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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 SUPPLEMENTAL MASTER SERVICES AGREEMENT AND REVISION OF ANNUAL CAPS AND NOTICE OF EGM

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

CLC CLC INTERNATIONAL LIMITED
創僑國際有限公司

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 13 of this circular. A letter from the Independent Board Committee is set out on pages 14 to 15 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 16 to 33 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 Friday, 19 June 2020 at 2:00 p.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.

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 24 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.

4 June 2020

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DEFINITIONS

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

“Ancillary Property Management Services”	various Ancillary Property Management Services, the scope is set out in the section headed “Scope of Ancillary Property Management Services” in this circular
“Board”	the board of Directors of the Group
“Brilliant Brother”	Brilliant Brother Group Limited, the Controlling Shareholder of the Company
“Company”	Hevol Services Group Co. Limited (stock code: 6093), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“continuing connected transactions”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“EGM”	the extraordinary general meeting to be convened by the Company for the consideration and the approval of, among other things, the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Hevol Investment”	Hevol Holding Group Limited (和泓控股集團有限公司), a company established as a limited liability company under the laws of the PRC on 14 March 2001, which is owned by Mr. Liu as to 80% and Ms. Hu as to 20% and a connected person of the Group

DEFINITIONS

“Hevol Real Estate”	Hevol Real Estate Group Limited (和泓置地集團有限公司), a company established as a limited liability company under the laws of the PRC on 28 March 2001, which is owned by Hevol Investment as to 80% and Shanghai Hengjiu as to 20%, a company ultimately controlled by Mr. Liu and a connected person of the Group
“Hevol Real Estate Group”	Hevol Investment, Hevol Real Estate and the subsidiaries of Hevol Real Estate, companies ultimately controlled by Mr. Liu and a connected person of the Group
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Company comprising all of the independent non-executive Directors, established to advise the Independent Shareholders in respect of the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps
“Independent Financial Adviser”	CLC International Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps
“Independent Shareholders”	the Shareholders other than Brilliant Brother, its associates and any Shareholder with material interests in the transactions contemplated under the Supplemental Master Services Agreement
“Latest Practicable Date”	1 June 2020, 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

DEFINITIONS

“Master Services Agreement”	the Master Services Agreement the Company has entered into with Hevol Real Estate on 27 June 2019, pursuant to which the Group agreed to provide the Hevol Property Management Services and Hevol Developer-related Services to Hevol Real Estate Group
“Mr. Liu”	Mr. Liu Jiang (劉江), a Controlling Shareholder and a non-executive Director
“Ms. Hu”	Ms. Hu Hongfang (胡洪芳), an executive Director
“Ms. Liu”	Ms. Liu Yu (劉玉), an employee of Hevol Real Estate Group
“PRC”	the People’s Republic of China, which for the purpose of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 27 June 2019
“Revised Annual Caps”	the Revised Annual Caps to include the total amount of transactions under the Master Services Agreement and the Supplemental Master Services Agreement, as set out in the section headed “Revised Annual Caps and The Basis For Determination” in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Hengjiu”	Shanghai Hengjiu Investment Limited (上海恒久投資有限公司), a company established as a limited liability company under the laws of the PRC on 14 June 2005, which is owned by Ms. Hu as to 60% and Ms. Liu as to 40%
“Share(s)”	ordinary shares of US\$0.00001 each in the capital of the Company
“Shareholder(s)”	registered holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Master Services Agreement”	the supplemental master services agreement the Company has entered into with Hevol Real Estate on 29 April 2020, pursuant to which the Group agreed to provide the Ancillary Property Management Services to Hevol Real Estate Group
“%”	per cent.

LETTER FROM THE BOARD



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 Directors:

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:

Suite 3101, Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

4 June 2020

To the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS SUPPLEMENTAL MASTER SERVICES AGREEMENT AND REVISION OF ANNUAL CAPS AND NOTICE OF EGM

INTRODUCTION

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

- (1) property management services, mainly including (i) security services, (ii) repair and maintenance services, and (iii) cleaning and garden landscape maintenance services (“**Hevol Property Management Services**”), and

LETTER FROM THE BOARD

- (2) provide certain property developer-related services to Hevol Real Estate Group, mainly including sales assistance services such as display unit management services, market planning services and visitor reception services (“**Hevol Developer-related Services**”).

The purpose of this circular is to (i) provide you with details of the Supplemental Master Services Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM.

As mentioned in the announcement dated 3 May 2020, the Company and Hevol Real Estate entered into the Supplemental Master Services Agreement to revise the Master Services Agreement, pursuant to which the Group agreed to provide the Ancillary Property Management Services to Hevol Real Estate Group in addition to the Hevol Property Management Services and Hevol Developer-related Services.

THE SUPPLEMENTAL MASTER SERVICES AGREEMENT

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

Date 29 April 2020 (after trading hours)

Parties (1) the Company; and
(2) Hevol Real Estate.

Hevol Real Estate is a company established as a limited liability company under the laws of the PRC on 28 March 2001 and is principally engaged in property development in the PRC. Hevol Real Estate is owned as to 80% and 20% by Hevol Investment and Shanghai Hengjiu respectively. Hevol Investment is owned as to 80% and 20% by Mr. Liu, a Controlling Shareholder and a non-executive Director, and Ms. Hu, an executive Director, respectively. Shanghai Hengjiu is owned as to 60% by Ms. Hu.

As Hevol Real Estate is owned as to 80% by Hevol Investment which in turn is owned as to 80% by Mr. Liu, a Controlling Shareholder and a non-executive Director, each of Hevol Investment and Hevol Real Estate is an associate of Mr. Liu and a connected person of the Group. Accordingly, the transactions contemplated under the Supplemental Master Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

LETTER FROM THE BOARD

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

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

SCOPE OF ANCILLARY PROPERTY MANAGEMENT SERVICES AND PRICING POLICY

No.	Scope of Services	Pricing Policy
1.	Consultancy and planning services The Group will provide consultancy services for the property development projects of Hevol Real Estate Group at its beginning design and development stage, including planning and design, marketing, construction standards and functional layout. The Group will also provide consultancy services on building design, material and equipment selection, layout of wire and cables etc.	Generally in the range of RMB5.0 per sq.m. to RMB6.0 per sq.m.
2.	Preliminary stage property management start-up services The Group will provide various services to Hevol Real Estate Group during the preparatory stage of setting up a property management office, including all expenses incurred during the preparation stage after a property management project is taken over from Hevol Real Estate Group, covering initial expenses such as salaries, office expenses, training expenses, travel expenses, printing expenses, property office supplies and procurement expenses during the preparation period.	Generally in the range of RMB5.0 per sq.m. to RMB7.0 per sq.m.
3.	Property management services of properties held by Hevol Real Estate Group The Group will manage all ancillary commercial properties which are held by Hevol Real Estate Group after the construction of a property development project is completed. Such properties will be leased to third parties to generate rental income. The Group's services include rent collection, letting the properties and sourcing new tenants, arranging utilities and managing the relationship with tenants etc.	15% of the rent collected on a commission basis.

