control Department (物價管理部門) where the relevant property is located;
- (ii) the anticipated operational costs (including staff salary and other expenses);
- (iii) current market prices made by independent third parties that provide similar services and products on normal commercial terms and in the ordinary and usual course of business; and
- (iv) current market price made between independent third parties and Hevol Real Estate on similar services and products that constitute non-connected transactions.

Payment method

Payment shall be made pursuant to the specific property management services agreements, sales coordination services agreements, and ancillary property management services agreements to be further entered into between the Hevol Real Estate Group and the Group pursuant to the 2025-2027 Services Framework Agreement.

HISTORICAL TRANSACTION FIGURES AND THE ANNUAL CAPS

The following sets forth the historical transaction amounts and the Annual Caps of the Property Management Services, Sales Coordination Services and Ancillary Property Management Services:

	Historical transaction figures		
	for the year ended 31 December 2022 (RMB million)	for the year ended 31 December 2023 (RMB million)	for the nine months ended 30 September 2024 (RMB million)
Property Management Services	17.7	17.3	12.9
Sales Coordination Services	24.2	14.4	7.1
Ancillary Property Management Services	10.5	8.7	3.6
Total	<u>52.4</u>	<u>40.4</u>	<u>23.6</u>
Existing total annual caps	<u>130.9</u>	<u>101.8</u>	<u>93.2</u>
		Annual Caps	
	for the year ended 31 December 2025 (RMB million)	for the year ended 31 December 2026 (RMB million)	for the year ending 31 December 2027 (RMB million)
Property Management Services	20.6	20.4	19.0
Sales Coordination Services	5.4	6.3	5.9
Ancillary Property Management Services	8.6	7.2	6.6
Total	<u>34.6</u>	<u>33.9</u>	<u>31.5</u>

Basis of the Annual Caps

In determining the Annual Caps, the Directors have considered the following factors:

- (i) the basis of pricing policy for Property Management Services, Sales Coordination Services and Ancillary Property Management Services in each of Beijing, Chongqing, Tianjin, Chengdu, Tangshan, Guiyang, Shenyang, Harbin, Hainan, Hunan etc.;
- (ii) the respective historical transaction amount in relation to the New Master Services Agreement for the two years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024 (as mentioned above), respectively;
- (iii) the estimated transaction amount revenue to be recognised in relation to the 2025-2027 Services Framework Agreement pursuant to existing contracts and the expected time and volume of delivery for the existing property management projects;
- (iv) the estimated size of projects to be managed by the Group according to the updated development plan of property management projects, sales coordination projects and ancillary property management projects provided by Hevol Real Estate for the coming three years period ending 31 December 2027;
- (v) the local market rates for the provision of similar services in each city are used as the basis of pricing policy for Property Management Services, Sales Coordination Services and Ancillary Property Management Services, respectively; and
- (vi) a reasonable buffer of approximately 15% buffer to cater for unexpected business growth, inflation and currency fluctuations 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 Group and the Hevol Real Estate Group during the projected period.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in property management services, community value-added services and non-property owner valued-added services in the PRC whereas the Hevol Real Estate Group is principally engaged in property development business in the PRC.

The Company has continuously spent efforts in developing the Group's business and to maximize returns to Shareholders, and has been actively communicating with the Hevol Real Estate Group for possible future projects and business plans. The transactions contemplated under the 2025-2027 Services Framework Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. Accordingly, the entering into the 2025-2027 Services Framework Agreement is in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the 2025-2027 Services Framework Agreement (i) have been negotiated on an arm's length basis; (ii) are in the ordinary and usual course of business of the Group, (iii) on normal commercial terms or better that are fair and reasonable, and (iv) in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) also confirm that the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Liu, a non-executive Director and Ms. Hu, an executive Director have abstained from voting on the relevant Board resolutions approving the 2025-2027 Services Framework Agreement and the transactions contemplated thereunder, and the Annual Caps, since they have material interests in the 2025-2027 Services Framework Agreement. Save as disclosed above, none of the other Directors has material interests in the 2025-2027 Services Framework Agreement and therefore no other Director has abstained from voting on the relevant Board resolutions approving, on 31 December 2024, the 2025-2027 Services Framework Agreement and the transactions contemplated thereunder, and the Annual Cap.

