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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

The Board is pleased to announce that on 28 May 2021, Sichuan Wansheng, an indirect wholly-owned subsidiary of the Company entered into the Service Framework Agreements with each of Wansheng Investment and Huaxin Wansheng, pursuant to which, Sichuan Wansheng agrees to provide Services to Wansheng Investment and Huaxin Wansheng in accordance with the principal terms of the Services Framework Agreements for a period from 28 May 2021 to 31 December 2023.

The Annual Caps for transactions contemplated under the Wansheng Investment Framework Agreement for the period from 28 May 2021 to 31 December 2021, and each of the years ending 31 December 2022 and 31 December 2023 will be approximately RMB9.4 million, RMB9.0 million and RMB8.4 million respectively. The Annual Caps for transactions contemplated under the Huaxin Wansheng Framework Agreement for the corresponding periods will be approximately RMB11.0 million, RMB11.3 million and RMB11.3 million respectively.

As Sichuan Wansheng is owned as to 60% by our Group and 40% by Mr. Deng, Mr. Deng is a connected person of the Group. Accordingly, the transactions under the Wansheng Investment Framework Agreement and the Huaxin Wansheng Framework Agreement constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

As the relevant percentage ratios involved in each of the Service Framework Agreements in this announcement are more than 0.1% but less than 5% for the Group, the Service Framework Agreements are subject to the reporting, announcement and annual review requirements but exempted from the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

1. INTRODUCTION

The Board is pleased to announce that on 28 May 2021, the Board approved the Continuing Connected Transactions as set out in this announcement, the terms of the Service Framework Agreements for such transactions and the relevant Annual Caps. The Service Framework Agreements were both dated 28 May 2021.

2. CONTINUING CONNECTED TRANSACTIONS

Provision of Services by the Group to Wansheng Investment and Huaxin Wansheng

At its meeting on 28 May 2021, the Board approved the Wansheng Investment Framework Agreement between Sichuan Wansheng, a non-wholly owned subsidiary of the Company, and Wansheng Investment with respect to the provision of Services by Sichuan Wansheng to Wansheng Investment. On the same date, the Board also approved the Huaxin Wansheng Framework Agreement between Sichuan Wansheng and Huaxin Wansheng with respect to the provision of Services by Sichuan Wansheng to Huaxin Wansheng.

As the relevant percentage ratios involved in each of the Service Framework Agreements are in aggregate more than 0.1% but less than 5% for the Group, the Service Framework Agreements are subject to the reporting, announcement and annual review requirements but exempted from the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

Relationship between the parties:

To the best knowledge, information and belief of the Directors after having made all reasonable due diligence enquiries, Wansheng Investment was established as a limited liability company under the laws of the PRC on 3 June 2010. Huaxin Wansheng was established as a limited liability company under the laws of the PRC on 11 September 2017. Wansheng Investment and Huaxin Wansheng are both principally engaged in property development in the PRC.

To the best knowledge, information and belief of the Directors after having made all reasonable due diligence enquiries, Wansheng Investment is owned as to 36.55%, 33.75%, 7.5%, 7.2%, 5%, 5% and 5% by Mr. Deng, Mr. Rao Yunke* (饒運科), Mr. Jiang Ronghua* (江蓉華), Mr. Yan Fulong* (嚴福龍), Mr. Li Penghong* (李朋洪), Mr. Rao Ming* (饒銘) and Mr. Qiu Huanan* (邱華南) respectively, who are ordinary residents of the PRC. Save for Mr. Deng, each of the other six shareholders of Wansheng Investment are Independent Third Parties.

To the best knowledge, information and belief of the Directors after having made all reasonable due diligence enquiries, Huaxin Wansheng is owned as to 90% and 10% by Mr. Deng and Mr. Wei Jie* (魏傑) respectively, who are ordinary residents of the PRC. Save for Mr. Deng, the other shareholder of Huaxin Wansheng is an Independent Third Party.

Listing Rules implications:

As Sichuan Wansheng is owned as to 60% by the Group and 40% by Mr. Deng. Mr. Deng is a connected person of the Group. Accordingly, the transactions under the Wansheng Investment Framework Agreement and Huaxin Wansheng Framework Agreement constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

Scope of Services:

Pursuant to the Service Framework Agreements, the Group agreed to provide the following Services to Wansheng Investment and Huaxin Wansheng:

1. Preliminary property management services

The Group will provide preliminary property management services for property projects developed by Wansheng Investment and Huaxin Wansheng before the establishment of property owners' association, including but not limited to security, cleaning service, maintenance of public facilities and equipment, parking space management services and garden and landscape maintenance services.