LETTER FROM THE BOARD

No.	Scope of Services	Pricing Policy
4.	Inspection services After the construction of a property development is completed, the Group will conduct inspections and prepare inspection reports. The report will provide information about the property. It will also conduct quality assurance about the common parts of a property including inspections and trial runs on common facilities, equipment and landscaping. For individual flats, the Group will conduct inspection on doors and windows, walls, floors and ceilings. It will also inspect waterproof areas, heating, plumbing and electrical systems and other interior decorations to ensure they meet delivery standards.	Generally in the range of RMB12.0 per sq.m. to RMB15.0 per sq.m.
5.	Repair services The Group will arrange repairs on the buildings developed by Hevol Real Estate Group. It will arrange independent contractors to conduct repair works, monitor the progress of the repairs, and prepare service reports for inspection and record.	Generally in the range of RMB3.0 per sq.m. to RMB6.0 per sq.m.
6.	Cleaning services After the construction of a property development is completed and passed inspection, the Group will do an overall cleaning and cleansing for the building before the individual flats will be delivered to the purchasers. Cleaning will be conducted at the common parts of the building such as fire exits, railings, handrails, floors, doors and windows, garages, offices, children's entertainment facilities, sports venues, public roads and green areas. Such cleaning will also cover glass, doors and windows, and interior walls, ceilings and floors of each individual flat.	Generally in the range of RMB10.0 per sq.m. to RMB13.0 per sq.m.
7.	Formaldehyde removal services The Group will remove formaldehyde for all individual flats before delivery to customers if such flats are furnished.	RMB35.0 per sq.m.

LETTER FROM THE BOARD

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 Supplemental 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 Supplemental Master Services Agreement and report to the management of the Group to ensure that the transaction amounts will not exceed the Revised 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 Supplemental Master Services Agreement by obtaining at least two quotations for each type of services from independent third parties when the Supplemental Master Services Agreement and the individual sub-agreements are renewed. They will work together to ensure that the transactions contemplated under the Supplemental 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 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 Supplemental Master Services Agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and
- (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 Supplemental Master Services Agreement; and (iii) have not exceeded the Revised Annual Caps.

LETTER FROM THE BOARD

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 Supplemental Master Services Agreement will be conducted on normal commercial terms in a manner not prejudicial to the interests of the Company and its Shareholders.

REVISED ANNUAL CAPS AND THE BASIS FOR DETERMINATION

Original annual caps

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

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

Revised Annual Caps

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

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

LETTER FROM THE BOARD

Estimated breakdown of annual caps by nature of services

For ease of reference, an estimated breakdown of the Revised Annual Caps based on types of services for the years ending 31 December 2020 and 31 December 2021 are set out below.

Type of Services	For the years ending 31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Consultancy and planning services	10,174	5,931
Preliminary stage property management start-up services	7,631	5,916
Property management services of properties held by Hevol Real Estate Group	2,532	2,532
Inspection services	10,979	14,903
Repair services	6,099	8,976
Cleaning services	3,815	18,392
Formaldehyde removal services	–	5,460
Total service fees	41,200	62,110
Buffer (30%)	12,360	18,630
Original annual cap	39,800	37,400
Total	93,360	118,140

The Revised Annual Caps are estimated by the Directors with reference to (i) the basis of pricing policy for Ancillary Property Management Services in each city, (ii) the estimated revenue to be recognised in relation to the Ancillary Property Management Services to be provided by us in cities such as Beijing, Sanya, Chongqing, Changsha, Tangshan, Harbin, Shenyang, Guiyang, Chengdu and Tianjin pursuant to the Supplemental Master Services Agreement, (iii) the original estimated revenue to be recognised in relation to the Master Services Agreement to be provided by us pursuant to existing contracts and the expected time and volume of delivery for our existing property management projects; and (iv) the estimated GFA of the properties to be delivered by Hevol Real Estate Group. The remaining portion represents approximately 30% buffer for Ancillary Property Management Services to be provided by the Group for any unforeseeable circumstances. The local market rates of providing similar services in each city are used as the basis of pricing policy for Ancillary Property Management Services. The services are charged primarily on a pre-determined property management fee per sq.m, ranging from RMB3 per sq.m. to RMB35 per sq.m., depending on the type of services provided and the location, or on a commission basis which represents a fixed percentage based on 15% of the rent payable by property owners.

The GFA of the properties to be delivered by Hevol Real Estate Group is estimated using existing construction project planning permits, lease contracts, government approval documents and construction blueprints for the properties requiring Ancillary Property Management Services in each city.

LETTER FROM THE BOARD

The 30% buffer is built in the Revised Annual Caps to cater for a potential increase in the Ancillary Property Management Services that the Group may provide to Hevol Real Estate Group in relation to projects in Guangzhou, Guiyang, and Changsha. Those projects are awaiting building approvals from authorities or pending demolition plan that may or may not materialise through 2021. The total GFA of those potential projects amounts to approximately 2 million sq.m.. Given the uncertainty in the status of those projects, the potential increase in the Ancillary Property Management Services is included in the Revised Annual Caps as a buffer.

