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Huafa Property Services Group Company Limited
華發物業服務集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 982)

**CONTINUING CONNECTED TRANSACTION –
2022 PROPERTY MANAGEMENT SERVICES COOPERATION
FRAMEWORK AGREEMENT**

**2022 PROPERTY MANAGEMENT SERVICES COOPERATION FRAMEWORK
AGREEMENT**

References are made to the announcement dated 20 December 2019 and the circular dated 27 December 2019 of the Company in relation to, *inter alia*, the Existing Property Management Services Cooperation Framework Agreement dated 20 December 2019 entered into between Huafa Property and Zhuhai Huafa.

As the Existing Property Management Services Cooperation Framework Agreement will expire on 31 December 2022, and the Group expects to continue to carry on the transactions and expand the scope of value-added services contemplated thereunder, on 31 October 2022 (after trading hours), Huafa Property entered into the 2022 Property Management Services Cooperation Framework Agreement with Zhuhai Huafa in relation to the provision of the Property Management Services to Zhuhai Huafa Group for a term of three years from 1 January 2023 and ending on 31 December 2025.

LISTING RULES IMPLICATIONS

As Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 38.78% of the total issued share capital of the Company, Zhuhai Huafa is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the entering into of the 2022 Property Management Services Cooperation Framework Agreement constitutes a continuing connected transaction of the Company. Since one or more of the applicable percentage ratios (other than the profit ratio) in respect of the proposed annual caps under the 2022 Property Management Services Cooperation Framework Agreement is more than 5%, the entering into of the 2022 Property Management Services Cooperation Framework Agreement is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SGM

The Company will convene the SGM for the Independent Shareholders to consider and, if thought fit, approve the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

As at the date of this announcement, Huajin Investment, an indirect wholly-owned subsidiary of Zhuhai Huafa, held 3,710,750,000 Shares, representing approximately 36.88% of the entire issued share capital of the Company; and Guang Jie, an indirect non-wholly owned subsidiary of Zhuhai Huafa, held 191,157,480 Shares, representing approximately 1.90% of the entire issued share capital of the Company. Hence, Huajin Investment and Guang Jie will abstain from voting on the resolution in relation to the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) at the SGM. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save as Huajin Investment, Guang Jie and their associates, no Shareholder has a material interest in the resolution in respect of the transactions contemplated under the 2022 Property Management Services Cooperation Framework Agreement or should be required to abstain from voting on the resolution to be proposed at the SGM.

An Independent Board Committee has been formed in accordance with Chapter 14A of the Listing Rules to consider and advise the Independent Shareholders as to whether the terms of the 2022 Property Management Services Cooperation Framework Agreement, the transactions contemplated thereunder, and the proposed annual caps for the three years ending on 31 December 2025 are fair and reasonable, and are 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 respect.

A circular containing, among other things, (i) details of the 2022 Property Management Services Cooperation Framework Agreement; (ii) the advice of the Independent Financial Adviser regarding the terms of the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); (iii) the recommendation of the Independent Board Committee regarding the terms of the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); and (iv) a notice of the SGM, is expected to be despatched to the Shareholders on or before 30 November 2022 as additional time is required to prepare and finalise the circular.

2022 PROPERTY MANAGEMENT SERVICES COOPERATION FRAMEWORK AGREEMENT

Background

References are made to the announcement dated 20 December 2019 and the circular dated 27 December 2019 of the Company in relation to, *inter alia*, the Existing Property Management Services Cooperation Framework Agreement dated 20 December 2019 entered into between Huafa Property and Zhuhai Huafa.

As the Existing Property Management Services Cooperation Framework Agreement will expire on 31 December 2022, and the Group expects to continue to carry on the transactions and expand the scope of value-added services contemplated thereunder, on 31 October 2022 (after trading hours), Huafa Property entered into the 2022 Property Management Services Cooperation Framework Agreement with Zhuhai Huafa in relation to the provision of the Property Management Services to Zhuhai Huafa Group for a term of three years from 1 January 2023 and ending on 31 December 2025.

