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# THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hevol Services Group Co. Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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 EXISTING MASTER SERVICES AGREEMENT AND NOTICE OF EGM

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**

**ADVENT**  
**宏智融資**

Advent Corporate Finance Limited

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Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee is set out on pages 16 to 17 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 41 of this circular.

A notice convening the EGM of the Company to be held at 16th Floor, Block D, Newlogo International Building, No. 18A Zhongguancun South Street, Haidian District, Beijing, People’s Republic of China on Wednesday, 9 March 2022 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.hevolwy.com.cn](http://www.hevolwy.com.cn)), respectively.

Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

16 February 2022

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:*

“Ancillary Property Management Services”	mainly include consultancy and planning services, preliminary-stage property management start-up services, property management services of properties held by the Hevol Real Estate Group, inspection services, repair services, cleaning services and formaldehyde removal services regarding the New Master Services Agreement
“Board”	the board of Directors of the Group
“Brilliant Brother”	Brilliant Brother Group Limited, the Controlling Shareholder of the Company
“Commencement Date”	the date immediately after the fulfillment of all conditions set out in the New Master Services Agreement
“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”	the transactions contemplated under the New Master Services Agreement
“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 New Master Services Agreement, the Proposed Annual Caps and the transactions contemplated thereunder
“Existing Master Services Agreement”	the master services agreement entered into between the Company and Hevol Real Estate on 27 June 2019 (and amended by the Supplemental Master Services Agreement), pursuant to which the Group agreed to provide property management services and sales coordination services to the Hevol Real Estate Group
“GFA”	gross floor area
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“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 by Mr. Liu as to 80% and Ms. Hu as to 20% 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”	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 terms of the New Master Services Agreement, the Proposed Annual Caps and the transactions contemplated thereunder
“Independent Financial Adviser”	Advent Corporate Finance Limited, a licensed corporation to carry on 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 terms of the New Master Services Agreement, the Proposed Annual Caps and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than Brilliant Brother, its associates and any Shareholder with material interests in the transactions contemplated under the New Master Services Agreement
“Latest Practicable Date”	11 February 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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

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## DEFINITIONS

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“Ms. Liu”	Ms. Liu Yu (劉玉), an individual employed by Hevol Real Estate Group
“New Master Services Agreement”	the new 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 this circular
“PRC”	the People’s Republic of China
“Property Management Services”	mainly including (i) security services, (ii) repair and maintenance services, and (iii) cleaning and garden landscape maintenance services regarding the New Master Services Agreement
“Proposed Annual Caps”	the proposed annual monetary cap(s) for the continuing connected transactions for the Commencement Date to 31 December 2024
“Prospectus”	the prospectus of the Company dated 27 June 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Coordination Services”	mainly including sales assistance services such as display unit management services, market planning services and visitor reception and consultation services regarding the New Master Services Agreement
“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 ancillary property management services to the Hevol Real Estate Group and to revise the annual caps of the Existing Master Services Agreement
“%”	per cent.

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# LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Wang Wenhao (*Chief Executive Officer*)

Ms. Hu Hongfang

*Non-executive Director:*

Mr. Liu Jiang (*Chairman*)

Mr. Zhou Wei

*Independent Non-executive Directors:*

Dr. Chen Lei

Mr. Fan Chi Chiu

Dr. Li Yongrui

Mr. Qian Hongji

*Registered office:*

PO Box 309

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

*Principal place of business in Hong Kong:*

Room 2009

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

16 February 2022

*To the Shareholders*

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
RENEWAL OF EXISTING MASTER SERVICES AGREEMENT  
AND  
NOTICE OF EGM**

**INTRODUCTION**

Reference is made to the Company's announcement made on 31 December 2021 in relation to, among others, the renewal of Existing Master Services Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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An Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to consider the New Master Services Agreement and the transactions contemplated thereunder, and the Proposed Annual Caps, and to advise the Independent Shareholders as to whether the terms of the New Master Services Agreement and the continuing connected transactions (including the Proposed Annual Caps) are on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with information reasonably necessary to enable you to make informed decision on whether to vote for or against each of the resolutions proposed at the EGM including, among others, the particulars of the New Master Services Agreement together with (i) the details of the New Master Services Agreement and the Proposed Annual Caps; (ii) the letter from the Board; (iii) the letter from the Independent Board Committee; (iv) the letter from the Independent Financial Adviser; and (v) the notice of the EGM.

### THE NEW MASTER SERVICES AGREEMENT

<b>Date</b>	31 December 2021 (after trading hours)
<b>Parties</b>	(i) the Company; and  (ii) Hevol Real Estate
<b>Duration</b>	From the Commencement Date to 31 December 2024 (both days inclusive).
<b>Subject Matter</b>	Under the New Master Services Agreement, the Company conditionally agreed to provide the following services to the Hevol Real Estate Group regarding the term of the New Master Services Agreement:  (1) Property Management Services, mainly including (i) security services, (ii) repair and maintenance services, and (iii) cleaning and garden landscape maintenance services;  (2) Sales Coordination Services, mainly including sales assistance services such as display unit management services, market planning services and visitor reception and consultation services; and  (3) Ancillary Property Management Services, mainly include consultancy and planning services, preliminary stage property management start-up services, property management services of properties held by the Hevol Real Estate Group, inspection services, repair services, cleaning services and formaldehyde removal services.

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## LETTER FROM THE BOARD

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Subject to the terms and conditions of the New Master Services 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 New Master Services Agreement, and their respective terms shall also not violate the provisions of the New Master Services 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 service 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 salary and staff costs);
- (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.

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## LETTER FROM THE BOARD

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The Price Control Department (物價管理部門) at provincial level and the administrative departments of housing and urban-rural development where each relevant property is located have the authority to decide whether to implement government guidance prices for charges of property management fees for government-supported houses, housing-reform properties and properties in old residential areas and service fees under preliminary property management based on actual situation. The benchmark and floating range of these government guidance prices vary from region to region. The PRC government may implement a state-prescribed or guidance price for specific goods and services if necessary, and such price will be promulgated in accordance with the requirements of relevant laws, regulations or administrative rules from time to time. If any state prescribed price or guidance price becomes available to this continuing connected transactions in the future, the parties will execute such price first in accordance with pricing principle (i) above.

### **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 New Master Services Agreement.

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## LETTER FROM THE BOARD

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### SCOPE OF SERVICES AND PRICING POLICY

No.	Scope of services	Pricing policy	
1.	Property Management Services	(i) Security services, (ii) Repair and maintenance services, and (iii) Cleaning and garden landscape maintenance services	Generally in the range of RMB0.31 per sq.m. per month to RMB10 per sq.m. per month subject to the type and location of properties
2.	Sales Coordination Services	Display unit management services, market planning services and visitor reception and consultation services	35% premium to the operating cost
3.	Ancillary Property Management Services	(i) Consultancy and planning services (ii) Preliminary stage property management start-up services (iii) Property management services of properties held by Hevol Real Estate Group (iv) Inspection services (v) Repair services (vi) Cleaning services (vii) Formaldehyde removal services (viii) Sales agency services	Generally in the range of RMB5.0 per sq.m. to RMB6.0 per sq.m. Generally in the range of RMB5.0 per sq.m. to RMB7.0 per sq.m. 15% of the rent collected on a commission basis. Generally in the range of RMB12.0 per sq.m. to RMB15.0 per sq.m. Generally in the range of RMB3.0 per sq.m. to RMB6.0 per sq.m. Generally in the range of RMB10.0 per sq.m. to RMB13.0 per sq.m. RMB35.0 per sq.m. 5% to 10% of the sales