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

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

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

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

The Directors (excluding the independent non-executive Directors) are of the view that the transactions contemplated under the Supplemental Master Services Agreement are (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms or better that are fair and reasonable, and (iii) in the interests of the Company and the Shareholders as a whole. The Directors (excluding the independent non-executive Directors) also confirm that the Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

LETTER FROM THE BOARD

IMPLICATIONS OF THE LISTING RULES

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

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

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER AND ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE

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

EGM

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

Brilliant Brother, which holds 286,439,934 Shares in the Company (representing approximately 71.61% of the total issued share capital of the Company) carrying rights to vote at a general meeting, (and any other Shareholder who is involved or interested in the Supplemental Master Services Agreement will be required to) will abstain from voting on the resolutions to be proposed at the EGM for approving the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps. Save for Brilliant Brother, to the best knowledge of the Company, none of the Shareholders are required to abstain from voting on the ordinary resolution proposed at the EGM to consider and, if thought fit, to approve, among other things, the Supplemental Master Services Agreement and the Revised Annual Caps.

LETTER FROM THE BOARD

All resolutions to be proposed at the EGM will be voted on by poll. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are advised to read the notice and to complete the form of proxy and return it to the branch share registrar and transfer office of the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM. The completion of a form of proxy will not preclude you from attending and voting at the EGM in person and any adjourned meeting thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

The Board (including independent non-executive Directors) considers that the resolutions to be proposed at the EGM, as disclosed in the notice of the EGM dated 4 June 2020, are in the interests of the Company and the Shareholders as a whole, and accordingly, recommends the Shareholders to vote in favour of all resolutions to be proposed at the EGM.

Your attention is also drawn to the recommendation of the Independent Board Committee as set out on pages 14 to 15 to this circular and the letter from the Independent Financial Adviser as set out on pages 16 to 33 to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee, setting out its recommendation to the Independent Shareholders in relation to the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps, prepared for the purpose of inclusion in this circular.



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)

4 June 2020

To the Independent Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS SUPPLEMENTAL MASTER SERVICES AGREEMENT AND REVISION OF ANNUAL CAPS

We refer to the circular dated 4 June 2020 (the “**Circular**”) issued by Hevol Services Group Co. Limited (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 as the Independent Board Committee to consider and to advise the Independent Shareholders as to whether, in our opinion, the transactions contemplated under the Supplemental Master Services Agreement and the Revised 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 Supplemental Master Services Agreement and the Revised Annual Caps as set out in the Circular.

CLC International Limited has been appointed 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 16 to 33 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 Supplemental Master Services Agreement and the Revised Annual Caps. Your attention is also drawn to the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Supplemental Master Services Agreement and the Revised 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 Supplemental Master Services Agreement and the Revised Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole; and (ii) the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps are also 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 Supplemental Master Services Agreement and the Revised 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from CLC International Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



4 June 2020

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

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS SUPPLEMENTAL MASTER SERVICES AGREEMENT AND REVISION OF ANNUAL CAPS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the transactions contemplated under the Supplemental Master Services Agreement commencing from 29 April 2020 until 31 December 2021, pursuant to which the Group agreed to provide the Ancillary Property Management Services to Hevol Real Estate Group.

Details of the Supplemental Master Services Agreement with Hevol Real Estate are set out in the Letter from the Board of the circular to the Independent Shareholders dated 4 June 2020 (the “**Circular**”). Unless otherwise stated, terms defined in the Circular have the same meaning as in this letter.

As set out in 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% by Hevol Investment and 20% by Shanghai Hengjiu. Hevol Investment is owned as to 80% by Mr. Liu, a Controlling Shareholder and a non-executive Director, and 20% by Ms. Hu, an executive Director. Shanghai Hengjiu is owned as to 60% by Ms. Hu and 40% by Ms. Liu.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of eight Directors, namely Mr. WANG Wenhao, Ms. HU Hongfang as executive Directors, Mr. LIU Jiang (Chairman), Mr. ZHOU Wei as non-executive Directors, Dr. CHEN Lei, Mr. FAN Chi Chiu, Dr. LI Yongrui and Mr. QIAN Hongji as independent non-executive Directors.

Pursuant to the Listing Rules, the Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the terms of the Supplemental Master Services Agreement, together with the Revised Annual Caps as to (i) whether the transactions contemplated under the Supplemental Master Services Agreement are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Supplemental Master Services Agreement are on normal commercial terms, and are fair and reasonable as far as the Independent Shareholders are concerned; (iii) whether the Revised Annual Caps are fair and reasonable.

We have been appointed to advise the Independent Board Committee and the Shareholders in these respects and to give our opinion in relation to the transactions contemplated under the Supplemental Master Services Agreement and the Revised Annual Caps for the Independent Board Committee's consideration when making its recommendation to the Shareholders.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are independent from and not connected with the Company, Hevol Real Estate and their respective shareholders. Accordingly, we are qualified to give an independent advice to the Independent Board Committee and the Independent Shareholders regarding the Supplemental Master Services Agreement. Save for our appointment as the Independent Financial Adviser, CLC International Limited did not act as a financial adviser for the Company under the Listing Rules in the past two years. Apart from the normal advisory fee paid or payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations contained in the Circular and the information and representations provided to us by the Company and/or its senior management (the “**Management**”) and/or the Directors. We have assumed that all such statements, information, opinions, beliefs and representations were true and accurate, and valid and complete in all material respects at the time they were made and given, and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Company, and Hevol Real Estate made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us that no material information has been withheld from us that could affect the reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company, Hevol Real Estate and their respective shareholder(s) and subsidiaries or affiliates, and their respective histories, experience and track records, or the prospects of the markets in which they respectively operate.

BACKGROUND INFORMATION OF THE SUPPLEMENTAL MASTER SERVICES AGREEMENT

In formulating our opinion and recommendation in relation to the Supplemental Master Services Agreement (together with the Revised Annual Caps), we have taken into consideration the following factors and reasons.

1. Background information of the Group

As set out in the Letter from the Board, the Group is principally engaged in the provision of property management services, community-related services and property developer-related services in the PRC.

Set out below is the summary of the Group’s audited consolidated statement of income and consolidated statement of financial position based on the Company’s annual report for the year ended 31 December 2019 (the “**2019 Annual Report**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary of Consolidated Profit and Loss and Other Comprehensive Income

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
	(audited)	(audited)
Revenue		
Property management services	168,379	155,327
Community-related services	54,105	55,252
Value-added services to non-property owners	25,791	13,871
Total revenue	248,275	224,450
Profit before income tax	23,214	30,405
Profit and total comprehensive income for the year	13,793	16,886

For the years ended 31 December 2019 (“**FY2019**”), the revenue increased by RMB23.8 million or 10.6%, from RMB224.5 million for the year ended 31 December 2018 (“**FY2018**”) to RMB248.3 million for FY2019.