Details of the 2022 Property Management Services Cooperation Framework Agreement

Date: 31 October 2022

Parties: (i) Huafa Property; and
(ii) Zhuhai Huafa

(together, the “**Parties**”)

Services to be provided: Pursuant to the 2022 Property Management Services Cooperation Framework Agreement, Huafa Property Group agrees to provide to Zhuhai Huafa Group the Property Management Services.

Term of Service: Subject to all the conditions precedent set out in the section titled “Conditions precedent of the 2022 Property Management Services Cooperation Framework Agreement” below being fulfilled (or waived, where applicable), the 2022 Property Management Services Cooperation Framework Agreement is entered into for a term commencing from 1 January 2023 and ending on 31 December 2025 (both dates inclusive) (the “**Term**”).

Property Management Services: According to the requirements of Zhuhai Huafa, Huafa Property Group agrees to provide the following property management related services to Zhuhai Huafa Group:

- (a) the property management services (which include but not limited to customer reception services, security, cleaning, greening and gardening, repair and maintenance services) for the properties developed by Zhuhai Huafa Group from the commencement of construction up to the delivery of the properties, the municipal projects, as well as the property sales centres, sample flats, unsold properties, investment properties, car parks and other related areas held by Zhuhai Huafa Group; and
- (b) the related value-added services (which include but limited to the provision of catering services, engineering services, community media, new community retailing and sales agency) for the properties and the community common areas developed or held by Zhuhai Huafa Group

(collectively, the “**Property Management Services**”).

Individual Services
Agreements:

As the 2022 Property Management Services Cooperation Framework Agreement only sets out the framework of the Property Management Services required generally, in respect of the specific services to be provided by Huafa Property Group, Huafa Property Group shall enter into separate services agreements to set out matters such as the scope of services, service fee charging standard, timeline and payment methods (the “**Individual Services Agreements**”) with the individual companies of Zhuhai Huafa Group requiring such Property Management Services in accordance with market practice. The service scope shall not exceed the Property Management Services and the aggregate service fees received by Huafa Property Group in respect of all Individual Services Agreements per year shall not be higher than the proposed annual cap for the respective years.

In the event of conflicts between the terms of the Individual Services Agreements and the 2022 Property Management Services Cooperation Framework Agreement, the terms of the 2022 Property Management Services Cooperation Framework Agreement shall prevail.

Payments:

The payment arrangement of the service fees is made with reference to market practice and the payment arrangement of similar transactions between the Parties and independent third parties to ensure that the payment arrangement is no less favourable to Huafa Property Group than that available to independent third parties.

Pricing policies:

The general pricing policies for the provision of the Property Management Services are as follows:

- (i) each Individual Services Agreement shall be negotiated on an arm’s-length basis to ensure that the relevant pricing terms are fair and reasonable and in accordance with normal commercial terms; and
- (ii) the service fees are determined after the Parties have negotiated the terms and conditions of the respective Individual Services Agreements with reference to the prevailing market price and the service fees of similar transactions between Huafa Property Group and the independent third parties to ensure that the service fees offered by Huafa Property Group to Zhuhai Huafa Group are no less favourable to Huafa Property Group than those available to the independent third parties.

The specific pricing policies for the provision of the Property Management Services are as follows:

- (i) In respect of the provision of property management services (including but not limited to security, cleaning, greening and gardening, repair and maintenance services) and related value-added services (including but not limited to the provision of catering services, engineering services, community media, new community retailing and sales agency) for the properties developed by Zhuhai Huafa Group from the commencement of construction up to the delivery of the properties, the unsold properties, investment properties, car parks and other related areas held by Zhuhai Huafa Group, as well as the community common areas and municipal projects developed or held by Zhuhai Huafa Group, the service fees will be generally determined by reference to, amongst others, the formula of the unit of measurement in respect of the relevant services multiplied by unit price as follows:

(a) Provision of property management services

The service fees for the provision of the property management services shall generally be determined with reference to the following formula: floor area x service fee per sq.m. (unit price). For residential projects, the unit price shall be based on (i) the “pre-property management service agreement” (《前期物業管理服務合同》) signed between Huafa Property as the property management services provider and the companies of Zhuhai Huafa Group as the property developer, pursuant to which, the unit price shall not be higher than the relevant service price as set by the relevant PRC authorities (“**Guided Price**”); and (ii) in the absence of the Guided Price, the unit price shall be determined with reference to the “market reference price” which takes into account the comparable market price of similar property management services provided to residential projects in the vicinity area. For non-residential projects, the unit price shall be based on the Guided Price, and in the absence of the Guided Price, the unit price shall be determined based on the comparable market price of similar property management services provided to the non-residential projects in the vicinity area and the estimated total costs for provision of property management services to the projects. Market price of providing similar property management services to property projects in the vicinity areas is in general obtainable through public channels such as websites of and enquiry with third party property management companies and real estate agencies.

The service fees are determined in accordance with mutual agreement with reference to market unit price of similar property projects, the service area, the quality and workload of the required property management services.

As advised by the Company's PRC legal adviser, NDRC is responsible for setting out the general guidance on how the price of various services and products should be formulated. Provincial or city level of NDRC and/or the Administration for Market Regulation* (市場監督管理局) and/or the Housing and Urban-Rural Development Bureau* (住房和城鄉建設局) (“**provincial or city level government authorities**”) published the Guided Price of the relevant provinces and cities on their respective websites. The Guided Price is determined according to (i) the Price Law of the PRC (《中華人民共和國價格法》), which sets out the principles and procedures for the provincial or city level government authorities to follow when formulating the Guided Price; (ii) the Property Management Regulations of the PRC* (《中華人民共和國物業管理條例》) (the “**Regulations**”); and (iii) the Administrative Measures for Property Service Charges (《物業服務收費管理辦法》) (the “**Measures**”). The Regulations and Measures set out the principal scopes and benchmark ranges of the Guided Price. Respective provincial or city level government authorities together with respective real estate administrative departments then assess the economic conditions and real estate industry conditions of those provinces and cities and formulate the applicable range of the Guided Price according to the assessment. The specific property management fee is agreed between the contractual parties within the applicable range of the Guided Price. The Guided Price is updated periodically according to the situation of various regions. For instance, the Guided Price in Zhuhai is updated once every three years.

(b) Provision of related value-added services

The service fees shall generally be determined with reference to the formula of the unit of measurement in respect of the relevant services multiplied by unit price.

For the provision of catering services, the service fees shall be determined with reference to the following formula: standard price of catering (unit price) x number of persons x number of days. The unit price shall be determined with reference to the “market reference price”, and having regard to the following factors, including but not limited to the services fees charged by Huafa Property Group in providing similar services to independent third parties, the comparable market prices charged by independent third party service providers for providing similar services obtained through market research, the estimated labour cost for the provision of services and the estimated cost for the catering supply.

For the provision of engineering services, the service fees shall be determined with reference to the following formula = consolidated unit price (unit price) x quantity of engineering work. The unit price shall be determined with reference to the “market reference price”, and having regard to the following factors, including but not limited to the services fees charged by Huafa Property Group in providing similar services to independent third parties, the comparable market prices charged by independent third party service providers for providing similar services obtained through market research and the skills, expertise and estimated engineering costs required for the provision of the services (including but not limited to the estimated equipment and material cost and labour cost).

For the provision of community media, the service fees shall be determined with reference to the following formula: the standard price for advertising (unit price) x number of billboards x number of days. The unit price shall be determined with reference to the “market reference price”, and having regard to the following factors, including but not limited to the services fees charged by Huafa Property Group in providing similar services to independent third parties, the comparable market prices charged by independent third party service providers for providing similar services obtained through market research and the estimated cost of services provided by Huafa Property Group (including but not limited to the estimated material cost and labour cost).