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## LETTER FROM THE BOARD

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### HISTORICAL TRANSACTION FIGURES AND THE PROPOSED ANNUAL CAPS

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

	<b>Historical transaction figures</b>		
	<b>for the year ended 31 December 2019 (RMB million)</b>	<b>for the year ended 31 December 2020 (RMB million)</b>	<b>for the nine months ended 30 September 2021 (RMB million)</b>
Property Management Services	8.6	4.1	13.6
Sales Coordination Services	25.8	26.5	20.5
Ancillary Property Management Services	–	37.1	13.9
	<u>34.4</u>	<u>67.7</u>	<u>48.0</u>
Total	<u>34.4</u>	<u>67.7</u>	<u>48.0</u>
Existing annual caps	<u>34.7</u>	<u>93.4</u>	<u>118.1</u>
	<u>34.7</u>	<u>93.4</u>	<u>118.1</u>
	<b>Proposed Annual Caps</b>		
	<b>for the year ending 31 December 2022 (RMB million)</b>	<b>for the year ending 31 December 2023 (RMB million)</b>	<b>for the year ending 31 December 2024 (RMB million)</b>
Property Management Services	24.8	17.5	13.8
Sales Coordination Services	35.6	30.5	25.7
Ancillary Property Management Services	70.5	53.8	53.7
	<u>130.9</u>	<u>101.8</u>	<u>93.2</u>
Total	<u>130.9</u>	<u>101.8</u>	<u>93.2</u>

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## LETTER FROM THE BOARD

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### Estimated breakdown of annual caps by nature of services

For ease of reference, an estimated breakdown of the Proposed Annual Caps based on types of services for the years ending 31 December 2022, 31 December 2023 and 31 December 2024 are set out below.

Type of Services	For the years ending 31 December		
	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>
<b>Property Management Services</b>	<b>21,550</b>	<b>15,250</b>	<b>12,000</b>
<b>Sales Coordination Services</b>	<b>30,950</b>	<b>26,530</b>	<b>22,350</b>
<b>Ancillary Property Management Services</b>			
Consultancy and planning services	3,050	3,360	3,740
Preliminary stage property management start-up services	11,850	10,200	10,400
Property management services of properties held by Hevol Real Estate Group	1,550	1,450	1,580
Inspection services	15,650	11,080	11,630
Repair services	9,200	7,050	6,860
Cleaning services and formaldehyde removal services	10,100	7,600	6,450
Sales agency services	9,900	6,000	6,000
	<hr/>	<hr/>	<hr/>
<b>Subtotal</b>	<b>61,300</b>	<b>46,740</b>	<b>46,660</b>
<b>Total service fees</b>	<b>113,800</b>	<b>88,520</b>	<b>81,010</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Buffer (15%)	17,070	13,278	12,152
<b>Proposed Annual Caps</b>	<b>130,870</b>	<b>101,798</b>	<b>93,162</b>
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## LETTER FROM THE BOARD

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### **Basis of the Proposed Annual Caps**

In determining the Proposed 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 Existing Master Services Agreement and Supplemental Master Services Agreement for the two years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021 (as mentioned above), respectively;
- (iii) the estimated increase in transaction amount to be recognised in relation to the New Master Services Agreement pursuant to (a) the existing contracts; and (b) the potential increase in Property Management Services to be provided to Hevol Real Estate Group due to the delay in completion of properties and projects which were originally planned to be delivered in the year of 2021 by Hevol Real Estate Group to 2022 (account for approximately 2.6 million sq.m. of the properties were delayed). Such delays were largely due to postponement in the commencement of new projects or temporary suspension of ongoing construction projects in response to quarantine measures mandated by local governments to control the outbreak of the COVID-19 pandemic. These delayed projects will be given priority by Hevol Real Estate Group to ensure due completion within 2022.
- (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 2024;
- (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; and
- (vi) a reasonable buffer of approximately 15% buffer to cater for (a) the unexpected business growth; (b) the inflation in the PRC; (c) a potential increase in the Ancillary Property Management Services that the Group may provide to Hevol Real Estate Group in relation to the delayed projects as mentioned in (iii) above; and (d) 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.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFIT 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 New Master Services 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 New Master Services Agreement is in the interests of the Company and the Shareholders as a whole.

The Directors (excluding the independent non-executive Directors) are of the view that the transactions contemplated under the New Master Services 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 (excluding the independent non-executive Directors) also confirm that the Proposed 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 New Master Services Agreement and the transactions contemplated thereunder, and the Proposed Annual Caps since they have material interests in the New Master Services Agreement. Save as disclosed above, none of the other Directors has material interests in the New Master Services Agreement and therefore no other Director has abstained from voting on the relevant Board resolutions approving the New Master Services Agreement and the transactions contemplated thereunder, and the Proposed Annual Caps.

### INTERNAL CONTROL

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

- (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 New Master Services 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 New Master Services Agreement and report to the management of the Group to ensure that the transaction amounts will not exceed the Proposed Annual Caps;

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## LETTER FROM THE BOARD

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- (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 New Master Services Agreement by obtaining at least two quotations for each type of services from independent third parties when entering into separate services agreements under the New Master Services Agreement. They will work together to ensure that the transactions contemplated under the New Master Services 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 New 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
- (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 New Master Services Agreement; and (iii) have not exceeded the Proposed 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 New Master Services Agreement (including the Proposed 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 non-property owner value-added services in the PRC.

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## LETTER FROM THE BOARD

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### **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 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, 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 New Master Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable ratios under the Listing Rules in respect of the Proposed Annual Caps are higher than 5%, the New Master Services Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) are subject to the reporting, annual review, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A 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 New Master Services Agreement and the continuing connected transactions (including the Proposed Annual Caps).

### **EGM**

The EGM will be held at 16th Floor, Block D, Newlogo International Building, No. 18A Zhongguancun South Street, Haidian District, Beijing, People's Republic of China on Wednesday, 9 March 2022 at 11:00 a.m. for the Independent Shareholders, to consider and, if thought fit, to pass the ordinary resolutions to approve (among other things) the New Master Services Agreement and the transaction contemplated thereunder, and the Proposed Annual Caps. A notice to convene the EGM is set out on pages EGM-1 to EGM-2 of this circular.

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## LETTER FROM THE BOARD

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Brilliant Brother controls or is entitled to exercise control over the voting rights at a general meeting of the Company in respect of its shareholding of 286,439,934 Shares in the Company (representing approximately 51.15% of the total issued share capital of the Company). As such, Brilliant Brother (and any other Shareholder who is involved or interested in the New Master Services Agreement) will abstain from voting on these resolutions to be proposed at the EGM for approving the New Master Services Agreement and the transaction contemplated thereunder, and the Proposed 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 resolutions proposed at the EGM.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.hevolwy.com.cn](http://www.hevolwy.com.cn)), respectively. Whether or not you are able to attend the meeting, you are requested to complete and return form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon and in any event not less than 48 hours before the time fixed for holding of the EGM or any adjourned meeting (as the case may be).

Completion and delivery of the form of proxy will not prevent the Shareholders from attending and voting at the EGM or adjourned meeting (as the case may be) if they so wish.

In accordance with the requirements of the Listing Rules, the resolutions to be put forward at the EGM will be voted on by the Independent Shareholders by way of poll.

### **RECOMMENDATION**

Your attention is drawn to the letter from the Independent Board Committee set out on pages 16 to 17 of this circular and the letter of advice from the Independent Financial Adviser set out on pages 18 to 41 of this circular. The Independent Shareholders are advised to read the aforesaid letters before making a decision as to how to vote on the resolutions to approve the New Master Services Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

The Directors (including the Independent Non-executive Directors after considering the advice from the Independent Financial Adviser) consider that the resolutions as set out in the notice of the EGM are in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the above proposed resolutions.