The increase in revenue was mainly attributable to an increase in revenue from property management services and an increase in revenue from value-added services to non-property owners, which was in line with the Group’s business growth.

Revenue from property management services increased by 8.4% from RMB155.3 million for FY2018 to RMB168.4 million for FY2019, as a result of an increase in the total GFA under the Group’s management resulting from the business expansion through organic growth. The revenue-bearing GFA increased by 4.8% from 6.3 million sq.m. as at 31 December 2018 to 6.6 million sq.m. as at 31 December 2019, primarily due to an increasing number of property management projects from 34 in 2018 to 36 in 2019.

Revenue from value-added services to non-property owners increased by RMB11.9 million, or 85.9% from RMB13.9 million for FY2018 to RMB25.8 million for FY2019. The increase in revenue was due to Hevol Real Estate Group having more properties under development which reached the selling stages in 2019, and required the Group’s sales assistance services.

Profit and total comprehensive income for the year of the Group decreased by RMB3.1 million, or 18.3% from RMB16.9 million for FY2018 to RMB13.8 million for FY2019, primarily due to the increase in (i) listing-related expenses; (ii) staff costs; and (iii) professional fees in administrative expenses.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary of Consolidated Statement of Financial Position

	As at 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Total Assets	306,656	260,214
–Bank balances and cash	199,829	134,417
–Trade and other receivables	38,755	85,072
Total Liabilities	142,200	180,108
–Trade and other payables	73,935	87,950
Contract liabilities	58,297	73,116
Total equity attributable to shareholders of the Company	164,456	80,106

The Group's total assets increased by RMB46.4 million or 17.8%, from RMB260.2 million as at 31 December 2018 to RMB306.7 million as at 31 December 2019. As at 31 December 2019, assets of the Group mainly comprised of bank balances and cash of RMB199.8 million, which accounted for 65.2% of the total assets of the Group.

The Group's total liabilities decreased by RMB37.9 million or 21.0%, from RMB180.1 million as at 31 December 2018 to RMB142.2 million as at 31 December 2019. As at 31 December 2019, liabilities of the Group mainly comprised of trade and other payables and contract liabilities, which accounted for 52.0% and 41.0% of the total liabilities respectively.

2. Background information of Hevol Real Estate Group

As set out in the Letter from the Board, Hevol Real Estate Group includes Hevol Investment, Hevol Real Estate and the subsidiaries of Hevol Real Estate, companies ultimately controlled by Mr. Liu, the connected person of the Company. Hevol Real Estate Group is mainly engaged in property development and investment.

Hevol Investment is a company established as a limited liability company under the laws of the PRC on 14 March 2001 and is principally engaged in property investment in the PRC.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Background information on the Property Management Industry in the PRC

According to the “Industry Overview” section of the Prospectus, the property management industry in the PRC is fragmented and competitive. Large-scale property management companies actively accelerate their expansion by means of both organic growth and mergers and acquisitions of small-and medium-sized property management companies, in order to expand the scale of property management for enjoying economies of scale and enhancing the efficiency of resource allocation. Subsequently, the market continues to become more concentrated. The market share of the Top 100 Property Management Companies in the PRC (中國物業服務百強企業) in terms of revenue-bearing GFA increased from 16.3% in 2013 to 38.9% in 2018. Furthermore, the top ten out of the Top 100 Property Management Companies accounted for 11.4% of the market share in terms of revenue-bearing GFA in 2018. According to the “Industry Overview” section of the Prospectus and the 2019 Annual Report, the Company ranked 58th, 48th and 44th in 2017, 2018 and 2019 among the Top 100 Property Management Companies.

In response to evolving customer needs and increasing operational pressure driven by rising cost, property management companies are increasingly diversifying the management of non-residential properties as management of such properties generates a higher profit margin as compared to that of residential properties. Property management companies are also increasingly diversifying their revenue streams by offering various value-added services for higher profitability. Such services mainly include consultancy services to property developers and other property management companies as well as community value-added services to property owners and residents, such as home living services, e-commerce services, property value management services and other professional services. Furthermore, there is vast market potential for community value-added services, and the market volume of the community value-added services market is expected to reach RMB16 trillion in 2022.

According to the “Industry Overview” section of the Prospectus, the growth of the property management industry in the PRC depends on 1) the levels of urbanisation and per capita disposable income; 2) development of commodity properties and 3) favourable policies.

The urbanisation rate (being the projected average rate of change of the size of the urban population over the given period of time) in the PRC increased from 33.4% in 1998 to 59.6% in 2018. The PRC property management industry is expected to continue to grow in tandem with such rising level of urbanisation. Moreover, the PRC’s rapid economic growth has spurred continuous growth in the per capita disposable income for urban population which increased to RMB39,251 in 2018, representing a CAGR of 8.2% from 2013 to 2018. PRC consumers increasingly demand better living conditions and high-quality property management services, which is another underlying driver for the growth of the PRC property management industry.

Following the rapid urbanisation and continuous growth in per capita disposable income, the supply of commodity properties (being residential properties developed for sale) also surged in the PRC. The total GFA of commodity properties developed in the PRC remained stable with 1,000 million sq.m. or above throughout 2013 to 2018. The total investment in property development in the PRC has also surged to RMB12.0 trillion in 2018. The growth in the property development market in the PRC offers ample opportunities for property management companies to expand their businesses in the future.

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The promulgation of the Provisions on Property Management (《物業管理條例》) in June 2003 by the State Council and amended in February 2016 marked as a milestone for the regulatory framework for the property management industry. Subsequently, a series of favourable policies supporting the development of the property management industry have come into effect, including but not limited to the Circular of the NDRC on the Opinions of Relaxing Price Controls in Certain Services (《國家發展改革委關於放開部分服務價格意見的通知》), the Guiding Opinions of the General Office of the State Council on Accelerating the Development of the Resident Service Industry to Promote the Upgrading of Consumption Structure (《國務院辦公廳關於加快發展生活性服務業促進消費結構升級的指導意見》) and the Notice on Effectively Implementing the Work of Cancelling the Qualification Accreditation for Property Management Enterprises (《關於做好取消物業服務企業資質核定相關工作的通知》). These laws and policies jointly create and will continue to improve a supportive and orderly environment and accelerate the development of the industry and property management companies in the PRC.

