

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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**  
**SUPPLEMENTAL MASTER SERVICES AGREEMENT AND**  
**REVISION OF ANNUAL CAPS**

**INTRODUCTION**

Reference is made to the “Continuing Connected Transactions” section of the Prospectus in relation to, among other things, the Master Services Agreement. Unless otherwise stated, terms used in this announcement shall have the same meanings as defined in the Prospectus.

On 29 April 2020 (after trading hours), the Company and Hevol Real Estate entered into the Supplemental Master Services Agreement to expand the scope of services to include the Ancillary Property Management Services. Further, the Board also proposed to revise the annual caps for the continuing connected transactions for each of the financial years ended 31 December 2020 and 2021 to accommodate the expected increase of services fees for the Ancillary Property Management Services.

As Hevol Real Estate is owned as to 80% by Hevol Investment which in turn is owned as to 80% by Mr. Liu, 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 Supplemental Master Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable ratios under the Listing Rules in respect of the Revised Annual Caps of the Supplemental Master Services Agreement are higher than 5%, the Supplemental Master Services Agreement and the transactions contemplated thereunder (including the Revised Annual Caps) are subject to the reporting, annual review, announcement and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## **APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER AND ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE**

Pursuant to the Listing Rules, the Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps. In this connection, CLC International Limited has been approved and appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps are fair and reasonable and make recommendation(s) on voting.

### **EGM**

An ordinary resolution will be proposed to the Independent Shareholders at the EGM to consider and, if thought fit, to approve, among other things, the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps. The voting in relation to the Supplemental Master Services Agreement and the Revised Annual Caps will be conducted by way of poll.

Brilliant Brother will (and any other Shareholder who is involved or interested in the Supplemental Master Services Agreement will be required to) abstain from voting on the resolutions to be proposed at the EGM for approving the Supplemental Master Services Agreement and the Revised Annual Caps. Save for Brilliant Brother, to the best knowledge of the Company, none of the Shareholders are required to abstain from voting on the ordinary resolution proposed at the EGM to consider and, if thought fit, to approve, among other things, the Supplemental Master Services Agreement and the Revised Annual Caps.

### **DESPATCH OF CIRCULAR**

The Circular containing, among other matters, (i) details of the Supplemental Master Services Agreement and the Revised Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps; (iii) a letter of advice by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps, and (iv) a notice convening the EGM is expected to be dispatched to the Shareholders no more than 15 business days after the publication of the announcement in accordance with the Listing Rules.

## INTRODUCTION

Reference is made to the Prospectus in relation to the Master Services Agreement. As disclosed in the Prospectus, the Master Services Agreement is effective from 27 June 2019 to 31 December 2021. Pursuant to the Master Services Agreement, the Group will conduct the following transactions with Hevol Real Estate and its subsidiaries and associates on an on-going basis:

- (1) property management services, mainly including (i) security services, (ii) repair and maintenance services, and (iii) cleaning and garden landscape maintenance services (“**Hevol Property Management Services**”), and
- (2) provide certain property developer-related services to Hevol Real Estate Group, mainly including sales assistance services such as display unit management services, market planning services and visitor reception services (“**Hevol Developer-related Services**”).

On 29 April 2020, the Company and Hevol Real Estate entered into the Supplemental Master Services Agreement to revise the Master Services Agreement, pursuant to which the Group agreed to provide the Ancillary Property Management Services to Hevol Real Estate Group in addition to the Hevol Property Management Services and Hevol Developer-related Services.

## THE SUPPLEMENTAL MASTER SERVICES AGREEMENT

The principal terms of the Supplemental Master Services Agreement are set out below:

**Date** 29 April 2020 (after trading hours)

**Parties** (1) the Company; and  
(2) 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 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 is owned as to 60% by Ms. Hu.

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 Supplemental Master Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

**Duration** The Supplemental Master Services Agreement is for a term from 29 April 2020 to 31 December 2021 (both dates inclusive).

**Subject matter** Pursuant to the Supplemental Master Services Agreement, the Group has agreed to provide the Ancillary Property Management Services to Hevol Real Estate Group in 10 cities of the PRC.

The 10 cities include namely, Beijing, Sanya, Chongqing, Changsha, Tangshan, Harbin, Shenyang, Guiyang, Chengdu and Tianjin.

The Company and Hevol Real Estate shall enter into separate agreements for detailed service scope in respect of various Ancillary Property Management Services as and when necessary.

## **SCOPE OF ANCILLARY PROPERTY MANAGEMENT SERVICES**

### **No. Scope of Services**

#### **1. Consultancy and planning services**

The Group will provide consultancy services for the property development projects of Hevol Real Estate Group at its beginning design and development stage, including planning and design, marketing, construction standards and functional layout. The Group will also provide consultancy services on building design, material and equipment selection, layout of wire and cables etc.

#### **2. Preliminary stage property management start-up services**

The Group will provide various services to Hevol Real Estate Group during the preparatory stage of setting up a property management office, including all expenses incurred during the preparation stage after a property management project is taken over from Hevol Real Estate Group, covering initial expenses such as salaries and staff, office expenses, training expenses, travel expenses, printing expenses, property office supplies and procurement expenses during the preparation period.