### **GENERAL**

Your attention is drawn to the additional information set out in the appendix to this circular.

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

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# LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

16 February 2022

*To the Independent Shareholders*

Dear Sir/Madam,

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO RENEWAL OF EXISTING MASTER SERVICES AGREEMENT**

We refer to the circular dated 16 February 2022 (the “**Circular**”) of the Company to the Shareholders, of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless specified otherwise.

We have been appointed by the Board as the Independent Board Committee to consider and to advise the Independent Shareholders as to whether, in our opinion, the transactions contemplated under the New Master Services Agreement (including the Proposed Annual Caps) are fair and reasonable and such transaction are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to recommend whether or not the Independent Shareholders should approve the transactions contemplated under the New Master Services Agreement as set out in the Circular after taking into account the recommendations from the Independent Financial Adviser.

Advent Corporate Finance Limited has been appointed by the Board as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser have taken into consideration, are set out on pages 18 to 41 of the Circular.

We wish to draw your attention to the Letter from the Board and the Letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the transactions contemplated under the New Master Services Agreement (including the Proposed Annual Caps). Your attention is also drawn to the additional information set out in the appendix to the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the New Master Services Agreement, the transactions contemplated thereunder (including the Proposed Annual Caps), the advice of the Independent Financial Adviser and the relevant information contained in the Letter from the Board, we consider that (i) the transactions contemplated under the New Master Services Agreement (including the Proposed Annual Caps) are on normal commercial terms and in the ordinary and usual course of business of the Company; and (ii) the transactions contemplated under the New Master Services Agreement (including the Proposed Annual Caps) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions for approving the transactions contemplated under the New Master Services Agreement (including the Proposed Annual Caps) to be proposed at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Hevol Services Group Co. Limited**

**Dr. Chen Lei, Mr. Fan Chi Chiu,**

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

*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Master Services Agreement and the continuing connected transactions (including the Proposed Annual Caps), which has been prepared for the purpose of inclusion in this circular.*

16 February 2022

*To: the Independent Board Committee and the Independent Shareholders  
Hevol Services Group Co. Limited*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Master Services Agreement and the continuing connected transactions (including the Proposed Annual Caps), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 16 February 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

References are made to (i) the Prospectus in relation to, among other things, the continuing connected transactions contemplated thereunder the Existing Master Services Agreement and (ii) the Company’s announcement dated 29 April 2020 in relation to the Supplemental Master Services Agreement and the revision of annual caps. The Group has been carrying on certain continuing connected transactions from time to time pursuant to the Existing Master Services Agreement and the Supplemental Master Services Agreement entered into between the Company and Hevol Real Estate for a term from 27 June 2019 to 31 December 2021 (both days inclusive). It is expected that the Group will continue to enter into transactions of a similar nature to the Existing Master Services Agreement and the Supplemental Master Services Agreement.

On 31 December 2021, the Company and Hevol Real Estate entered into the New Master Services Agreement, pursuant to which the Group conditionally agreed to provide several property management related services according to the terms as set out in the New Master Services Agreement, subject to the approval by the Independent Shareholders at the EGM. The New Master Services Agreement will be effective from the Commencement Date to 31 December 2024 (both days inclusive).

As at the Latest Practicable Date, 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 New Master Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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## **LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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

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

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Chen Lei, Mr. Fan Chi Chiu, Dr. Li Yongrui and Mr. Qian Hongji, has been established to advise the Independent Shareholders on: (i) whether the terms of the New Master Services Agreement and the continuing connected transactions (including the Proposed Annual Caps), are on normal commercial terms or better and fair and reasonable; (ii) whether they are in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the New Master Services Agreement and the continuing connected transactions (including the Proposed Annual Caps). Our appointment as the Independent Financial Adviser in this respect has been approved by the Independent Board Committee.

### **OUR INDEPENDENCE**

We do not have any relationship with or interest in the Group, Hevol Real Estate Group or any other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to our appointment, we have neither acted as a financial adviser nor acted as an independent financial adviser to the Company. Apart from normal independent financial advisory fees in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, Hevol Real Estate Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Existing Master Services Agreement;
- (ii) the Supplemental Master Services Agreement;
- (iii) the New Master Services Agreement;
- (iv) the Prospectus;
- (v) the interim report of the Company for the six months ended 30 June (“HY”) 2021;
- (vi) the annual report of the Company for the year ended 31 December (“FY”) 2020; and
- (vii) other information as set out in the Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and continued to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided to us by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of New Master Services Agreement and the continuing connected transactions (including the Proposed Annual Caps), and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the terms of the New Master Services Agreement and the continuing connected transactions (including the Proposed Annual Caps), we have taken into consideration the following principal factors and reasons:

#### **1. Information on the Parties**

##### ***1.1. The Company***

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 non-property owner value-added services in the PRC.

##### ***1.2. Hevol Real Estate Group***

As set out the Letter from the Board, 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 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 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%.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## 2. The New Master Services Agreement

### 2.1. *Material terms*

Set out below are the material terms of the New Master Services Agreement:

Date: 31 December 2021 (after trading hours)

Parties: (i) the Company; and

(ii) Hevol Real Estate

Duration: From the Commencement Date to 31 December 2024 (both days inclusive).

Subject Matter: Under the New Master Services Agreement, the Company conditionally agreed to provide following services to the Hevol Real Estate Group regarding the term of the New Master Services Agreement:

- (1) Property Management Services, mainly including (i) security services, (ii) repair and maintenance services, and (iii) cleaning and garden landscape maintenance services;
- (2) Sales Coordination Services, mainly including sales assistance services such as display unit management services, market planning services and visitor reception and consultation services; and
- (3) Ancillary Property Management Services, mainly include consultancy and planning services, preliminary stage property management start-up services, property management services of properties held by the Hevol Real Estate Group, inspection services, repair services, cleaning services and formaldehyde removal services.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Subject to the terms and conditions of the New Master Services 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 New Master Services Agreement, and their respective term shall also not violate the provisions of the New Master Services 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.

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 New Master Services Agreement.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## *Scope Of Services And Pricing Policy*

No.	Scope of services	Pricing policy	
1.	Property Management Services	<ul style="list-style-type: none"> <li>(i) Security services,</li> <li>(ii) Repair and maintenance services, and</li> <li>(iii) Cleaning and garden landscape maintenance services</li> </ul>	Generally in the range of RMB0.31 per sq.m. per month to RMB10 per sq.m. per month subject to the type and location of properties
2.	Sales Coordination Services	Display unit management services, market planning services and visitor reception and consultation services	35% premium to the operating cost
3.	Ancillary Property Management Services	<ul style="list-style-type: none"> <li>(i) Consultancy and planning services</li> <li>(ii) Preliminary stage property management start-up services</li> <li>(iii) Property management services of properties held by Hevol Real Estate Group</li> <li>(iv) Inspection services</li> <li>(v) Repair services</li> <li>(vi) Cleaning services</li> <li>(vii) Formaldehyde removal services</li> <li>(viii) Sales agency services</li> </ul>	<ul style="list-style-type: none"> <li>Generally in the range of RMB5.0 per sq.m. to RMB6.0 per sq.m.</li> <li>Generally in the range of RMB5.0 per sq.m. to RMB7.0 per sq.m.</li> <li>15% of the rent collected on a commission basis.</li> <li>Generally in the range of RMB12.0 per sq.m. to RMB15.0 per sq.m.</li> <li>Generally in the range of RMB3.0 per sq.m. to RMB6.0 per sq.m.</li> <li>Generally in the range of RMB10.0 per sq.m. to RMB13.0 per sq.m.</li> <li>RMB35.0 per sq.m.</li> <li>5% to 10% of the sales</li> </ul>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **2.2. Pricing policy**

The service 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 salary and staff costs);
- (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.