4. Reasons for and benefits of entering into the Supplemental Master Services Agreement

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

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

The Directors (excluding the independent non-executive Directors) are of the view that the transactions contemplated under the Supplemental Master Services Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms or better that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (excluding the independent non-executive Directors) also confirm that the Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Principal terms of the Supplemental Master Services Agreement

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

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

On 29 April 2020 (after trading hours), the Company and Hevol Real Estate agreed to amend the Master Services Agreement, and entered into the Supplemental Master Services Agreement. The Company and Hevol Real Estate agreed to expand the scope of services to include the Ancillary Property Management Services, in addition to the Hevol Property Management Services and Hevol Developer-related Services provided under the Master Services Agreement. The principal terms of the Supplemental Master Services Agreements are set out below:

Date	29 April 2020 (after trading hours)
Parties	(1) the Company; and (2) Hevol Real Estate.
Duration	The Supplemental Master Services Agreement is for a term from 29 April 2020 to 31 December 2021 (both dates inclusive).
Subject matter	Pursuant to the Supplemental Master Services Agreement, the Group agreed to provide the Ancillary Property Management Services to Hevol Real Estate Group in cities of the PRC.

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6. Scope of Ancillary Property Management Services and Pricing Policy

Scope of Services	Pricing Policy
<p>(a) Consultancy and planning services</p> <p>The Group will provide consultancy services for the property development projects of Hevol Real Estate Group at its beginning design and development stage, including planning and design, marketing, construction standards and functional layout. The Group will also provide consultancy services on building design, material and equipment selection, layout of wire and cables etc.</p>	<p>Generally in the range of RMB5.0 per sq.m. to RMB6.0 per sq.m.</p>
<p>(b) Preliminary stage property management start-up services</p> <p>The Group will provide various services to Hevol Real Estate Group during the preparatory stage of setting up a property management office, including all expenses incurred during the preparation stage after a property management project is taken over from Hevol Real Estate Group, covering initial expenses such as salaries, office expenses, training expenses, travel expenses, printing expenses, property office supplies and procurement expenses during the preparation period.</p>	<p>Generally in the range of RMB5.0 per sq.m. to RMB7.0 per sq.m.</p>
<p>(c) Property management services of properties held by Hevol Real Estate Group</p> <p>The Group will manage all ancillary commercial properties which are held by Hevol Real Estate Group after the construction of a property development project is completed. Such properties will be leased to third parties to generate rental income. The Group's services include rent collection, letting the properties and sourcing new tenants, arranging utilities and managing the relationship with tenants etc.</p>	<p>15% of the rent collected on a commission basis.</p>
<p>(d) Inspection services</p> <p>After the construction of a property development is completed, the Group will conduct inspections and prepare inspection reports. The report will provide information about the property. It will also conduct quality assurance about the common parts of a property including inspections and trial runs on common facilities, equipment and landscaping. For individual flats, the Group will conduct inspection on doors and windows, walls, floors and ceilings. It will also inspect waterproof areas, heating, plumbing and electrical systems and other interior decorations to ensure they meet delivery standards.</p>	<p>Generally in the range of RMB12.0 per sq.m. to RMB15.0 per sq.m.</p>

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Scope of Services	Pricing Policy
(e) Repair services	
The Group will arrange repairs on the buildings developed by Hevol Real Estate Group. It will arrange independent contractors to conduct repair works, monitor the progress of the repairs, and prepare service reports for inspection and record.	Generally in the range of RMB3.00 per sq.m. to RMB6.00 per sq.m.
(f) Cleaning services	
After the construction of a property development is completed and passed inspection, the Group will do an overall cleaning and cleansing for the building before the individual flats will be delivered to the purchasers. Cleaning will be conducted at the common parts of the building such as fire exits, railings, handrails, floors, doors and windows, garages, offices, children's entertainment facilities, sports venues, public roads and green areas. Such cleaning will also cover glass, doors and windows, and interior walls, ceilings and floors of each individual flat.	Generally in the range of RMB10.0 per sq.m. to RMB13.0 per sq.m.
(g) Formaldehyde removal services	
The Group will remove formaldehyde for all individual flats before delivery to customers if such flats are furnished.	RMB35.0 per sq.m.

7. Analysis on the principal terms of the Supplemental Master Services Agreement

We have discussed with the Management and were advised that the pricing policy under the Supplemental Master Services Agreement for the provision of various Ancillary Property Management Services was determined based on a number of factors, including (i) types and locations of the properties, (ii) the operational costs (including labor costs and relevant costs) to be incurred in the course of the provision of the services, (iii) the prevailing market rates from independent third parties for providing respective comparable services, and (iv) the profit margin. The local market rates of providing similar services in each city are used as the basis of pricing policy for Ancillary Property Management Services. The services are charged primarily on a pre-determined property management fee per sq.m., depending on the type of services provided and the location, or on a commission basis which represents a fixed percentage based on 15% of the rent payable by property owners.

In assessing the fairness and reasonableness of the pricing basis, we have reviewed the information provided by the Management and contracts from independent third parties for providing respective comparable services in different cities. We note that the rate of Ancillary Property Management Services that the Group to be provided to Hevol Real Estate Group are higher than or same as that of the independent third parties.

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The Management confirmed that in the past, the Group did not provide the Ancillary Property Management Services that are included in the Supplemental Master Services Agreement to Hevol Real Estate Group. The parties intends to extend its scope of services to cover the works in the early stage of the property development projects before Hevol Property Management Services and Hevol Developer-related services took place. We obtained at least two quotation contracts for each scope of services under the Ancillary Property Management Services from independent third parties introduced by the Group, totaling 15 quotation contracts regarding the provision of property management services by independent third parties.