For the provision of the new community retailing, the service fees shall be determined with reference to the following formula: unit price of goods sold x quantity of sales. The unit price shall be determined with reference to the “market reference price”, and having regard to the following factors, including but not limited to the services fees charged by Huafa Property Group in providing similar services to independent third parties, the comparable market prices charged by independent third party service providers for providing similar services obtained through market research and the estimated cost and expenses of the goods purchased by Huafa Property Group from the suppliers.

For the provision of the sales agency services, the agency commission fee in general will be either in fixed fee or with reference to the following formula: sales revenue of the sales agency service provided by Huafa Property Group x rate of agency fee based on the performance indicators of the sales revenue accrued over the period. The sales revenue shall be determined by the total value of car parking spaces and other assets successfully sold by Huafa Property Group. The agency commission fees shall be determined based on arm’s length negotiation between the Parties and having regard to the factors including, among others, (i) the rate of agency fee charged by Huafa Property Group in providing similar agency services to independent third parties; and (ii) the rate of agency fee charged by independent third party service providers for providing similar agency services obtained through market research.

- (ii) In respect of the provision of property management services for the property sales centres, sample flats, etc held by Zhuhai Huafa Group (including but not limited to customer reception services, on-site security, cleaning, greening and gardening, repair and maintenance services), when determining the services fees, Huafa Property also takes into account factors such as total labour allocation and estimated total expenses, as well as the target net profit margin which can be represented by the formula: $\text{cost} \times (1 + \text{target net profit margin})$. The target net profit margin ranging from 8% to 12% (subject to adjustment depending on market conditions) shall be determined based on arm’s length negotiation between the Parties and having regard to the factors including, among others, (i) net profit margin achieved by Huafa Property Group in providing similar property management services to independent third parties; and (ii) net profit margin charged by independent property management companies for providing similar property management services obtained through market research.

Termination: The Parties may terminate the 2022 Property Management Services Cooperation Framework Agreement prior to the expiration of the Term by mutual written consent of Huafa Property and Zhuhai Huafa. Upon termination of the 2022 Property Management Services Cooperation Framework Agreement, the relevant Individual Services Agreements shall also terminate accordingly.

Conditions precedent of the 2022 Property Management Services Cooperation Framework Agreement: The provision of the Property Management Services pursuant to the 2022 Property Management Services Cooperation Framework Agreement is conditional upon fulfilment or waiver in writing (as the case may be) of the following conditions precedent:

- (a) the Company having obtained its Independent Shareholders' approval of the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps);
- (b) Huafa Property has not breached any of the material representations and warranties under the 2022 Property Management Services Cooperation Framework Agreement and such representations and warranties remaining true, accurate, complete and not misleading;
- (c) all necessary authorisations, registrations, filings, confirmations, permits, consents and approvals for the transactions contemplated under the 2022 Property Management Services Cooperation Framework Agreement having been obtained by Huafa Property; and
- (d) all necessary authorisations, registrations, filings, confirmations, permits, consents and approvals for the transactions contemplated under the 2022 Property Management Services Cooperation Framework Agreement having been obtained by Zhuhai Huafa.

Zhuhai Huafa may, in writing, relinquish or waive the fulfilment of conditions precedent set out in (b) and (c) above. Huafa Property may, in writing, relinquish or waive the fulfilment of condition precedent set out in (d) above. The condition precedent set out in (a) above cannot be relinquished or waived by any Party to the 2022 Property Management Services Cooperation Framework Agreement.

If any of the conditions precedent cannot be fulfilled (or relinquished or waived under any circumstances, where applicable) on or before 31 December 2022 (or such other date as agreed in writing between the Parties), the 2022 Property Management Services Cooperation Framework Agreement and the transactions as contemplated thereunder shall be forthwith terminated and be of no effect.