The Price Control Department (物價管理部門) at provincial level and the administrative departments of housing and urban-rural development where each relevant property is located have the authority to decide whether to implement government guidance prices for charges of property management fees for government-supported houses, housing-reform properties and properties in old residential areas and service fees under preliminary property management based on actual situation. The benchmark and floating range of these government guidance prices vary from region to region. The PRC government may implement a state-prescribed or guidance price for specific goods and services if necessary, and such price will be promulgated in accordance with the requirements of relevant laws, regulations or administrative rules from time to time. If any state prescribed price or guidance price becomes available to this continuing connected transactions in the future, the parties will execute such price first in accordance with pricing principle (i) above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Assessment*

We understand that the operations of property management are affected by the regulatory environment and measures affecting the PRC property management industry. The specific pricing principles shall be determined by the competent price administration departments and property administration department of the local governments of each provinces, autonomous region and municipality. According to Administrative Measures on Property Management Service Charges (《物業服務收費管理辦法》), except the circumstance where the government guidance price shall be implemented, the market-based price applies to the property management fees. As confirm with the Management, for the services provided by the Group to Hevol Real Estate Group, the standard of such fees is determined by the Group and Hevol Real Estate Group through negotiation. However, the scope of ordinary residential buildings in Sichuan shall be determined by the various cities and prefectures, and shall be reported to the provincial competent administrative department of construction for the record pursuant to Sichuan Province Property Service Charges Management Rules (《四川省物業服務收費管理細則》).

We have randomly selected, obtained and reviewed (i) more than 20 historical agreements entered into between the Group and Hevol Real Estate Group (the “**Connected Sample Contracts**”) covered in each of the services regarding each of FY2019, FY2020, and nine months period ended 30 September 2021 (the “**9M2021**”) (collectively, the “**Review Period**”); and (ii) 15 historical agreement entered into between the Group and the independent third parties (“**I3P Sample Contracts**”) regarding Property Management Services and Sales Coordination Services during the Review Period. Having considered that (i) the Group did not provide any Ancillary Property Management Services to the independent third parties during the Review Period; (ii) the Group did not provide any Ancillary Property Management Services to Hevol Real Estate Group before June 2020; and (iii) both of the Connected Sample Contracts and the I3P Sample Contracts have covered each year and period of the Review Period and each of the services (excluding the Ancillary Property Management Services for independent third parties), we are of the view that the sample size is fair and representative.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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From the Connected Sample Contracts, we noted that the pricing determinant of the Property Management Services, the Sales Coordination Services and the Ancillary Property Management Services were determined with reference to:

<b>No.</b>	<b>Scope of Services</b>	<b>Pricing Policy</b>
1.	Property Management Services	<ul style="list-style-type: none"><li>(i) the locations of the properties;</li><li>(ii) the types of the properties;</li><li>(iii) the operational costs (including labor costs and relevant costs) to be incurred in the course of the provision of the services;</li><li>(iv) the prevailing market prices made by independent third parties for providing respective comparable services,</li><li>(v) the size of the properties; and</li><li>(vi) the profit margin.</li></ul>
2.	Sales Coordination Services	12% to 35% premium to the operating cost
3.	Ancillary Property Management Services	<ul style="list-style-type: none"><li>(i) locations of the properties;</li><li>(ii) type of the properties (including but not limited to residential properties, commercial properties);</li><li>(iii) total GFA of the properties;</li><li>(iv) the operational costs (including labor costs and relevant costs) to be incurred in the course of the provision of the services;</li><li>(v) scope of services provided;</li><li>(vi) the prevailing market rates from independent third parties for providing respective comparable services by obtaining at least two quotations; and</li><li>(vii) the profit margin.</li></ul>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Management confirmed that the Group did not provide any Ancillary Property Management Services to the independent third parties during the Review Period. From the Connected Sample Contracts and I3P Sample Contracts, we noted that the pricing policy for Property Management Services and the Sales Coordination Services was similar and the pricing basis to those services provided to Hevol Real Estate Group was not less favorable than that of the independent third parties.

Furthermore, it is noted that there are quotations comparison and internal approval procedures for obtaining approval from (including but not limited to) the project manager, the human resources department, manager of finance department, company secretary and the executive director of the Company as mentioned in the following internal control section. Having considered the existence of terms in the Connected Sample Contracts and the I3P Sample Contracts, and the aforementioned quotations comparison and internal approval procedures in place, we concur with the view of the Board that such terms are on normal commercial terms.

### **2.3. Internal control**

As stated in the Letter from the Board, The Group will undertake the following internal control measures to monitor the continuing connected transactions:

- (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 New Master Services 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 Hevol Real Estate Group under the New Master Services Agreement and report to the management of the Group to ensure that the transaction amounts will not exceed the Proposed 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 New Master Services Agreement by obtaining at least two quotations for each type of services from independent third parties when the New Master Services Agreement and the individual sub-agreements are renewed. They will work together to ensure that the transactions contemplated under the New Master Services 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;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (d) the finance department is required to present a summary of continuing connected transactions with 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 New 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
- (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 New Master Services Agreement; and (iii) have not exceeded the Proposed 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 New Master Services Agreement will be conducted on normal commercial terms in a manner not prejudicial to the interests of the Company and its Shareholders.

### *Assessment*

To assess the effectiveness of the internal control procedures, we have:

- (a) obtained and reviewed the internal procedures guideline of the Group governing the connected transactions which involve, among others, the review of terms of relevant transactions, a feedback mechanism by the approval parties and segregation of duties;
- (b) randomly selected, obtained and reviewed more than 25 sets of application and approval records for the separate agreements entered into between the Group and the Hevol Real Estate Group during the Review Period. It is noted that the application and approval records were approved by, among others, the project manager, manager of finance department, company secretary and executive director;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (c) obtained and reviewed 9 quarterly monitor records during the Review Period regarding the summary of transactions contemplated under the Existing Master Services Agreement and Supplemental Services Agreement of which were prepared and signed by the manager of finance department, then were reviewed and signed by the chief financial officer, an executive director and the internal control and compliance department as to ensure the transaction amounts within the existing annual caps and the transactions were conducted in accordance with Existing Master Services Agreement and Supplemental Services Agreement;
- (d) obtained and reviewed more than 10 monthly monitor records from the finance department during the Review Period. The monitor records include a summary of transactions conducted under the Existing Master Services Agreement and Supplemental Services Agreement. The records prepared and signed by the manager of finance department were then reviewed by the chief financial officer as to whether the transaction amounts exceeded the existing annual caps and whether the transactions were conducted in accordance with Existing Master Services Agreement and Supplemental Services Agreement;
- (e) 2 annual meeting minutes of audit committee meeting during the Review Period for the purpose of ensuring the transactions contemplated under the Master Services Agreement has been (i) within the ordinary businesses of the Group, (ii) on normal commercial terms and conditions, and (iii) in accordance with the Existing Master Services Agreement and Supplemental Services Agreement without exceeding the existing annual caps;
- (f) two Auditor's Confirmation Letters prepared by the auditors of the Company during the Review Period regarding the transactions contemplated under the Existing Master Services Agreement and Supplemental Services Agreement which stated that (i) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board, (ii) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group and the relevant agreements governing such transactions, and (iii) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the existing annual caps.