INTERNAL CONTROL

The Group will undertake the following internal control measures to monitor the continuing connected transactions under the 2025-2027 Services Framework Agreement:

- (a) the finance department staff, and the finance department manager will prepare the relevant information and the chief financial officer will conduct checks once every three months and half year to review and assess whether the transactions are conducted in accordance with the terms of the 2025-2027 Services Framework Agreement;
- (b) the finance department staff and the finance department manager will prepare the relevant information and the chief financial officer will monitor the monthly transaction amounts between the Group and the Hevol Real Estate Group under the 2025-2027 Services Framework Agreement and report to the management of the Group to ensure that the transaction amounts will not exceed the Annual Caps;
- (c) the finance department staff and the finance department manager will prepare the relevant information and the chief financial officer will monitor the prices and terms of the 2025-2027 Services Framework Agreement by obtaining at least two quotations for each type of services from independent third parties when the 2025-2027 Services Framework Agreement and the individual ancillary agreements are renewed. They will work together to ensure that the transactions contemplated under the 2025-2027 Services Framework Agreement are conducted on normal commercial terms and at prices and terms no more favourable than those offered by the Group to independent third parties;
- (d) the finance department is required to present a summary of continuing connected transactions of the Group to the internal control and compliance department for review. The internal control and compliance department shall assess whether such transactions will constitute any disclosure and approval requirement in accordance with the Listing Rules. The continuing connected transactions report is required to be submitted to the audit committee for review during every six months period and the year end;

- (e) the independent non-executive Directors will review the continuing connected transactions every year and confirm that the transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the 2025-2027 Services Framework Agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and
- (f) the Company will engage its auditors to report on the continuing connected transactions every year. The auditors of the Company will review and confirm in the annual report of the Company whether the transactions (i) have been approved by the Board; (ii) were entered into, in all material respects, in accordance with the 2025-2027 Services Framework Agreement; and (iii) have not exceeded the Annual Caps.

The Directors consider that the personnel authorised to execute the above internal control measures possess relevant experience and expertise in relation thereto, and the above internal control measures can ensure that the transactions contemplated under the 2025-2027 Services Framework Agreement (including the Annual Caps) will be conducted on normal commercial terms in a manner not prejudicial to the interests of the Company and its Shareholders.

INFORMATION OF THE PARTIES

The Group

The Company is an exempted company with limited liability under the Companies Law of the Cayman Islands. The Group is principally engaged in property management services, community value-added services and value-added services to non-property owners in the PRC.

Hevol Real Estate

Hevol Real Estate is a company established as a limited liability company under the laws of the PRC on 28 March 2001 and is principally engaged in property development in the PRC. Hevol Real Estate is owned as to 80% and 20% by Hevol Investment and Shanghai Hengjiu respectively.

Hevol Investment

Hevol Investment is a company established as a limited liability company under the laws of the PRC on 14 March 2001, which is owned as to 80% and 20% by Mr. Liu, a Controlling Shareholder and a non-executive Director, and Ms. Hu, an executive Director, respectively.

Shanghai Hengjiu

Shanghai Hengjiu is a company established as a limited liability company under the laws of the PRC on 14 June 2005, which is owned by Ms. Hu as to 60% and Ms. Liu as to 40%.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, as Hevol Real Estate is owned as to 80% by Hevol Investment which in turn is owned as to 80% by Mr. Liu, a Controlling Shareholder and a non-executive Director, each of Hevol Investment and Hevol Real Estate is an associate of Mr. Liu and a connected person of the Group. Accordingly, the transactions under the 2025-2027 Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under the Listing Rules in respect of the Annual Caps for the transactions contemplated under the 2025-2027 Services Framework Agreement is more than 0.1% but less than 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempted from the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

The Company will comply with the annual review requirements under Rules 14A.55 to 14A.59 of the Listing Rules in relation to the 2025-2027 Services Framework Agreement and the continuing connected transactions (including the Annual Caps).