Actual historical transaction amount

The following table summarises the historical transaction amounts for the property management services and related value-added services provided by Huafa Property Group to Zhuhai Huafa Group under the Existing Property Management Services Cooperation Framework Agreement for the two years ended 31 December 2021 and nine months ended 30 September 2022.

| | For the year ended 31 December | | For the nine months ended 30 September |
|--|-----------------------------------|----------------|--|
| | 2020 | 2021 | 2022 |
| | (RMB millions) | (RMB millions) | (RMB millions) |
| Total service fees for the property management services and related value-added services | 320.0 | 422.5 | 356.0 ^(Note) |

Note:

Based on the information currently available to the Company's management and the historical trend in the services fees for the Property Management Services received by the Huafa Property Group, the transaction amount for the nine months ended 30 September 2022 was approximately RMB356 million, whereas the estimated transaction amount for the year ending 31 December 2022 will be approximately RMB539.3 million.

Proposed annual caps and basis of determination

The proposed annual caps for the total service fees payable by Zhuhai Huafa Group to Huafa Property Group for the Property Management Services for the three years ending 31 December 2023, 2024 and 2025 are set out below:

| | For the year ending 31 December | | |
|---|---------------------------------|----------------|----------------|
| | 2023 | 2024 | 2025 |
| | (RMB millions) | (RMB millions) | (RMB millions) |
| Total service fees for the Property Management Services | 971.28 | 1,373.11 | 1,752.81 |

In arriving at the above proposed annual caps for the Property Management Services under the 2022 Property Management Services Cooperation Framework Agreement, the Directors have considered a number of factors including:

- (i) the historical service fees received by Huafa Property Group in respect of the provision of property management services and the related value-added services for the two years ended 31 December 2021 and nine months ended 30 September 2022;
- (ii) the estimated service fees payable by Zhuhai Huafa Group in respect of the provision of the Property Management Services by Huafa Property Group during the Term which are expected to increase on a year-on-year basis;

- (iii) the number of existing projects which involves provision of the Property Management Services by Huafa Property Group to Zhuhai Huafa Group which is expected to be renewed and continued for the Term;
- (iv) the estimated increase in the number of property management projects and the gross floor area in respect of the property projects to be developed or held by Zhuhai Huafa Group which may require the provision of the Property Management Services by Huafa Property Group;
- (v) the indicative time of completion and delivery of the property management projects and the scope of Property Management Services required in respect of each property management project based on the projects development plan of Zhuhai Huafa;
- (vi) the development potential of the business of Huafa Property Group, and the anticipated diversified value-added services which can be provided by Huafa Property Group to Zhuhai Huafa Group. As the scope of value-added services is expected to increase over the Term, the service fees to be charged by the Huafa Property Group shall increase correspondingly; and
- (vii) the inclusion of a buffer to accommodate for any unexpected increase in the demand for the provision of the Property Management Services taking into account the expected increase in the labour cost, inflation rate and the expansion of the business between the Huafa Property Group and Zhuhai Huafa Group, considering the new property projects to be developed by Zhuhai Huafa Group which may require the provision of the Property Management Services by Huafa Property Group during the Term.

Based on the projects development plan of Zhuhai Huafa Group, the Company expects that there will be further rapid growth in the demand for property management services and related value-added services to be provided by Huafa Property Group to Zhuhai Huafa Group for the next three years. Therefore, the Company expects that the transaction amounts under the 2022 Property Management Services Cooperation Framework Agreement for the three years ending 31 December 2025 will be higher than those under the Existing Property Management Services Cooperation Framework Agreement.

INTERNAL CONTROL MEASURES

The Group has adopted the following internal control procedures and corporate governance measures in relation to the transactions contemplated under the 2022 Property Management Services Cooperation Framework Agreement:

- (a) The pricing policies of all continuing connected transactions of the Group will be overseen and monitored by the management and relevant personnel of Huafa Property Group to ensure that the relevant continuing connected transactions are conducted on normal commercial terms and are not prejudicial to the interests of the Company and the Shareholders as a whole;