As the samples were randomly selected and covered the Review Period, we consider the samples obtained are fair and representative. In consideration of the above, we concur with the Management that the internal control procedures adopted are sufficient to ensure continuing connected transaction under the New Master Services Agreement will be conducted on normal commercial terms and shall safeguard the interests of the Independent Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2.4. *Historical transaction figures and the Proposed Annual Caps*

#### *Historical transaction figures*

Set out below are (i) the historical transaction amounts in respect of the continuing connected transactions carried out under the Existing Master Services Agreement and Supplemental Services Agreement for the Review Period; and (ii) the historical utilisation of the existing annual caps for the period indicated:

	<b>For the year ended 31 December 2019 <i>(RMB million)</i></b>	<b>For the year ended 31 December 2020 <i>(RMB million)</i></b>	<b>For the nine months ended 30 September 2021 <i>(RMB million)</i></b>
Property Management Services	8.6	4.1	13.6
Sales Coordination Services	25.8	26.5	20.5
Ancillary Property Management Services	–	37.1	13.9
<b>Total</b>	<b>34.4</b>	<b>67.7</b>	<b>48.0</b>
<b>Existing annual caps</b>	<b>34.7</b>	<b>93.4</b>	<b>118.1</b>
<b>Historical utilisation rates (%)</b>	<b>99.1</b>	<b>72.5</b>	<b>40.6</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the above table, the existing annual cap for FY2019 was almost fully utilised and that for FY2020 was significantly utilised while the existing annual cap for 9M2021 was utilised for approximately 40.6%. After our enquiry with the Management, we understand the decrease in utilisation of the existing annual cap for 9M2021 was mainly due to the reason that the properties and projects which originally planned to be delivered in FY2021 by Hevol Real Estate Group was delayed to FY2022 as a result of the outbreak of the Coronavirus Disease 2019 (“**Covid-19**”) pandemic (further details is mentioned in the section of Basis of the Proposed Annual Caps below).

### *Proposed Annual caps*

As stated in the Letter from the Board, the Proposed Annual Caps under the New Master Services Agreement for FY2022, FY2023 and FY2024 (collectively, the “**Cap Period**”) are set out as follows:

	<b>For the year ending 31 December 2022 (RMB million)</b>	<b>For the year ending 31 December 2023 (RMB million)</b>	<b>For the year ending 31 December 2024 (RMB million)</b>
Property Management			
Services	24.8	17.5	13.8
Sales Coordination Services	35.6	30.5	25.7
Ancillary Property Management Services	70.5	53.8	53.7
<b>Total</b>	<b>130.9</b>	<b>101.8</b>	<b>93.2</b>

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Estimated breakdown of annual caps by nature of services*

For ease of reference, an estimated breakdown of the Proposed Annual Caps based on types of services for the Cap Period are set out below.

<b>Type of Services</b>	<b>For the years ending 31 December</b>		
	<b>2022</b> <i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>	<b>2024</b> <i>RMB'000</i>
<b>Property Management Services</b>	<b>21,550</b>	<b>15,250</b>	<b>12,000</b>
<b>Sales Coordination Services</b>	<b>30,950</b>	<b>26,530</b>	<b>22,350</b>
<b>Ancillary Property Management Services</b>			
Consultancy and planning services	3,050	3,360	3,740
Preliminary stage property management start-up services	11,850	10,200	10,400
Property management services of properties held by Hevol Real Estate Group	1,550	1,450	1,580
Inspection services	15,650	11,080	11,630
Repair services	9,200	7,050	6,860
Cleaning services and formaldehyde removal services	10,100	7,600	6,450
Sales Agency Services	9,900	6,000	6,000
<b>Subtotal</b>	<b>61,300</b>	<b>46,740</b>	<b>46,660</b>
<b>Total service fees</b>	<b>113,800</b>	<b>88,520</b>	<b>81,010</b>
Buffer (15%)	17,070	13,278	12,152
<b>Proposed Annual Caps</b>	<b>130,870</b>	<b>101,798</b>	<b>93,162</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Basis of the Proposed Annual Caps*

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

- (a) 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.;
- (b) the respective historical transaction amount in relation to the Existing Master Services Agreement and Supplemental Master Services Agreement for the two years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021 (as mentioned above), respectively;
- (c) the estimated increase in transaction amount to be recognised in relation to the New Master Services Agreement pursuant to (i) the existing contracts; and (ii) the potential increase in Property Management Services to be provided to Hevol Real Estate Group due to the delay in completion of properties and projects which were originally planned to be delivered in the year of 2021 by Hevol Real Estate Group to 2022 (account for approximately 2.6 million sq.m. of the properties were delayed). Such delays were largely due to postponement in the commencement of new projects or temporary suspension of ongoing construction projects in response to quarantine measures mandated by local governments to control the outbreak of the COVID-19 pandemic. These delayed projects will be given priority by Hevol Real Estate Group to ensure due completion within 2022;
- (d) 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 2024;
- (e) 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
- (f) a reasonable buffer of approximately 15% buffer to cater for (i) the unexpected business growth; (ii) the inflation in the PRC; (iii) a potential increase in the Ancillary Property Management Services that the Group may provide to Hevol Real Estate Group in relation to the delayed projects as mentioned in (c) above; and (iv) 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Assessment*

To assess the fairness and reasonableness of the Proposed Annual Caps during the Cap Period, we have obtained and reviewed the forecast of transaction amount for the Cap Period prepared by the Management (the “**Projected Calculation**”).

- (a) the expected demand for the Property Management Services

Regarding the expected demand for the Property Management Services, we have (i) reviewed the Projected Calculation which includes the Property Management Services for all cities during the Cap Period; and (ii) selected by giving regard to the amount of the expected demand for the Property Management Services regardless of the location, obtained and reviewed the forecast supporting documents (including but not limited to the existing construction project planning permits, contracts, government approval documents and construction blueprints) of all the projects in Chongqing and Hainan, with the aggregate coverage of 70.4%, 53.0% and 54.2% of the projected total transaction amount of Property Management Services (excluding the 15% buffer) for FY2022, FY2023 and FY2024, respectively. As (i) the sampling coverage is over the majority of Proposed Annual Caps of Property Management Services for each year during the Cap Period; and (ii) we were advised by the Management that the pricing policy, assumptions and calculations made in the Projected Calculation for Property Management Services are similar for all cities during the Cap Period, we consider the sample size is fair and representative. As noted from the Projected Calculation, the Group anticipated that: (i) the transaction amount of the Property Management Services in Chongqing and Hainan will be approximately RMB15.2 million, RMB8.1 million and RMB6.5 million for FY2022, FY2023 and FY2024, respectively; and (ii) the total transaction amount of the Property Management Services in Chongqing during the Cap Period is expected to decrease 46.6% and 20.5% for FY2023 and FY2024 respectively.