#### **3. Property management services of properties held by Hevol Real Estate Group**

The Group will manage all ancillary commercial properties which are held by Hevol Real Estate Group after the construction of a property development project is completed. Such properties will be leased to third parties to generate rental income. The Group's services include rent collection, letting the properties and sourcing new tenants, arranging utilities and managing the relationship with tenants etc.

**No.            Scope of Services**

**4.             Inspection services**

After construction of a property development is completed, the Group will conduct inspection and prepare inspection reports. The report will provide information about the property. It will also conduct quality assurance about the common parts of a property including inspection and trial runs on common facilities, equipment and landscaping. For the individual flats, the Group will conduct inspection on the doors and windows, the walls, floors and the ceiling. It will also inspect the waterproof areas, the heating, plumbing and electrical systems and other interior decorations to ensure they meet delivery standards.

**5.             Repair services**

The Group will arrange repair on the buildings developed by Hevol Real Estate Group. It will arrange independent contractors to conduct the repair works, monitor the progress of the repair, and prepare service reports for inspection and record.

**6.             Cleaning services**

After the construction of a property development is completed and passed inspection, the Group will do an overall cleaning and cleansing for the building before the individual flats will be delivered to the purchasers. Cleaning will be conducted at the common parts of the building such as fire exits, railings, handrails, floors, door and windows, garages, offices, children's entertainment facilities, sports venues, public roads and green areas. Such cleaning will also cover glass, doors and windows, and interior walls, ceilings and floors of each individual flat.

**7.             Formaldehyde removal services**

The Group will remove formaldehyde for all individual flats before delivery to customers if such flats are furnished.

**INTERNAL CONTROL**

The Group will undertake the following internal control measures to monitor the continuing connected transactions:

- (a) the relevant personnel from the finance department and management of the Group will conduct checks on a regular basis to review and assess whether the transactions are conducted in accordance with the terms of the Supplemental Master Services Agreement;
- (b) the relevant personnel from the finance department and management of the Group will monitor the prices and terms in the Supplemental Master Services Agreement from time to time to ensure that the transactions contemplated under the Supplemental Master Services Agreement are conducted on normal commercial terms and at prices and terms no less favourable than those offered by the Group to independent third parties;

- (c) the relevant personnel from the finance department of the Group will monitor the monthly transaction amounts between the Group and Hevol Real Estate Group under the Supplemental Master Services Agreement and report to the management of the Group to ensure that the Revised Annual Caps will not be exceeded;
- (d) 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 Supplemental Master Services Agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and
- (e) 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 Supplemental Master Services Agreement; and (iii) have not exceeded the relevant Revised Annual Caps.

The Directors consider that the personnel authorised to execute the above internal control measures possesses relevant experience and expertise in relation thereto, and the above internal control measures can ensure that the transactions contemplated under the Supplemental Master Services Agreement will be conducted on normal commercial terms in a manner not prejudicial to the interests of the Company and its Shareholders.

## **PROPOSED REVISED ANNUAL CAPS AND THE BASIS FOR DETERMINATION**

### **Original Annual Caps**

For ease of reference, the annual caps for the Hevol Property Management Services and Hevol Developer-related Services under the Master Services Agreement for the years ended 31 December 2019, the years ending 31 December 2020 and 31 December 2021 are set out below.

	<b>Original annual caps for the year ended/ending 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
Total service fees	RMB34.7 million	RMB39.8 million	RMB37.4 million

## Revised Annual Caps

For ease of reference, the Revised Annual Caps of the Supplemental Master Services Agreement, which represent the total amount of transactions, Hevol Property Management Services and Hevol Developer-related Services under the Master Services Agreement and the Ancillary Property Management Services under the Supplemental Master Services Agreement, for the years ending 31 December 2020 and 31 December 2021 are set out below.

	<b>Revised Annual Caps for the year ending 31 December</b>	
	<b>2020</b>	<b>2021</b>
Total service fees	RMB93.4 million	RMB118.1 million

The Revised Annual Caps are estimated by the Directors with reference to (i) the basis of pricing policy for Ancillary Property Management Services in each cities, (ii) the estimated revenue to be recognised in relation to the Ancillary Property Management Services to be provided by us pursuant to the Supplemental Master Services Agreement, (iii) the original estimated revenue to be recognised in relation to the Master Services Agreement to be provided by us pursuant to existing contracts and the expected time and volume of delivery for our existing property management projects; and (iv) the estimated GFA of the properties to be delivered by Hevol Real Estate Group. The remaining portion represents approximately 30% buffer for the Ancillary Property Management Services to be provided by the Group for any unforeseeable circumstances.

The Directors (excluding the independent non-executive Directors whose views will be contained in the Circular to be despatched to the Shareholders after considering the views of the Independent Financial Adviser on the transactions under the Supplemental Master Services Agreement and the Revised Annual Caps) are of the view that the Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL MASTER SERVICES AGREEMENT**

The Group is principally engaged in property management in the PRC providing property management services, community-related services and property developer-related services in the PRC whereas the Hevol Real Estate Group is principally engaged in property development in the PRC. The Group believes that the Master Services Agreement had been of great benefit to the Group by providing a steady stream of income to the Group. The Supplemental Master Services Agreement hence represents a strong and long-standing business relationship which the Group can utilise for the future growth of the Group. The Group believes that it is in the interests of the Group to provide the Ancillary Property Management Services to the Hevol Real Estate Group.