- (b) prior to entering into any Individual Services Agreement, the business department of Huafa Property Group will be responsible for collecting information from independent third parties and making reference to the guided price set by the relevant PRC authority (where applicable) or, in the absence of the guided price, (i) the quotation offered by independent third parties in the provision of similar property management services (if any), and (ii) the market prices obtained through public channels such as websites of and enquiries made to independent third party property management companies and property agents for comparable services, and the aforesaid pricing policies to provide preliminary quotations. Such information will be subsequently reviewed and approved by the relevant personnel of the finance department, legal department and management of Huafa Property Group to ensure that the terms of Individual Services Agreements are fair and reasonable and in compliance with the pricing policies and principal terms of the 2022 Property Management Services Cooperation Framework Agreement, in particular the service fee and payment terms shall be no less favourable than those available to independent third parties;
- (c) after entering into any Individual Services Agreement, the relevant senior management of Huafa Property Group shall be responsible for monitoring the Individual Services Agreements. The general manager or the deputy general manager of Huafa Property Group will review the Individual Services Agreements regularly to ensure that the transactions have been carried out in compliance with the terms of such agreements and the 2022 Property Management Services Cooperation Framework Agreement, and if there is any non-compliance or potential non-compliance, the responsible personnel will report the matter to the senior management of the Company for their consideration in order to find ways to resolve the matter;
- (d) the finance department of the Group is responsible for monitoring the service fees for the respective transactions contemplated under each of the Individual Services Agreement to ensure that they are in accordance with the 2022 Property Management Services Cooperation Framework Agreement and the annual caps are not exceeded. In addition, the finance department will also conduct overall review on a regular basis. Where the finance department is aware of any potential non-compliance with the pricing policies or that the annual caps will be exceeded, the finance department will escalate the matter to the senior management of the Company who will co-ordinate at the Group level to take remedial action and ensure the basis of annual caps are followed and are not exceeded;
- (e) the senior management of the Company will escalate the matter to the independent non-executive Directors if they consider that there are any non-compliance incidents. The independent non-executive Directors will further review the incidents and make recommendations to ensure that such transactions are conducted within the terms of the 2022 Property Management Services Cooperation Framework Agreement, on normal commercial terms, fair and reasonable, in accordance with the pricing policies of the 2022 Property Management Services Cooperation Framework Agreement and in the interests of the Company and its Shareholders as a whole; and
- (f) the independent non-executive Directors and the auditors of the Company will conduct annual review on the transactions contemplated by the 2022 Property Management Services Cooperation Framework Agreement and Individual Services Agreements and provide their view to the Board.

By implementing the above measures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control procedures to ensure that any service fees to be agreed pursuant to the 2022 Property Management Services Cooperation Framework Agreement will be on normal commercial terms and the terms are fair and reasonable and no less favourable to Huafa Property Group than those available to independent third parties.

GENERAL INFORMATION ON THE PARTIES TO 2022 PROPERTY MANAGEMENT SERVICES COOPERATION FRAMEWORK AGREEMENT

The Group

The Company is an investment holding company incorporated under the laws of Bermuda with limited liability and the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 982). The principal business activities of the Group are the provision of (i) property management services in the PRC; and (ii) hotel advisory and exhibition services in the PRC.

Huafa Property

Huafa Property has become an indirect wholly-owned subsidiary of the Company since January 2020. Huafa Property Group has been providing property management services in the PRC for more than 30 years. Huafa Property Group is principally engaged in three main business lines, namely, (i) property management services, which primarily consists of the provision of security, cleaning, greening, gardening, repair and maintenance services; (ii) value-added services to property owners, which mainly include home living services, office building customised services and common area value-added services; and (iii) other value-added services, which mainly involves cleaning, greening, repair and maintenance services to property developers at the pre-delivery stage, and consultancy services to property developers for the management of their pre-sale activities and the provision of catering services, etc..

Zhuhai Huafa

Zhuhai Huafa is a state-owned conglomerate based in Zhuhai and is owned by the State-owned Asset Supervision and Administration Commission of Zhuhai Municipal People's Government* (珠海市人民政府國有資產監督管理委員會) and Department of Finance of Guangdong Province (廣東省財政廳) as to 93.51% and 6.49%, respectively. Zhuhai Huafa, through its subsidiaries, is principally engaged in four core business sectors of urban operations, real estate development, financial industry, and industrial investment, as well as two comprehensive supplementary businesses commerce and trade services and modern services.