2. Sales facilitation services

The Group will provide sales facilitation services for the property projects developed by Wansheng Investment and Huaxin Wansheng, including display unit management services, marketing planning and design, reception services and consultation services.

3. Early planning and consultancy services

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

4. Property management office set-up services

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

5. Inspection services

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

Sichuan Wansheng, Wansheng Investment and Huaxin Wansheng shall enter into separate written agreements which will set out the detailed terms for the relevant transactions contemplated under their respective Service Framework Agreements as and when necessary.

Historical transaction amount:

Wansheng Investment, Huaxin Wansheng and the Group did not conduct any similar transactions as those contemplated under the Service Framework Agreements in the past. Therefore, there are no historical transaction amounts to be provided.

Annual Caps:

The annual caps in respect of the Service Framework Agreements with Wansheng Investment for each of the following periods are as follows:

	For the year ending 31 December		
	2021	2022	2023
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Annual Caps	9.4 million	9.0 million	8.4 million

The annual caps in respect of the Service Framework Agreements with Huaxin Wansheng for each of the following periods are as follows:

	For the year ending 31 December		
	2021	2022	2023
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Annual Caps	11.0 million	11.3 million	11.3 million

Determination basis for the Annual Caps:

The Annual Caps are estimated by the Directors with reference to: (i) the number, nature, category and location of the properties; (ii) estimated gross floor area of the properties; (iii) estimated number of parking spaces (iv) the rates generally offered by the Group to Independent Third Parties in respect of comparable services; (v) anticipated staff costs of the Group; and (vi) a reasonable buffer to cater for any unexpected property management services.

3. PRICING POLICY

Pursuant to the Service Framework Agreements, the service fees for the Services shall be determined after arm's length negotiations between the parties with reference to (i) the type, location and size of the properties, (ii) the scope and standard of the Services to be provided, (iii) the anticipated operational costs (including, among others, labour costs and administrative costs) for providing such Services and the expected increase of related costs due to inflation and economic and social development, and (iv) the prevailing market prices for similar Services. The terms and conditions of the Service Framework Agreements shall in any event, not be less favourable than those entered into by Sichuan Wansheng for providing similar services to Independent Third Parties.

The Group generally adopts the following pricing policy for the Service Framework Agreements and each of the individual agreements to be entered into by members of the Group with connection persons:

- (a) each individual agreement shall be negotiated on an arm's length basis to ensure the relevant pricing terms are fair and reasonable and on normal commercial terms;
- (b) the Group shall refer to the service fees charged by Independent Third Parties to the Group for other transactions involving the provision of similar services (in terms of scope and requirement of services, the location of the property, the condition of the property, the level of difficulty in managing said property etc.);
- (c) the service fees shall be determined by reference to the relevant guidance prices prescribed by local authorities (where available) or those charged by competitors of comparable scale to the Group for similar transactions if no transactions for similar services have taken place between the Group and Independent Third Parties; and
- (d) the Group shall refer to service fees charged by at least two other property management companies in the PRC for comparable transactions to gauge whether the service fees offered by property developers such as Wansheng Investment and Huaxin Wansheng are fair and reasonable and are no less favourable than those offered by Independent Third Parties.

4. INTERNAL CONTROL MEASURES

In order to ensure the transactions contemplated under the Service Framework Agreements (i) will be conducted on normal commercial terms; and (ii) will not be prejudicial to the interests of the Company and its Shareholders as a whole, the Company has formulated and adopted the following internal control policies:

- (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 Service Framework Agreements;
- (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 each of Wansheng Investment and Huaxin Wansheng under the Service Framework Agreements and report to the management of the Group to ensure that the transaction amounts will not exceed the Annual Caps;
- (c) the finance department staff and the finance department manager will prepare the relevant information and the chief financial officer will monitor the prices and terms of the Service Framework Agreements by obtaining at least two quotations for each type of services from Independent Third Parties when individual agreements under the Service Framework Agreements are renewed. They will work together to ensure that the transactions contemplated under the Service Framework Agreements 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 transactions with the Group's related parties 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 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 Service Framework Agreements 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 Service Framework Agreements; and (iii) have not exceeded the Annual Caps.