With reference to the announcement of annual results for the year ended 31 December 2019, for the next three years, the Group expects to undertake new high-end residential community projects from Hevol Real Estate Group, which will allow the Group to further strengthen its market presence in the cities which it already has property management business.

The Directors (excluding the independent non-executive Directors) are of the view that the transactions contemplated under the Supplemental Master Services Agreement are (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms or better that are fair and reasonable, and (iii) in the interests of the Company and the Shareholders as a whole. The Directors (excluding the independent non-executive Directors) also confirm that the Revised 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 Supplemental Master Services Agreement and the Revised Annual Caps since they have a material interest in the Supplemental Master Services Agreement. Save as disclosed above, none of the other Directors has a material interest in the Supplemental Master Services Agreement and therefore no other Director has abstained from voting on the relevant Board resolutions approving the Supplemental Master Services Agreement and the Revised Annual Caps.

### **IMPLICATIONS OF THE LISTING RULES**

As Hevol Real Estate is owned as to 80% by Hevol Investment which in turn is owned as to 80% by Mr. Liu, 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 Supplemental Master Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable ratios under the Listing Rules in respect of the Revised Annual Caps of the Supplemental Master Services Agreement are higher than 5%, the Supplemental Master Services Agreement and the transactions contemplated thereunder (including the Revised Annual Caps) are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER AND ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE**

Pursuant to the Listing Rules, the Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps. In this connection, CLC International Limited has been approved and appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps are fair and reasonable, and to make recommendation(s) on voting.

### **EGM**

An ordinary resolution will be proposed to the Independent Shareholders at the EGM to consider and, if thought fit, to approve, among other things, the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps. The voting in relation to the Supplemental Master Services Agreement and the Revised Annual Caps will be conducted by way of poll.

Brilliant Brother will (and any other Shareholder who is involved or interested in the Supplemental Master Services Agreement will be required to) abstain from voting on the resolutions to be proposed at the EGM for approving the Supplemental Master Services Agreement and the Revised Annual Caps. Save for Brilliant Brother, to the best knowledge of the Company, none of the Shareholders are required to abstain from voting on the ordinary resolution proposed at the EGM to consider and, if thought fit, to approve, among other things, the Supplemental Master Services Agreement and the Revised Annual Caps.

## **DESPATCH OF CIRCULAR**

The Circular containing, among other matters, (i) details of the Supplemental Master Services Agreement and the Revised Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps; (iii) a letter of advice by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps, and (iv) a notice convening the EGM is expected to be dispatched to the Shareholders no more than 15 business days after the publication of the announcement in accordance with the Listing Rules.

## **DEFINITIONS**

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

“Ancillary Property Management Services”	various property management services, the scope of which is set out in the section headed “Scope of Ancillary Property Management Services” in this announcement
“Board”	the board of Directors of the Group
“Brilliant Brother”	Brilliant Brother Group Limited, the controlling shareholder of the Company
“Circular”	a circular of the Company containing, among other matters, details of the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps, the letter from the Independent Board Committee to the Independent Shareholders, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders
“Company”	Hevol Services Group Co. Limited (stock code: 6093), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“continuing connected transactions”	has the meaning ascribed to it under the Listing Rules

“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“EGM”	the extraordinary general meeting to be convened by the Company for the consideration and the approval of, among other things, the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps
“GFA”	gross floor area
“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 Investment, 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”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Company comprising all of the independent non-executive Directors, established to advise the Independent Shareholders in respect of the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps

“Independent Financial Adviser”	CLC International Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps
“Independent Shareholders”	the Shareholders other than Brilliant Brother, its associates and any Shareholder with a material interest in the transactions contemplated under the Supplemental Master Services Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Services Agreement”	the Master Services Agreement the Company entered into with Hevol Real Estate on 27 June 2019, pursuant to which the Group agreed to provide the Hevol Property Management Services and Hevol Developer-related Services to Hevol Real Estate Group
“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 employee of Hevol Real Estate Group
“PRC”	the People’s Republic of China, which for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 27 June 2019
“Revised Annual Caps”	the Revised Annual Caps to include the total amount of transactions under the Master Services Agreement and the Supplemental Master Services Agreement, as set out in the section headed “Proposed Revised Annual Caps and The Basis For Determination” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC

“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%
“Share(s)”	ordinary shares of US\$0.00001 each in the capital of the Company
“Shareholder(s)”	registered holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Master Services Agreement”	the supplemental master services agreement the Company entered into with Hevol Real Estate on 29 April 2020, pursuant to which the Group agreed to provide the Ancillary Property Management Services to Hevol Real Estate Group
“%”	per cent.

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

Hong Kong, 29 April 2020

*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, Mr. Li Yongrui and Mr. Qian Hongji.*