REASONS FOR ENTERING INTO THE 2022 PROPERTY MANAGEMENT SERVICES COOPERATION FRAMEWORK AGREEMENT

Since the acquisition of the Group's property management subsidiaries, including Huafa Property in January 2020, the Group has developed its business based on the strategy of "One Core, Two Wings" with property management services as the core supplemented by hotel advisory and exhibition services. The Company has been enhancing the scale and competitiveness of its core business while seeking to diversify the business of the Group and exploring new business opportunities.

After 37 years of development, Huafa Property has formed a business pattern foothold in the Greater Bay Area and covering the whole PRC, with a full-chain of services including but not limited to residential properties, commercial and office properties, asset management, urban and municipal services, elevator engineering, building intelligence, security services, real estate broker and catering services. As part of the property management services provided by the Group, Huafa Property and its subsidiaries are also committed to providing the diversified value-added services to property owners.

Huafa Property Group has been supplying property management services to Zhuhai Huafa Group since 1985. As the property management services is the core business of the Group and in view of the long-term relationship between Huafa Property Group and Zhuhai Huafa Group, the Group intends to continue supplying the Property Management Services through Huafa Property Group to Zhuhai Huafa Group in order to generate favourable business synergies with Zhuhai Huafa Group. In addition, by continuing to supply property management services to Zhuhai Huafa Group, the Group is expected to enhance its income stream and improve its overall operational performance which is in line with the development strategy of the Group.

The Directors (excluding the independent non-executive Directors who will provide their view after taking into account of advice from the Independent Financial Adviser) consider that the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group and are made on normal commercial terms and that the terms of the 2022 Property Management Services Cooperation Framework Agreement and the proposed annual caps set out above are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 38.78% of the total issued share capital of the Company, Zhuhai Huafa is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the entering into of the 2022 Property Management Services Cooperation Framework Agreement constitutes a continuing connected transaction of the Company. Since one or more of the applicable percentage ratios (other than the profit ratio) in respect of the proposed annual caps under the 2022 Property Management Services Cooperation Framework Agreement is more than 5%, the entering into of the 2022 Property Management Services Cooperation Framework Agreement is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SGM

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

As at the date of this announcement, Huajin Investment, an indirect wholly-owned subsidiary of Zhuhai Huafa, held 3,710,750,000 Shares, representing approximately 36.88% of the entire issued share capital of the Company; and Guang Jie, an indirect non-wholly owned subsidiary of Zhuhai Huafa, held 191,157,480 Shares, representing approximately 1.90% of the entire issued share capital of the Company. Hence, Huajin Investment and Guang Jie will abstain from voting on the resolution in relation to the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) at the SGM. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save as Huajin Investment, Guang Jie and their associates, no Shareholder has a material interest in the resolution in respect of the transactions contemplated under the 2022 Property Management Services Cooperation Framework Agreement or should be required to abstain from voting on the resolution to be proposed at the SGM.

An Independent Board Committee has been formed in accordance with Chapter 14A of the Listing Rules to consider and advise the Independent Shareholders as to whether the terms of the 2022 Property Management Services Cooperation Framework Agreement, the transactions contemplated thereunder, and the proposed annual caps for the three years ending on 31 December 2025 are fair and reasonable, and are 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 respect.

A circular containing, among other things, (i) details of the 2022 Property Management Services Cooperation Framework Agreement; (ii) the advice of the Independent Financial Adviser regarding the terms of the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); (iii) the recommendation of the Independent Board Committee regarding the terms of the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); and (iv) a notice of the SGM, is expected to be despatched to the Shareholders on or before 30 November 2022 as additional time is required to prepare and finalise the circular.

GENERAL INFORMATION

Since all executive Directors and Ms. Zhou Youfen, a non-executive Director, are also directors or senior management members of Zhuhai Huafa or its subsidiaries and therefore are deemed to have material interests in the 2022 Property Management Services Cooperation Framework Agreement, each of them has abstained from voting on the Board resolutions approving the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). Other than those Directors mentioned above, none of the other Directors has or is deemed to have a material interest in the transactions under the 2022 Property Management Services Cooperation Framework Agreement.

