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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 IN RELATION TO
FINANCIAL SERVICE FRAMEWORK AGREEMENT**

FINANCIAL SERVICE FRAMEWORK AGREEMENT

The Board hereby announces that, on 28 February 2023 (after trading hours), Huafa Property (an indirect wholly-owned subsidiary of the Company) and Huafa Finance Company have entered into the Financial Service Framework Agreement, pursuant to which Huafa Finance Company agreed to provide deposit services to the Huafa Property Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Huafa Properties, a direct non-wholly owned subsidiary of Zhuhai Huafa, indirectly holds 3,901,907,480 shares of the Company in aggregate, representing 38.78% of the entire issued shares of the Company. Accordingly, Zhuhai Huafa is an indirect controlling shareholder of the Company and a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As Huafa Finance Company is a subsidiary of Zhuhai Huafa, Huafa Finance Company is a connected person of the Company. As such, the Financial Service Framework Agreement and the transaction contemplated thereunder constitutes continuing connected transaction of the Company.

Since the highest applicable percentage ratio calculated in respect of the proposed annual caps for the deposit services under the Financial Service Framework Agreement is more than 0.1% but less than 5%, such continuing connected transaction is only subject to the reporting, announcement and annual review requirements but exempt from circular and the independent Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

INTRODUCTION

The Board hereby announces that, on 28 February 2023 (after trading hours), Huafa Property (an indirect wholly-owned subsidiary of the Company) and Huafa Finance Company have entered into the Financial Service Framework Agreement, pursuant to which Huafa Finance Company agreed to provide deposit services to the Huafa Property Group.

FINANCIAL SERVICE FRAMEWORK AGREEMENT

Date: 28 February 2023

Parties: (i) Huafa Property; and
(ii) Huafa Finance Company

Duration: From 28 February 2023 to 27 February 2026 (the “**Term**”)

Services to be provided: Huafa Finance Company agrees to provide certain deposit services to the Huafa Property Group according to the requirements of the Huafa Property Group and formulation of optimal deposit portfolio for the Huafa Property Group, including the current deposit, time deposit, call deposit and agreement deposit, pursuant to the terms and conditions of the Financial Service Framework Agreement.

The deposit services received by the Huafa Property Group from Huafa Finance Company pursuant to the Financial Service Framework Agreement are on a non-exclusive basis, and the Huafa Property Group is entitled to select other financial institutions to provide the deposit services at its sole discretion.

Pricing policy: The deposit interest rate provided by Huafa Finance Company to the Huafa Property Group shall be determined by the parties after arm’s length negotiations with reference to the interest rate provided by the domestic commercial banks and financial institutions in the PRC for the deposits of the same or similar term, type and amount, but not lower than (i) the benchmark interest rate for the corresponding terms promulgated by the PBOC for deposits of the same type; and (ii) the average deposit interest rate offered by not less than three domestic commercial banks or financial institutions within the PRC for deposit services of the same or similar term, type and amount.

Annual caps:

The proposed caps in respect of the daily maximum amount of the deposits placed by the Huafa Property Group with Huafa Finance Company (including any accrued interest thereon) for each of the periods/years as indicated below during the Term are set out below:

| | For the period from 28 February 2023 to 31 December 2023 <i>(RMB millions)</i> | For the year ending 31 December 2024 <i>(RMB millions)</i> | For the year ending 31 December 2025 <i>(RMB millions)</i> | For the period from 1 January 2026 to 27 February 2026 <i>(RMB millions)</i> |
|---|--|--|--|--|
| Daily maximum amount of the deposits (including any accrued interest) | 40.6 | 40.6 | 40.6 | 40.6 |

In arriving at the proposed caps for the provision of deposit services during the Term, the Directors have considered the following:

- (i) the historical daily maximum outstanding deposit balance (including any accrued interest) that were maintained by the Huafa Property Group at its principal banks; and
- (ii) the operating cash flow, financial and capital management requirements for the Huafa Property Group's working capital and operation needs and business expansion in the future.

Reasons and benefits:

Huafa Finance Company is a non-bank financial institution regulated by CBIRC and is authorized to provide various financial services. The principal reasons for and the benefits of entering into the Financial Service Framework Agreement are as follows:

- (i) the Huafa Property Group can use Huafa Finance Company as a medium to facilitate more efficient deployment of funds among the Huafa Property Group;
- (ii) the deposit service forms part of the Huafa Property Group's treasury activities to further support its operational and treasury needs, which helps improve the Huafa Property Group's efficiency of its cash management and working capital position;
- (iii) the Financial Service Framework Agreement will not preclude the Huafa Property Group from using the deposit services offered by other financial institutions. As stated above, the Huafa Property Group is required to compare deposit interest rate offered by the Huafa Finance Company against those offered by the commercial banks and/or other financial institutions in respect of the same or similar term, type and amount of the deposit prior to engaging the Huafa Finance Company to provide the deposit services;
- (iv) the Huafa Property Group is expected to benefit from Huafa Finance Company's better understanding of the Huafa Property Group's operations which should render more expedient and efficient financial services than commercial banks and other financial institutions in the PRC; and
- (v) Huafa Finance Company is regulated by CBIRC, and therefore should provide financial services in accordance with and in compliance with the rules and operational requirements of CBIRC. In addition, capital risk can be prevented through the implementation of the risk control measures as stipulated in the Financial Service Framework Agreement.

INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES

In respect of the deposit services, the Company has adopted the following internal control and monitoring procedures:

- (i) before entering into any deposit arrangements with Huafa Finance Company, the Huafa Property Group Company will negotiate with Huafa Finance Company on an arm's length basis in respect of the deposit interest rate of the deposit services, and ensure that such interest rate is: (1) not lower than the benchmark interest rate then published by the PBOC for deposits of same term and same type; and (2) by reference to the average deposit interest rate offered by at least three commercial banks or financial institutions in the PRC for deposit services of the same or similar term, type and amount on normal commercial terms. As such, the Huafa Property Group will be able to ensure the deposit interest rate of the deposit services will not be less favourable than that published by the PBOC and the average deposit interest rate offered by three domestic commercial banks or financial institutions in the PRC;
- (ii) the finance department of the Group will monitor the deposit services on a daily basis to ensure the proposed annual cap will not be exceeded;
- (iii) the finance department of the Group will report to the senior management of the Company, giving an update of the deposit arrangements entered into with Huafa Finance Company on a monthly basis;
- (iv) Huafa Finance Company has agreed to provide data to assist the Group to monitor the daily deposit amount cap when necessary;
- (v) the Directors (including the independent non-executive Directors) will review the transactions contemplated under the Financial Service Framework Agreement and its proposed annual caps each financial year, to ensure that the transactions contemplated under the Financial Service Framework Agreement are conducted within the terms of the Financial Service Framework Agreement, in the ordinary and usual course of business of the Company, on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and
- (vi) the auditor of the Company will perform annual reviews on the pricing and annual caps of such transactions.

By implementing the above measures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control and procedures to ensure that the deposit services pursuant to the Financial Service Framework Agreement will be conducted on normal commercial terms, fair and reasonable and no less favourable to the Huafa Property Group than those available from independent third parties.

CAPITAL RISK CONTROL MEASURES

- (i) Huafa Finance Company will ensure the safe operation of the funds management information system, all of which has passed the security test in respect of the interface of online banking of commercial banks, so as to ensure the security of the funds of the Group;
- (ii) Huafa Finance Company will ensure that it operates in strict compliance with the risk monitoring indicators for financial institutions promulgated by the CBIRC and that its major regulatory indicators, such as capital adequacy ratio, interbank borrowing ratio and liquidity ratio, will also comply with the requirements of the CBIRC;
- (iii) Zhuhai Huafa has undertaken to the CBIRC that, in the event that Huafa Finance Company is in urgent difficulty in making payment, Zhuhai Huafa will increase capital funding accordingly based on the actual need to solve such problem; and
- (iv) The capital balance of the Huafa Property Group exceeding the daily maximum deposit at Huafa Finance Company will be deposited into commercial banks and/or financial institutions in the PRC as deposits.

INFORMATION ON THE PARTIES

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..

Huafa Finance Company

Huafa Finance Company is a limited liability company established in the PRC and a subsidiary of Zhuhai Huafa. Huafa Finance Company is a non-bank financial institution regulated by CBIRC, and the scope of its operations mainly includes the handling of deposits, loans, settlements and other related businesses, as well as the provision of consulting and agency business such as financial and financing consulting and credit verification services, etc. The ultimate beneficial owner of Huafa Finance Company is Zhuhai Huafa.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Huafa Properties, a direct non-wholly owned subsidiary of Zhuhai Huafa, indirectly holds 3,901,907,480 shares of the Company in aggregate, representing 38.78% of the entire issued shares of the Company. Accordingly, Zhuhai Huafa is an indirect controlling shareholder of the Company and a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As Huafa Finance Company is a subsidiary of Zhuhai Huafa, Huafa Finance Company is a connected person of the Company. As such, the Financial Service Framework Agreement and the transaction contemplated thereunder constitutes continuing connected transaction of the Company.

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GENERAL INFORMATION

Since all executive Directors and Mr. Zou Chaoyong, 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 Financial Service Framework Agreement, each of them has abstained from voting on the Board resolutions approving the Financial Service 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 Financial Service Framework Agreement.

Taking into account of the relevant pricing policies, the basis for determining the proposed annual caps, the reasons for and benefits of entering into the Financial Service Framework Agreement, the Company's internal control procedures and corporate governance as well as the capital risk control measures, the Directors (including the independent non-executive Directors) are of the view the Financial Service Framework Agreement (including the proposed annual caps) are entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

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

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| “Board” | the board of Directors; |
| “CBIRC” | China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會); |
| “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; |
| “Financial Service Framework Agreement” | the agreement dated 28 February 2023 for the provision of deposit services and entered into between Huafa Property and Huafa Finance Company; |
| “Group” | the Company and its subsidiaries; |
| “Hong Kong” | The Hong Kong Special Administrative Region of the PRC; |
| “Huafa Finance Company” | Zhuhai Huafa Group Finance Co., Ltd.* (珠海華發集團財務有限公司), a limited liability company established in the PRC and a subsidiary of Zhuhai Huafa; |
| “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 Properties” | Zhuhai Huafa Properties Co., Ltd. (珠海華發實業股份有限公司), a company established with limited liability in the PRC and listed on the Shanghai Stock Exchange (stock code: 600325), which is a direct non-wholly owned subsidiary of Zhuhai Huafa; |
| “Huafa Property Group” | Huafa Property and its subsidiaries; |
| “Huafa Property Group Company” | a member of the Huafa Property Group; |

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| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “PBOC” | the People’s Bank of China (中國人民銀行), the central bank of the PRC; |
| “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; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “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 Assets Supervision and Administration Commission of the Zhuhai Municipal Government* (珠海市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 an indirect controlling shareholder of the Company; |
| “%” | per cent. |

By order of the Board
Huafa Property Services Group Company Limited
Zhou Wenbin
Executive Director, Chairman and Chief Executive Officer

Hong Kong, 28 February 2023

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

* For identification purpose only