To assess the estimated annual transaction amount of the Property Management Services in Chongqing adopted in the Projected Calculation, we have then obtained and reviewed the forecast for Property Management Services in Chongqing and Hainan prepared by the Management which has been taken into consideration of the following:

- (i) the Property Management Services is anticipated from (a) the management services for vacant properties which has been completed but yet to be sold or delivered to the purchasers in Chongqing and Hainan (including carparking spaces, commercial properties and residential properties); (b) the repair and maintenance services which anticipated will be provided after the expiry of after-sales repair and maintenance services from the construction contractors;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) the Group anticipates that total 6 projects in Chongqing and 3 projects in Hainan will require for Property Management Services during the Cap Period;
- (iii) the forecast of the Property Management Services in Chongqing and Hainan is mainly based on (a) the signed contracts during the Review Period with a contract term ended FY2021; (b) the expectation from Management of which there is a continuous need for Property Management Services regarding those contract with a term ended FY2021; and (c) the projected construction progress of new projects;
- (iv) the forecast of management services for vacant properties is estimated by (a) the number of vacant carparking spaces and the size of vacant commercial properties and vacant residential properties as recorded in FY2021; (b) pricing rate of property management services adopted by each of the vacant carparking spaces, vacant commercial properties and vacant residential properties in respective city, which the pricing rate is estimated as the same of the current rate provided by the Company to Hevol Real Estate Group in FY2021 in respective city; and (c) the expected sale schedule for the vacant carparking spaces and vacant properties;
- (v) the forecast of repair and maintenance services is estimated by (a) the total GFA of current and projected completed properties which are required for repair and maintenance services during the Cap Period regarding the current records; and (b) the pricing rate which is assumed to be the same as the current rate provided by the Company to Hevol Real Estate Group in FY2021;

Having consider the basis of forecast calculation for Property Management Services in Chongqing and Hainan as discussed above, and the overall sampling size is over the majority of the Proposed Annual Caps of Property Management Services for the Cap Period, we are of the view that it is reasonable to have the Proposed Annual Caps of Property Management Services.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (b) the expected annual transaction amount of the Sales Coordination Services

Regarding the expected annual transaction amount of the Sales Coordination Services, we have (i) reviewed the Projected Calculation which includes the Sales Coordination Services for all cities during the Cap Period; and (ii) selected by giving regard to the amount of the expected demand for the Sales Coordination Services regardless of the location, obtained and reviewed the forecast supporting documents (including but not limited to the existing construction project planning permits, contracts, government approval documents and construction blueprints) of all the projects in Guiyang, Shenyang and Hainan with the aggregate coverage of 56.8%, 66.4% and 78.6% of the projected total transaction amount of Sales Coordination Services (excluding the 15% buffer) for FY2022, FY2023 and FY2024, respectively. As (i) the sampling coverage is over the majority of Proposed Annual Caps of Sales Coordination Services for the Cap Period; and (ii) we were advised by the Management that the pricing policy, assumptions and calculations made in the Projected Calculation for Sales Coordination Services are similar for all cities during the Cap Period, we consider the sample size is fair and representative. As noted from the Projected Calculation and the Management, the Group anticipated that: (i) the transaction amount of the Sales Coordination Services in Guiyang will be approximately RMB7.2 million for each of the year of the Cap Period; (ii) the transaction amount of the Sales Coordination Services in Shenyang will be approximately RMB4.0 million for each of the year of the Cap Period; and (iii) the transaction amount of the Sales Coordination Services in Hainan will be approximately RMB6.4 million for each of the year of the Cap Period.

To assess the estimated annual transaction amount of the Sales Coordination Services adopted in the Projected Calculation, we obtained and reviewed related project plans, building designs, building approvals and internal work allocation plans from the aforementioned selected projects and noted that (i) there are total 6 projects in Guiyang, Shenyang and Hainan which will be required a need for Sales Coordination Services; (ii) the construction of those properties are already completed in FY2021 or projected to be completed in FY2022; (iii) the service fee from Sales Coordination Services was projected as 35% of the operating cost; (iv) total contracts sum of approximately RMB814.5 million with a term ended 31 December 2021 for Guiyang, Shenyang and Hainan; and (v) the Management mentioned that the majority the current contracts entered into between the Group and Hevol Real Estate Group for Sales Coordination Services have a term ended FY2021 and expects there is a continuous need for Sales Coordination Services regarding those unsold properties during the Cap Period.

Having consider the basis of forecast calculation for Sales Coordination Services in Guiyang, Shenyang and Hainan as discussed above, and the overall sampling size is over the majority of the Proposed Annual Caps of Sales Coordination Services for the Cap Period, we are of the view that it is reasonable to have the Proposed Annual Caps of Sales Coordination Services.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (c) the expected annual transaction amount of the Ancillary Property Management Services

Regarding the expected annual transaction amount of the Ancillary Property Management Services, we have (i) reviewed the Projected Calculation which includes the Ancillary Property Management Services for all cities during the Cap Period; and (ii) selected by giving regard to the amount of the expected demand for the Ancillary Property Management Services regardless of the location, obtained and reviewed the forecast supporting documents (including but not limited to the existing construction project planning permits, contracts, government approval documents and construction blueprints) of 12 projects in Beijing, Chongqing, Guiyang and Hainan with the aggregate coverage of 61.8%, 57.2% and 79.0% of the projected total transaction amount of Ancillary Property Management Services (excluding the 15% buffer) for FY2022, FY2023 and FY2024, respectively. As (i) the sampling coverage is over the majority of Proposed Annual Caps of Ancillary Property Management Services for the Cap Period; and (ii) we were advised by the Management that the pricing policy, assumptions and calculations made in the Projected Calculation for Ancillary Property Management Services are similar for all cities during the Cap Period, we consider the sample size is fair and representative. As noted from the Projected Calculation and the Management, the Group anticipated that (i) the total transaction amount of the Ancillary Property Management Services in Beijing, Chongqing, Guiyang and Hainan will be approximately RMB37.9 million, RMB26.7 million and RMB36.9 million for the Cap Period; (ii) the estimated total sq.m. of the properties which required to be provided Ancillary Property Management Services in each of Beijing, Chongqing, Guiyang and Hainan; and (iii) the basis of the service fee for Ancillary Property Management Services by each sub-services in this four cities.

For due diligence purpose, we have obtained and reviewed (i) the existing construction project planning permits, lease contracts, government approval documents and construction blueprints for the properties requiring Ancillary Property Management Services in four cities with total approximately 10 million sq.m. GFA if initiated; (ii) the detailed calculation for each of the four cities with basis of each of the sub-services under Ancillary Property Management Services; and (iii) signed contracts entered into between the Group and Hevol Real Estate Group for Ancillary Property Management Services in those cities with a term ended FY2021 to FY2024.

Having consider the basis of forecast calculation for Ancillary Property Management Services in Beijing, Chongqing, Guiyang and Hainan as discussed above, and the overall sampling size is over the majority of the Proposed Annual Caps of Ancillary Property Management Services for the Cap Period, we are of the view that it is reasonable to have the Proposed Annual Caps of Ancillary Property Management Services.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (d) the expected increase in the total transaction amounts to Hevol Real Estate Group

In determining the reasonableness of the increase of the Proposed Annual Caps from RMB118.1 million in FY2021 to RMB130.9 million in FY2022 given the continuously decrease in utilization rate for the Review Period as shown in the above table, we have discussed with the Management and understood that (i) approximately 2.6 million sq.m. of the properties (which accounted for almost 40% originally planned GFA to be delivered in FY2021) which shall be delivered by Hevol Real Estate Group in FY2021 was delayed to FY2022 due to the outbreak of the Covid-19 pandemic; (ii) an expected increase in labour cost and cost of raw material and ancillary services; and (iii) a potential increase in the volume of transaction amount of Property Management Services and Ancillary Property Management Services, particularly in Hunan, Beijing and Guiyang, due to the low selling rate of properties in FY2021 and delay in the construction completeness schedule given the outbreak of the Covid-19 pandemic. In view of the development of Covid-19 vaccine and gradually recovery of PRC economy from the impact of the Covid-19 pandemic, the Management and the management of Hevol Real Estate Group believed that estimated GFA of the properties and projects (including those delayed projects) will be delivered by Hevol Real Estate Group in FY2022. Considering the aforementioned project delay and a buffer, the increment is considered reasonable.