5. BOARD APPROVAL

On 28 May 2021, the Board approved the Continuing Connected Transactions as set out in this announcement, the terms of the Service Framework Agreements for such transactions and the relevant Annual Caps. The Service Framework Agreements were both dated 28 May 2021.

None of the Directors has a material interest in the Service Framework Agreements and therefore no Director has abstained from voting on the relevant Board resolutions approving the Service Framework Agreements and the Annual Caps.

The terms of the Service Framework Agreements have been reached after arm's length negotiations. The Directors (including the independent non-executive Directors) are of the view that (i) the entering into of the Service Framework Agreements are in the ordinary and usual course of business of the Group; (ii) the terms of the Service Framework Agreements are on normal commercial terms; and (iii) the terms of the Service Framework Agreements and the Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The term of the Service Framework Agreements shall be for a period commencing from 28 May 2021 and ending on 31 December 2023. Parties to the Service Framework Agreements may, subject to compliance with the Listing Rules, renew the Service Framework Agreements by written agreement.

6. REASONS FOR THE TRANSACTIONS

The Group is principally engaged in property management in the PRC providing property management services, community value-added services and value-added services to non-property owners in the PRC.

The Group believes that the Service Framework Agreements will be beneficial to the Group by providing a steady stream of income to the Group. The Service Framework Agreements hence represent a strong and long-standing business relationship which the Group can utilise for its future growth. The Group also believes that it is in the interests of the Group to provide the Services, which will allow the Group to further strengthen its market presence in the cities which it has already conducted property management business.

7. DEFINITIONS

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

“Annual Caps”	the maximum contractual sum payable by each of Wansheng Investment and Huaxin Wansheng for each financial year pursuant to the Service Framework Agreements for the period from 28 May 2021 to 31 December 2023
“associate(s)”	has the meaning given to it by the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Hevol Services Group Co. Limited (stock code: 6093), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules and “connected” shall be construed accordingly
“Continuing Connected Transactions”	the continuing connected transactions as described in this announcement
“Directors”	the Director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huaxin Wansheng”	Sichuan Huaxin Wansheng Real Estate Co., Ltd.* (四川華信萬晟房地產有限公司), a company established as a limited liability company under the laws of the PRC on 11 September 2017, which is owned and ultimately controlled by Mr. Deng as to 90% and by Mr. Wei Jie* (魏傑) as to 10%
“Huaxin Wansheng Framework Agreement”	the framework agreement that Sichuan Wansheng entered into with Huaxin Wansheng on 28 May 2021, pursuant to which the Group agreed to provide the Services to Huaxin Wansheng

“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with any of the Directors, chief executive or substantial Shareholders of the Company or any of their respective subsidiaries or their respective associates
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Deng”	Mr. Deng Lihua (鄧利華), an individual who resides in the PRC and a connected person of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of PRC
“Services”	the property management services to be provided by Sichuan Wansheng to Wansheng Investment and Huaxin Wansheng, the scope of which is set out in the section headed “Scope of Services” in this announcement
“Service Framework Agreements”	means the Wansheng Investment Framework Agreement and Huaxin Wansheng Framework Agreement
“Shareholder(s)”	the shareholders of the Company
“Sichuan Wansheng”	Sichuan Wansheng Property Service Co., Ltd.* (四川萬晟物業服務有限公司), a company incorporated in the PRC with limited liability, which is owned as to 60% by the Group and 40% by Mr. Deng
“Wansheng Investment”	Sichuan Wansheng Investment Co., Ltd.* (四川萬晟投資有限公司), a company established as a limited liability company under the laws of the PRC on 3 June 2010, which is owned and ultimately controlled by Mr. Deng as to 36.55% and other six individual shareholders as to 63.45%, namely Mr. Rao Yunke* (饒運科), Mr. Jiang Ronghua* (江蓉華), Mr. Yan Fulong* (嚴福龍), Mr. Li Penghong* (李朋洪), Mr. Rao Ming* (饒銘) and Mr. Qiu Huanan* (邱華南).

“Wansheng Investment
Framework Agreement”

the framework agreement that Sichuan Wansheng entered into with Wansheng Investment on 28 May 2021, pursuant to which the Group agreed to provide the Services to Wansheng Investment

“%”

per cent.

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

Hong Kong, 28 May 2021

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

* For identification purposes only