DEFINITIONS

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

“2025-2027 Services Framework Agreement”	the services framework agreement entered into between the Company and Hevol Real Estate on 31 December 2024 in relation to the provision of various services and transactions, a summary of the terms of which is set out in this announcement
“Ancillary Property Management Services”	mainly include consultancy and planning services, preliminary-stage property management start-up services, entrusted operation management services of properties held by the Hevol Real Estate Group, inspection services, repair services, land reclamation and cleaning services and formaldehyde removal services regarding the New Master Services Agreement or the 2025-2027 Services Framework Agreement (as the case may be)
“Annual Caps”	the annual monetary cap(s) for the continuing connected transactions under the 2025-2027 Services Framework Agreement for the period from the 1 January 2025 to 31 December 2027
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Brilliant Brother”	Brilliant Brother Group Limited, the Controlling Shareholder of the Company

“Company”	Hevol Services Group Co. Limited (stock code: 6093), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules and “connected” shall be construed accordingly
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hevol Investment”	Hevol Holding Group Limited (和泓控股集團有限公司), a company established as a limited liability company under the laws of the PRC on 14 March 2001, which is owned as to 80% by Mr. Liu and as to 20% by Ms. Hu and a connected person of the Group
“Hevol Real Estate”	Hevol Real Estate Group Limited (和泓置地集團有限公司), a company established as a limited liability company under the laws of the PRC on 28 March 2001, which is owned by Hevol Investment as to 80% and Shanghai Hengjiu as to 20%, a company ultimately controlled by Mr. Liu and a connected person of the Group
“Hevol Real Estate Group”	Hevol Real Estate and the subsidiaries of Hevol Real Estate, companies ultimately controlled by Mr. Liu and a connected person of the Group
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Liu”	Mr. Liu Jiang (劉江), a Controlling Shareholder and a non-executive Director
“Ms. Hu”	Ms. Hu Hongfang (胡洪芳), an executive Director
“Ms. Liu”	Ms. Liu Yu (劉玉), an individual employed by Hevol Real Estate Group
“New Master Services Agreement”	the master services agreement entered into between the Company and Hevol Real Estate on 31 December 2021 in relation to the provision of various services and transactions, a summary of the terms of which is set out in the announcement of the Company dated 31 December 2021
“PRC”	the People’s Republic of China

“Property Management Services”	mainly including security, cleaning, landscaping and public facilities maintenance services regarding the New Master Services Agreement or the 2025-2027 Services Framework Agreement (as the case may be)
“RMB”	Renminbi, the lawful currency of PRC
“Sales Coordination Services”	mainly including sales assistance services such as display unit management services, visitor reception and consultation services regarding the New Master Services Agreement or the 2025-2027 Services Framework Agreement (as the case may be)
“Shanghai Hengjiu”	Shanghai Hengjiu Investment Limited (上海恒久投資有限公司), a company established as a limited liability company under the laws of the PRC on 14 June 2005, which is owned by Ms. Hu as to 60% and Ms. Liu as to 40%
“Shareholder(s)”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board of Directors
Hevol Services Group Co. Limited
Wang Wenhao
Executive Director

Hong Kong, 31 December 2024

As at the date of this announcement, the Board comprises two executive Directors, namely Ms. Hu Hongfang and Mr. Wang Wenhao, two non-executive Directors, namely Mr. Liu Jiang and Mr. Zhou Wei, and four independent non-executive Directors, namely Dr. Chen Lei, Mr. Fan Chi Chiu, Dr. Li Yongrui and Mr. Qian Hongji.