- (e) the 15% buffer

Considering the aforementioned (i) delayed construction plan; (ii) potential business growth and inflation; (iii) the historical utilization rate during the Review Period; and (iv) the historical buffer of 30% under the Existing Master Services Agreement, we consider that a reduction in the buffer to 15% is fair and reasonable.

Haven taking into account of the above, we are of the view that Proposed Annual Caps under the New Master Services Agreement are determined to be fair and reasonable so far as the independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **3. Reasons for and benefits of entering into the Supplemental Aviation Security Agreement and the revision of annual caps**

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.

As stated in the Letter from the Board, 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 New Master Services 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 New Master Services Agreement is in the interests of the Company and the Shareholders as a whole.

The Directors (excluding the independent non-executive Directors) are of the view that the transactions contemplated under the New Master Services 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 (excluding the independent non-executive Directors) also confirm that the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In light of the long-established existing cooperation relationship between the Group and the Hevol Real Estate Group, we concur with the Directors that entering into the New Master Services Agreement is in the ordinary and usual course of business of the Group and consider continuing such relationship would allow the Company to continue to develop the Group's business and to maximize returns to Shareholders.

### **RECOMMENDATION**

We have considered the above principal factors and reasons and, in particular, having taken into account the following in arriving at our opinion:

- (i) the transactions contemplated under the New Master Services Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) are in the ordinary and usual course of business of the Company;
- (ii) the terms of the New Master Services Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) are fair and reasonable and in the interests of the Company and Shareholders as a whole; and
- (iii) the determination of the Proposed annual Caps is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered the above, we are of the view that; (i) the terms of the New Master Services Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps), are fair and reasonable; (ii) the New Master Services Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) are on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to approve the New Master Services Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**Advent Corporate Finance Limited**  
**Jeffrey So**  
*Managing Director*

*Mr. So is a Managing Director of Advent Corporate Finance Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activities. Mr. So has over 16 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

### (i) Long positions in the Shares

Director	Nature of Interest	Number of Ordinary Shares	Approximate percentage of the Company's total issued share capital
Mr. Liu Jiang (劉江, “Mr. Liu”)	Interest of controlled corporation <sup>(1)</sup>	286,439,934 <sup>(1)</sup>	51.15%

### (ii) Long positions in the shares of associated corporation

Director	Name of associated corporation	Number of shares	Approximate percentage of the associated corporation's total issued share capital
Mr. Liu	Brilliant Brother <sup>(1)</sup>	1	100%

Note:

- (1) Brilliant Brother, a company whose entire issued share capital is held by Mr. Liu, is the ultimate holding company of the Company and thus an associated corporation of the Company under the SFO.

As at the Latest Practicable Date, the Directors did not hold any short positions in Shares, underlying Shares or debentures of the Company or any of its associated corporations.

Save as disclosed above, none of the Directors or any of their associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations which had been recorded in the register required to be kept under Section 352 of the SFO as at the Latest Practicable Date.

### 3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS HAVING 5% OR MORE SHAREHOLDING AND SHORT POSITIONS

Save as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company or any of its Associated Corporations" in this Appendix VI above, as at the Latest Practicable Date, so far as is known to any Director of the Company, the following persons, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in five per cent. or more of the nominal value of any class of Share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

#### Long Positions in the Shares

Name	Capacity/Nature of Interest	Total Number of Shares	Approximate percentage of the Company's total issued share capital (%)
Mrs. Liu Hong (劉宏) <sup>(1)</sup>	Interest of spouse	286,439,934	51.15%

*Note:*

- (1) By virtue of the SFO, Mrs. Liu Hong (劉宏) is deemed to be interested in the Shares held by her spouse, Mr. Liu, whose interests are disclosed in the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company or any of its Associated Corporations".

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (who were not Directors) who had an interest or short position in the Share or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 5% or more of the nominal value of any class of Share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries or held any option in respect of such capital.

**4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group or has or may have any other conflict of interests with the Group.

**5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or proposed Directors had any existing service contract or proposed service contract with any member of the Group which will not expire or determinable by the Company within one year without payment of compensation (other than statutory compensation).

**6. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND ASSETS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of, by or leased to any member of the Group, or are proposed to be acquired or disposed of, by or leased to any member of the Group.

There was no contract or arrangement subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

**7. MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business) had been entered into by members of the Group within two years preceding the Latest Practicable Date and are or may be material:

- (a) the agreement entered into between CLC Securities Limited and the Company dated 15 June 2020 in relation to the best-effort placing of up to 80,000,000 new Shares on the terms and subject to the condition set out in the agreement, the gross proceeds from the placing amounted to approximately HK\$102,400,000;
- (b) the sale and purchase agreement dated 21 September 2020 entered into among Beijing Hongsheng Investment Limited\* (北京泓升投資有限責任公司), an indirect wholly-owned subsidiary of the Company, Dongguan Baoying Real Estate Development Co., Ltd.\* (東莞市寶盈房地產開發有限公司) and Dongguan Baoying Property Management Co., Ltd.\* (東莞市寶盈物業管理有限公司) in respect of the acquisition of 60% equity interest in Dongguan Baoying Property Management Co., Ltd.\* (東莞市寶盈物業管理有限公司), at a consideration of RMB15,000,000;

- (c) the sale and purchase agreement dated 10 October 2020 entered into among the Guizhou Furuiying Information Consultancy Limited\* (貴州福瑞盈信息諮詢有限公司), an indirect wholly-owned subsidiary of the Company, Mr. Yang Wujun\* (楊武均), Mr. Che Ziyong\* (車子勇) and Guizhou Xingji Property Service Co., Ltd.\* (貴州星際物業服務有限公司) in respect of the acquisition of 51% equity interest in Guizhou Xingji Property Service Co., Ltd.\* (貴州星際物業服務有限公司), at a consideration of RMB25,500,000;
- (d) the sale and purchase agreement dated 3 November 2020 entered into among the Guizhou Furuiying Information Consultancy Limited\* (貴州福瑞盈信息諮詢有限公司), an indirect wholly-owned subsidiary of the Company, Mr. Huang Jiahong\* (黃加紅), Mr. Yang Xuepeng\* (楊學鵬), Mr. Song Yunhan\* (宋運漢) and Zhongshan Zhongzheng Property Management Co., Ltd.\* (中山市中正物業管理有限公司) in respect of the acquisition of 51% equity interest in Zhongshan Zhongzheng Property Management Co., Ltd.\* (中山市中正物業管理有限公司), at a consideration of RMB15,400,000;
- (e) the sale and purchase agreements dated 3 November 2020 entered into among the Guizhou Furuiying Information Consultancy Limited\* (貴州福瑞盈信息諮詢有限公司), an indirect wholly-owned subsidiary of the Company, Beijing Heliang Zhengxin Technology Center (Limited Partnership)\* (北京合量正信科技中心(有限合夥)), Beijing Zhengxin Zhonghe Property Management Co., Ltd.\* (北京正信中和物業管理有限公司) and Hohhot Huigu Property Service Co., Ltd.\* (呼和浩特市慧谷物業服務有限公司) in respect of the acquisition of 65% equity interest in aggregate in Hohhot Huigu Property Service Co., Ltd.\* (呼和浩特市慧谷物業服務有限公司), at a consideration of RMB12,000,000;
- (f) the sale and purchase agreement dated 28 December 2020 entered into among the Guizhou Furuiying Information Consultancy Limited\* (貴州福瑞盈信息諮詢有限公司), an indirect wholly-owned subsidiary of the Company, Mr. Deng Lihua\* (鄧利華), Mr. Rao Yunke\* (饒運科) and Sichuan Wansheng Property Service Co., Ltd.\* (四川萬晟物業服務有限公司) in respect of the acquisition of 60% equity interest in Sichuan Wansheng Property Service Co., Ltd.\* (四川萬晟物業服務有限公司), at a consideration of RMB42,900,000;
- (g) the agreement entered into between CLC Securities Limited and the Company dated 14 January 2021 in relation to the best-effort placing of up to 80,000,000 new Shares on the terms and subject to the condition set out in the agreement, the gross proceeds from the placing amounted to approximately HK\$160,000,000;
- (h) the sale and purchase agreement dated 5 February 2021 entered into among Beijing Hongsheng Investment Limited\* (北京泓升投資有限責任公司), an indirect wholly-owned subsidiary of the Company, Huzhou Shenhua Enterprise Management Consulting Partnership (Limited Partnership)\* (湖州深華企業管理諮詢合夥企業(有限合夥)) and Jiangsu Shenhua Times Property Group Co., Ltd.\* (江蘇深華時代物業集團有限公司) in respect of the acquisition of 51% equity interest in Jiangsu Shenhua Times Property Group Co., Ltd.\* (江蘇深華時代物業集團有限公司), at a consideration of RMB40,800,000;