For our due diligence purpose, we have reviewed the 15 quotation contracts that we obtained directly from the independent third parties introduced by the Group. The 15 quotation contracts cover services comparable to the services under Ancillary Property Management Services. Furthermore, we note from the contracts that the services fees for the same types of properties for consultancy and planning services, preliminary stage property management start-up services, property management services and formaldehyde removal services charged by the Group to Hevol Real Estate Group were the same or higher than those charged by the independent third parties for similar services. For service fees charged for property management services on a commission basis, the commission percentage charged by the Group to Hevol Real Estate were the same or higher than those charged by independent third parties for similar services.

Based on our assessment, we consider the transactions contemplated under the Supplemental Master Services Agreement are on normal commercial terms or better terms in the ordinary and usual course of the Company and are in the interests of the Company and its Independent Shareholders in general.

8. Rationale for determining the annual caps in connection with the Supplemental Master Services Agreement

(a) *Original annual caps*

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

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

According to the auditor's letter on the continuing connected transactions of the Group for FY2019 (the "**Auditor's Confirmation**"), the historical total amount of Hevol Property Management and Hevol Developer-related Services was RMB34.3 million, or 99.1% of the original annual caps for FY2019.

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(b) Revised Annual Caps

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

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

(c) Estimated breakdown of annual caps by nature of services

For ease of reference, an estimated breakdown of the Revised Annual Caps based on types of services for the years ending 31 December 2020 and 31 December 2021 are set out below.

Type of Services	For the years ending 31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Consultancy and planning services	10,174	5,931
Preliminary stage property management start-up services	7,631	5,916
Property management services of properties held by Hevol Real Estate Group	2,532	2,532
Inspection services	10,979	14,903
Repair services	6,099	8,976
Cleaning services	3,815	18,392
Formaldehyde removal services	–	5,460
Total service fees	41,200	62,110
Buffer (30%)	12,360	18,630
Original annual cap	39,800	37,400
Total	93,360	118,140

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As set out in the Letter from the Board, the Revised Annual Caps are estimated by the Directors with reference to (i) the basis of the pricing policy for Ancillary Property Management Services in each city, (ii) the estimated revenue to be recognised in relation to the Ancillary Property Management Services to be provided by the Group in cities such as Beijing, Sanya, Chongqing, Changsha, Tangshan, Harbin, Shenyang, Guiyang, Chengdu, and Tianjin, pursuant to the Supplemental Master Services Agreement, (iii) the original estimated revenue to be recognised in relation to the Master Services Agreement to be provided by the Group pursuant to existing contracts and the expected time and volume of delivery for its existing property management projects and (iv) the estimated GFA of the properties to be delivered by Hevol Real Estate Group. The remaining portion represents approximately 30%-buffer for Ancillary Property Management Services to be provided by the Group for any unforeseeable circumstances. The 30% buffer is built in the Revised Annual Caps to cater for a potential increase in the Ancillary Property Management Services that the Group may provide to Hevol Real Estate Group in relation to projects in Guangzhou, Guiyang, and Changsha. Those projects are awaiting building approvals from authorities or pending demolition plan that may or may not materialise through 2021. The total GFA of those potential projects amounts to approximately 2 million sq.m.. Given the uncertainty in the status of those projects, the potential increase in the Ancillary Property Management Services is included in the Revised Annual Caps as a buffer.

We have obtained the list of potential projects, which may require the Ancillary Property Management Services, totaling approximately 2 million sq.m. GFA if initiated. For our due diligence purpose, we have obtained relevant preliminary documents for those projects, including project plans, building designs, and internal communication records. In light of the potential projects amounting to approximately 2 million sq.m., we consider that the buffer is fair and reasonable.

For our due diligence purpose, we obtained the detailed calculation for the Revised Annual Caps for the two years ending 31 December 2021 (the “**Projected Calculation**”). The Projected Calculation estimated the possible demand of Ancillary Property Management Services which was prepared based on the estimated GFA of the properties to be delivered by Hevol Real Estate Group under the Company’s management and the basis of the service fee for Ancillary Property Management Services by each service and each city.

In respect of the estimated GFA of the properties to be delivered by Hevol Real Estate Group under the Company’s management, we have obtained communication records between Hevol Real Estate Group and the Group regarding the expected GFA of the properties that need the Ancillary Property Management Services to be provided by the Company in each city. Furthermore, we have also obtained and reviewed the existing construction project planning permits, lease contracts, government approval documents and construction blueprints for the properties requiring Ancillary Property Management Services in each city. The Company expected that the estimated revenues are approximately RMB53.6 million and RMB80.7 million for the year ending 31 December 2020 and 2021 respectively.

A moderate buffer is provided to cater for any unforeseeable circumstances, in particular, for any unexpected changes in labour cost and unexpected fluctuation in cost of raw material and ancillary services, for the two years ending 31 December 2021.

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Having considered (i) the historical total amount of Hevol Property Management and Hevol Developer-related Services represented 99.1% of the original annual caps for FY2019; (ii) the basis of pricing policy for the calculation of the Revised Annual Caps; and (iii) the calculation of the Revised Annual Caps having taken into account the estimated GFA of the properties to be delivered by Hevol Real Estate Group for the two years ending 31 December 2020 and 2021, we consider the basis for determining the Revised Annual Caps under the Supplement Master Services Agreement to be fair and reasonable so far as the Independent Shareholders are concerned.

9. Internal Control Procedures

We have also obtained and reviewed the internal procedures of the Group governing the transactions contemplated under the Supplemental Master Services Agreement which involve, among others, the review of terms of relevant transactions, a feedback mechanism by the approval parties and segregation of duties. With a view to ensure that the transactions pursuant to the Supplemental Master Services Agreement are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole, the relevant personnel and the management of the Group will review and assess whether the transactions contemplated under the Supplemental Master Services Agreement are conducted in accordance with the terms of the Supplemental Master Services Agreement.

As stated in the Letter from the Board, the Group will undertake the following internal control measures to monitor the Supplemental Master Services Agreement, the details of which are set out in paragraph headed “Internal Control” in the Letter from the Board.