DEFINITIONS

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

| | |
|---|--|
| “2022 Property Management Services Cooperation Framework Agreement” | the framework agreement dated 31 October 2022 entered into between Huafa Property and Zhuhai Huafa in respect of Huafa Property Group’s provision of the Property Management Services to Zhuhai Huafa Group |
| “associate” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Company” | Huafa Property Services Group Company Limited (華發物業服務集團有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock code: 982) |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Existing Property Management Services Cooperation Framework Agreement” | the property management services cooperation framework agreement dated 20 December 2019 and entered into between Huafa Property and Zhuhai Huafa |
| “Group” | the Company and its subsidiaries |
| “Guang Jie” | Guang Jie Investment Limited (光杰投資有限公司), a company incorporated under the laws of Hong Kong with limited liability, holding approximately 1.90% of the total issued Shares, and indirect non-wholly owned subsidiary of Zhuhai Huafa |
| “HKD” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “HK Huafa” | Hong Kong Huafa Investment Holdings Limited (香港華發投資控股有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Zhuhai Huafa, and is an indirect controlling shareholder of the Company |
| “Hong Kong” | The Hong Kong Special Administrative Region of the PRC |

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| “Huafa Property” | Huafa Property Services Company Limited* (華發物業服務有限公司) (formerly known as Zhuhai Huafa Property Management Services Co., Ltd.* (珠海華發物業管理服務有限公司)), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Huafa Property Group” | Huafa Property and its subsidiaries |
| “Huajin Investment” | Huajin Investment Company Limited (鑄金投資有限公司), a company incorporated under the laws of Samoa with limited liability, holding approximately 36.88% of the total issued Shares, and a direct wholly-owned subsidiary of HK Huafa |
| “Independent Board Committee” | an independent committee of the Board comprising all of the independent non-executive Directors, namely Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shiha, established to give recommendation to the Independent Shareholders in relation to the 2022 Property Management Services Cooperation Framework Agreement |
| “Independent Financial Adviser” | Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) |
| “Independent Shareholders” | Shareholder(s) other than Huajin Investment and Guang Jie |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “NDRC” | the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) |
| “PRC” | The People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Property Management Services” | the property management services as defined in the section headed “Details of the 2022 Property Management Services Cooperation Framework Agreement” |
| “RMB” | Renminbi, the lawful currency of the PRC |

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| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “SGM” | the special general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, to approve the 2022 Property Management Services Cooperation Framework Agreement and the transactions contemplated thereunder |
| “Shares” | ordinary share(s) of HK\$0.00025 each in the share capital of the Company |
| “Shareholder(s)” | shareholder(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Zhuhai Huafa” | Zhuhai Huafa Group Co., Ltd.* (珠海華發集團有限公司), a state-owned enterprise owned by the State-owned Asset Supervision and Administration Commission of Zhuhai Municipal People’s Government* (珠海市人民政府國有資產監督管理委員會) and Department of Finance of Guangdong (廣東省財政廳) as to 93.51% and 6.49%, respectively, and a controlling shareholder of the Company |
| “Zhuhai Huafa Group” | Zhuhai Huafa and its subsidiaries and associates, and for the purpose of this announcement, excluding the Group |
| “%” | per cent |

By order of the Board
Huafa Property Services Group Company Limited
Li Guangning
Executive Director and Chairman

Hong Kong, 31 October 2022

As at the date of this announcement, the Board of the Company comprises Mr. Li Guangning (Executive Director and Chairman), Mr. Zhou Wenbin (Executive Director and Chief Executive Officer), Mr. Xie Wei, Mr. Xie Hui and Mr. Gu Yuanping (all being Executive Directors); Ms. Zhou Youfen (Non-Executive Director); Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai (all being Independent Non-Executive Directors).

* *For identification purpose only*