- (i) the sale and purchase agreement dated 28 April 2021 entered into among the Guizhou Furuiying Information Consultancy Limited\* (貴州福瑞盈信息諮詢有限公司), an indirect wholly-owned subsidiary of the Company, Panjin Fuxing Real Estate Development Co., Ltd.\* (盤錦福興房地產開發有限公司) and Panjin Four Seasons City Property Management Co., Ltd.\* (盤錦四季城物業管理有限公司) in respect of the acquisition of 51% equity interest in Panjin Four Seasons City Property Management Co., Ltd.\* (盤錦四季城物業管理有限公司), at a consideration of RMB18,360,000;
- (j) the sales and purchase agreement dated 22 July 2021 entered into among Guizhou Furuiying Information Consultancy Limited\* (貴州福瑞盈信息諮詢有限公司), an indirect wholly-owned subsidiary of the Company, Mr. Qu Peijun\* (屈培軍先生), Ms. Fan Dexin\* (范德新女士) and Guiyang Xinglong Property Management Co., Ltd.\* (貴陽興隆物業管理有限公司) in respect of the acquisition of 70% equity interest in Guiyang Xinglong Property Management Co., Ltd.\* (貴陽興隆物業管理有限公司) at a consideration of RMB156,800,000; and
- (k) the sales and purchase agreement dated 25 December 2021 entered into among Guizhou Furuiying Information Consultancy Limited\* (貴州福瑞盈信息諮詢有限公司), an indirect wholly-owned subsidiary of the Company, Shanghai Laida Business Consulting Center (Limited Partnership)\* (上海徠達商務諮詢中心(有限合夥)), Mr. He Tao (何濤) and Zunyi Jinning Property Management Co., Ltd.\* (遵義市金寧物業管理有限公司) in respect of the acquisition of 68.75% equity interest in Zunyi Jinning Property Management Co., Ltd.\* (遵義市金寧物業管理有限公司) at a consideration of RMB91,450,000.

## 8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who had given opinion contained in this circular:

Name	Qualifications
Advent Corporate Finance Limited (“Advent”)	A licensed corporation to carry on Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

As at the Latest Practicable Date, Advent did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Advent did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, Advent had not withdrawn its written consent to the issue of this circular with the inclusion in this circular of its letter and reference to its name and opinion in the form and context in which they appear in this circular.

## **9. LITIGATION**

There are certain on-going litigation claims relating to loan disputes in which Guiyang Xinglong Property Management Co., Ltd.\* (貴陽興隆物業管理有限公司) (“**Guiyang Xinglong**”), a target company pursuant to the sales and purchase agreement dated 22 July 2021, and Guizhou Huaxin Financing Guarantee Co., Ltd\* (貴州華信融資擔保有限公司), an investee of Guiyang Xinglong, are involved, and the maximum exposure of Guiyang Xinglong in the capacity of the guarantor amounts to approximately RMB37,750,000. Such exposure has been fully provided for in the profit or loss of Guiyang Xinglong and its subsidiary Guizhou Zhongtie Xinglong Property Management Co., Ltd.\* (貴州中鐵興隆物業管理有限公司) for the six months ended 30 June 2021. Please refer to note 25 of “Financial information of the Target Group” in Appendix II to the circular dated 22 December 2021 for further details.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Group.

## **10. MATERIAL ADVERSE CHANGE**

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 31 2020, being the date to which the latest published audited financial statements of the Group were made up.

## **11. MISCELLANEOUS**

So far as is known to the Directors, as at the Latest Practicable Date, there was (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder, whereby he has or may have temporarily or permanently passed control over the exercise of the voting rights in respect of his Shares to a third party, either generally or on a case-by-case basis.

So far as is known to the Directors, as at the Latest Practicable Date, there was no discrepancy between any Shareholder’s beneficial shareholding interest in the Company as disclosed in this circular and the number of Shares in respect of which he will control or will be entitled to exercise control over the voting right at the EGM.

**12. GENERAL**

- (a) The registered office of the Company is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is located at Room 2609, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (c) The principal share registrar and transfer office of the Company in the Cayman Islands is Maples Fund Services (Cayman) Limited, located at PO Box 1093, Boundary Hall, Grand Cayman KY1-1102, Cayman Islands.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The company secretary of the Company is Mr. Lee Lap Keung (formerly known as "Li Lap Keung"), who is a member of the Hong Kong Institute of Certified Public Accountants.
- (f) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese translation.

**13. DOCUMENTS ON DISPLAY**

The following documents are available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.hevolwy.com.cn](http://www.hevolwy.com.cn)) for a period of not less than 14 days commencing from the date of this circular:

- (a) The New Master Services Agreement.

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# NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting (the “EGM”) of Hevol Services Group Co. Limited (the “Company”) will be held at 16th Floor, Block D, Newlogo International Building, No. 18A Zhongguancun South Street, Haidian District, Beijing, People’s Republic of China on Wednesday, 9 March 2022 at 11:00 a.m. to consider and, if thought fit, to pass with or without amendments, the following resolutions:

### ORDINARY RESOLUTIONS

1. **“THAT** the new master services agreement dated 31 December 2021 entered into between the Company and Hevol Real Estate Group Limited (和泓置地集團有限公司) (the “**New Master Services Agreement**”), a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for identification purpose, and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified”;
2. **“THAT** the proposed annual caps for the continuing connected transactions contemplated under the New Master Services Agreement for the three years ending 31 December 2024 as set out in the circular of the Company dated 16 February 2022 and are hereby approved, confirmed and ratified”; and
3. **“THAT** any one or more of the Directors is/are hereby authorized to do all such acts and things and execute all such documents which he/they consider(s) necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the transactions contemplated under the New Master Services Agreement (including the proposed annual caps thereunder for the three years ending 31 December 2024)”

On behalf of the Board,  
**Hevol Services Group Co. Limited**  
**Wang Wenhao**  
*Executive Director*

Hong Kong, 16 February 2022

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

- (a) All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Company's articles of association and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
- (b) Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the above meeting. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.
- (c) In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the above meeting or the adjourned meeting (as the case may be). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (d) For the purpose of determining the entitlement to attend and vote at the above meeting, the Register of Members of the Company will be closed from Friday, 4 March 2022 to Wednesday, 9 March 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Extraordinary General Meeting, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 3 March 2022.

*As at the date of this notice, 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.*