- (1) 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 Supplemental Master Services Agreement;
- (2) 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 Supplemental Master Services Agreement and report to the management of the Group to ensure that the transaction amounts will not exceed the Revised Annual Caps;
- (3) 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 Supplemental Master Services Agreement by obtaining at least two quotations for each type of services from independent third parties when the Supplemental Master Services Agreement and the individual sub-agreements are renewed. They will work together to ensure that the transactions contemplated under the Supplemental 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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- (4) 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.
- (5) the independent non-executive Directors will review the continuing connected transactions every year and confirm that the transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the Supplemental Master Services Agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and
- (6) the Company will engage its auditors to report on the continuing connected transactions every year. The auditors of the Company will review and confirm in the annual report of the Company whether the transactions (i) have been approved by the Board; (ii) were entered into, in all material respects, in accordance with the Supplemental Master Services Agreement; and (iii) have not exceeded the relevant Revised Annual Caps.

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

We are advised by the Management of the Company that:

- (a) the Management of the Group has confirmed that:
 - (1) they are aware of their responsibility to monitor the price and terms of the Supplemental Master Services Agreement from time to time to ensure that the transactions contemplated under the Supplemental Master Services Agreement are conducted on normal commercial terms and at prices and terms no more favourable than those offered by the Group to other independent third parties;
 - (2) they are aware of their responsibility to monitor the monthly transaction amounts between the Group and Hevol Real Estate under the Supplemental Master Services Agreement to ensure that the transaction amounts will not exceed the Revised Annual Caps;
- (b) the chief finance officer from the finance department of the Group has confirmed that:
 - (1) he is aware of his responsibility to conduct checks once every three months and during half years to review and assess whether the transactions are conducted in accordance with the terms of the Supplemental Master Services Agreement;

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- (2) he is aware of his responsibility to monitor the prices and terms of the Supplemental Master Services Agreement once every three months and during half year to ensure that the transactions contemplated under the Supplemental Master Services Agreement is conducted on normal commercial terms and at prices and terms no more favourable than those offered by the Group to other independent third parties;
 - (3) he is aware of his responsibility to monitor the monthly transaction amounts between the Group and Hevol Real Estate Group under the Supplemental Master Services Agreement and report to the management of the Group to ensure that the transaction amounts will not exceed the Revised Annual Caps;
- (c) the Company's independent non-executive Directors have confirmed that:
- (1) they are aware of their responsibility to review the continuing connected transactions every year and every half year confirm that the transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the Supplemental Master Services Agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

With reference to the internal procedures, the company secretary will prepare an internal connected party form for each of the substantial shareholders, Directors and Management of the Group to fill in annually and keep these written records properly. The company secretary shall compile and update the "List of Connected Parties" which are confirmed by the audit committee. We have obtained and reviewed the connected party forms and the List of Connected Parties for FY2019.

To review the internal control procedure in relation to monitoring the carrying out of the transactions contemplated under the Supplemental Master Services Agreement, we have:

- (1) obtained and reviewed the signed quarterly monitor records from June 2019 to March 2020 of the chief finance officer, executive director, and the internal control and compliance department checking the transactions contemplated under the Master Services Agreement. The monitor records include a summary of transactions conducted under the Master Service Agreement with Hevol Real Estate Group. The records prepared and signed by the manager of finance department were then reviewed by the chief financial officer, an executive director and the internal control and compliance department as to whether the transaction amounts exceeded the annual caps and whether the transactions were conducted in accordance with the pricing terms of the Master Services Agreement.
- (2) obtained and reviewed the signed monthly monitor records from the finance department. The monitor records include a summary of transactions conducted under the Master Service Agreement with Hevol Real Estate Group. The records prepared and signed by the manager of finance department were then reviewed by the chief financial officer as to whether the transactions contemplated under the Master Services Agreement exceeded the annual caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (3) obtained and reviewed the meeting minutes on the Audit Committee checking the transactions under the Master Services Agreement has been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the Master Services Agreement without exceeding the original annual caps.

Furthermore, with reference to Rule 14A.56 of the Hong Kong Listing Rules, among other things, the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that cause them to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group.

For our due diligence purpose, we obtained the Auditor's Confirmation containing the findings and conclusions in respect of the continuing connected transactions 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 annual cap as set by the Company.

Given that there are sufficient internal control procedures for the Group to ensure that (i) the transaction contemplated under the Supplemental Master Services Agreement are conducted in accordance with the terms of the Supplement Master Services Agreement and would not exceed the Revised Annual Caps; (ii) the relevant persons of the Company understand their responsibilities to implement the internal control procedures; and (iii) the rates of service fee under the Supplemental Master Services Agreement are on normal commercial terms or better, we are of the view that there are sufficient internal control procedures in place to ensure transactions contemplated under the Supplemental Master Services Agreement will be conducted on normal commercial terms and fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the transactions contemplated under the Supplemental Master Services Agreement will be (i) conducted into in the ordinary and usual course of business of the Company; (ii) on normal commercial terms and (iii) the terms of the Supplemental Master Services Agreement and the Revised Annual Caps are fair and reasonable in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the ordinary resolutions to be proposed at the EGM.

Yours faithfully,
For and on behalf of
CLC International Limited
Wayne Su
Managing Director

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	Interest of controlled corporation ⁽¹⁾	286,439,934 ⁽¹⁾	71.61%

(ii) Long positions in the shares of associated corporations

Director	Name of Associated Corporation	Number of shares	Approximate percentage of the Company's total issued share capital
Mr. Liu	Brilliant Brother ⁽¹⁾	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", 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 (%)
Mr. Liu ⁽¹⁾	Interest of controlled corporation	286,439,934	71.61%
Brilliant Brother	Beneficial owner	286,439,934	71.61%
Mrs. Liu Hong (劉宏) ⁽²⁾	Interest of spouse	286,439,934	71.61%

Notes:

- (1) The entire issued share capital of Brilliant Brother is held by Mr. Liu. Therefore, Mr. Liu is deemed to be interested in the shares held by Brilliant Brother in the Company under the SFO.
- (2) 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 2019, 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 transfer agreement (轉讓協議) (in Chinese) dated 8 August 2018 between Hevol Investment and Guizhou Hevol Abundance Property Management Limited* (貴州和泓豐盈物業管理有限公司) (“**Hevol Abundance**”), pursuant to which Hevol Investment shall transfer the share capital of RMB16,500,000 in Beijing Hongsheng Investment Limited* (北京泓升投資有限責任公司) (“**Beijing Hongsheng**”) to Hevol Abundance;
- (b) the transfer agreement (轉讓協議) (in Chinese) dated 8 August 2018 between Hevol Real Estate and Hevol Abundance, pursuant to which Hevol Real Estate shall transfer the share capital of RMB13,500,000 in Beijing Hongsheng to Hevol Abundance;

- (c) the equity interest transfer agreement (股權轉讓協議) (in Chinese) dated 22 August 2018 between Hevol Real Estate and RIME Venture (HK) Limited, pursuant to which RIME Venture (HK) Limited shall acquire 2.03% of the equity interest in Hevol Abundance from Hevol Real Estate at a consideration of RMB1,184,850;
- (d) the equity interest transfer agreement (股權轉讓協議) (in Chinese) dated 22 August 2018 between Hevol Investment and RIME Venture (HK) Limited, pursuant to which RIME Venture (HK) Limited shall acquire 2.49% of the equity interest in Hevol Abundance from Hevol Investment at a consideration of RMB1,448,160;
- (e) the equity interest transfer agreement (股權轉讓協議) (in Chinese) dated 19 October 2018 between Hevol Real Estate and Guizhou Furuiying Information Consultancy Limited* (貴州福瑞盈信息諮詢有限公司) (“**Guizhou WFOE**”), pursuant to which Hevol Real Estate shall transfer its 42.97% equity interest in Hevol Abundance to Guizhou WFOE at a consideration of RMB2,148,500;
- (f) the equity interest transfer agreement (股權轉讓協議) (in Chinese) dated 19 October 2018 between Hevol Investment and Guizhou WFOE, pursuant to which Hevol Investment shall transfer its 52.51% equity interest in Hevol Abundance to Guizhou WFOE at a consideration of RMB2,625,500;
- (g) the trademark transfer and authorisation and licence agreement (商標轉讓及授權許可協議) (in Chinese) dated 30 November 2018 and entered into between Hevol Investment and Beijing Hongsheng, pursuant to which Hevol Investment has transferred and granted a licence to Beijing Hongsheng in respect of certain trademarks as specified therein;
- (h) the instrument of transfer dated 26 December 2018 and entered into between the Company and Cherish Eagle Investment Limited in respect of the transfer of one ordinary share of RIME Venture Limited from Cherish Eagle Investment Limited to the Company in consideration of full payment of the purchase price paid to Cherish Eagle Investment Limited by the Company;
- (i) the deed of indemnity dated 17 February 2019 and executed by the controlling Shareholders in favour of the Company;
- (j) the deed of non-competition dated 14 June 2019 and executed by the controlling Shareholders in favour of the Company;
- (k) the Hong Kong underwriting agreement in which the Company has agreed to offer the Shares for subscription by the public in Hong Kong with the underwriters as disclosed in the Prospectus;

- (l) the investment framework agreement dated 23 October 2019 entered into among the Company, Beijing Hongsheng, Shanghai Tongjin Ancillary Property Management Services Co. Ltd* (上海同進物業服務有限公司) (“**Shanghai Tongjin**”), Mr. Yang Delin (楊德林) and Tongjin Real Estate Development Ltd. SH* (上海同進置業有限公司), setting out the framework of the acquisition of 70% of the equity interest in Shanghai Tongjin; and
- (m) the conditional sale and purchase agreement dated 28 December 2019 entered into by Beijing Hongsheng, Tongjin Real Estate Development Ltd. SH* (上海同進置業有限公司), Huzhou Yihong Enterprise Management Consulting Limited Liability Partnership* (湖州懿宏企業管理諮詢合夥企業(有限合夥)), Shanghai Tongjin, Huzhou Yongrun Enterprise Management Consulting Partnership* (湖州雍潤企業管理諮詢合夥企業(有限合夥)) and Mr. Yang Delin (楊德林) in relation to the acquisition of 70% of the equity interest in Shanghai Tongjin.

8. EXPERT AND CONSENT

The following are the qualification of the expert who had given opinion contained in this circular:

Name	Qualifications
CLC International Limited	A licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

As at the Latest Practicable Date, the expert above had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or had any interest, either direct or indirect, in any assets which had been since 31 December 2019 (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 were proposed to be acquired or disposed of by or leased to any member of the Group.

The expert above has given and has not withdrawn its written consent to the issue of this circular with the respective reports, letters and references to their names in the form and context in which they are included.

9. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group was made up.

10. 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.

11. GENERAL

- (a) The registered office of the Company is located at PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is located at Suite 3101, Everbright Centre, 108 Gloucester 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. 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 text.

12. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at Suite 3101, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong:

- (a) the service contracts entered into between each Director and the Company referred to in the paragraph headed "Directors' Service Contracts" in this Appendix;
- (b) the Master Services Agreement and the Supplemental Master Services Agreement;
- (c) the Memorandum and Articles of Association of the Company;

- (d) the material contracts referred to in the paragraph headed “Material Contracts” of this appendix;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 33 of this circular;
- (g) the letter of consent referred to under the section headed “Expert and Consent” in this appendix; and
- (h) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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 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 Friday, 19 June 2020 at 2:00 p.m. to consider and, if thought fit, to pass with or without amendments, the following resolution(s):

ORDINARY RESOLUTIONS

1. “**THAT** the Supplemental Master Services Agreement dated 29 April 2020 entered into between the Company and Hevol Real Estate Group Limited (和泓置地集團有限公司) (the “**Supplemental 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 Revised Annual Caps amounts in respect of the Supplemental Master Services Agreement in aggregate for each of the years ending 31 December 2020 and 2021 (the “**Revised Annual Caps**”) be and are hereby approved”; and
3. “**THAT** any director(s) of the Company be and is/are hereby authorised, for and on behalf of the Company, to enter into any agreement, deed or instrument and/or to execute and deliver all such documents and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with (i) the Supplemental Master Services Agreement; and/or (ii) the Revised Annual Caps, and/or (iii) any amendment, variation or modification of the Supplemental Master Services Agreement and the transactions contemplated thereunder, and the Revised Annual Caps upon such terms and conditions as the board of directors of the Company may think fit.”

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

Hong Kong, 4 June 2020

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 Tuesday, 16 June 2020 to Friday, 19 June 2020, 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 Monday, 15 June 2020.

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, Mr. Li Yongrui and Mr. Qian Hongji.